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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 2022

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 2022. 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 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 2022 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	year increase/	beginning of	year increase/
	ended	decrease in	the year to	decrease from
	30 September	the reporting	the end of	the beginning
	2022	period (%)	the reporting	of the year to
	(the “reporting		period	the end of
	period”)			the reporting
				period (%)
Operating revenues	118,663	7.9	360,982	9.6
Profit attributable to equity holders of the Company	6,252	12.0	24,543	5.2
Basic earnings per share (RMB per share)	0.07	16.7	0.27	-3.6
				Increase/
				decrease as
				at the end of
				the reporting
				period as
				compared to
				the end of
				last year (%)
Total assets		784,593	762,234	2.9
Equity attributable to equity holders of the Company		427,038	428,674	-0.4

II. SHAREHOLDER INFORMATION

As of the end of the reporting period, the total number of the Company's shareholders was 616,581 (including 614,947 A shareholders and 1,634 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:

Unit: Share

Name of shareholder	Nature of shareholder	Number of shares held	Shareholding percentage (%)	Number of restricted shares held	Status of shares pledged, marked or locked up	
					Status of shares	Number
China Telecommunications Corporation	State-owned legal person	58,362,203,374	63.78	57,377,053,317	None	-
HKSCC Nominees Limited	Foreign legal person	13,846,861,512	15.13	0	Unknown	-
Guangdong Rising Holdings Group Co., Ltd.	State-owned legal person	5,614,082,653	6.14	0	None	-
Zhejiang Provincial Financial Development Co., Ltd.	State-owned legal person	2,137,473,626	2.34	0	None	-
Fujian Investment & Development Group Co., Ltd.	State-owned legal person	969,317,182	1.06	0	None	-
Jiangsu Guoxin Group Limited	State-owned legal person	957,031,543	1.05	0	None	-
Suzhou High Speed Rail New Town Economic Development Co., Ltd	Unknown	662,251,000	0.72	0	None	-
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	Unknown	662,251,000	0.72	0	None	-
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	State-owned legal person	551,876,000	0.60	0	None	-
State Grid Yingda International Holdings Group Co., Ltd.	State-owned legal person	441,501,000	0.48	0	None	-

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

Unit: Share

Name of Shareholder	Number of unrestricted tradable shares held	Type and number of shares	
		Type of shares	Number
HKSCC Nominees Limited	13,846,861,512	Overseas-listed foreign- invested shares	13,846,861,512
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653	RMB ordinary shares	5,614,082,653
Zhejiang Provincial Financial Development Co., Ltd.	2,137,473,626	RMB ordinary shares	2,137,473,626
China Telecommunications Corporation	985,150,057	RMB ordinary shares	985,150,057
Fujian Investment & Development Group Co., Ltd.	969,317,182	RMB ordinary shares	969,317,182
Jiangsu Guoxin Group Limited	957,031,543	RMB ordinary shares	957,031,543
Suzhou High Speed Rail New Town Economic Development Co., Ltd	662,251,000	RMB ordinary shares	662,251,000
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	662,251,000	RMB ordinary shares	662,251,000
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	551,876,000	RMB ordinary shares	551,876,000
State Grid Yingda International Holdings Group Co., Ltd.	441,501,000	RMB ordinary shares	441,501,000

Note 1: 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.

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 2022/ For the period from 1 January 2022 to 30 September 2022	As at 30 September 2021/ For the period from 1 January 2021 to 30 September 2021
Mobile Subscribers (Million)	389.89	369.66
Net Add of Mobile Subscribers (Million)	17.46	18.64
5G Package Subscribers (Million)	251.04	155.54
Net Add of 5G Package Subscribers (Million)	63.24	69.04
Handset Data Traffic (kTB)	44,064.5	33,977.2
Wireline Broadband Subscribers (Million)	178.68	167.64
Net Add of Wireline Broadband Subscribers (Million)	8.97	9.11
Access Lines in Service (Million)	105.50	107.09
Net Increase/(decrease) of Access Lines in Service (Million)	(1.14)	(0.79)

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 2022, the Company seized the strategic opportunities which emerged from the development of the digital economy, adhered to the new development principles, coordinated epidemic prevention and control with corporate operation and development, fully implemented the “Cloudification and Digital Transformation” strategy, and continued its development as a service-oriented, technology-oriented and secured enterprise. As a result, the Company’s operating performance maintained a good growth momentum with new achievements in high-quality development. The Company has declared an interim dividend for the first time, constantly creating new value for shareholders.

In the first three quarters of 2022, operating revenues were RMB360,982 million, representing an increase of 9.6% over the same period of last year, of which service revenues¹ were RMB328,601 million, representing an increase of 8.0% over the same period of last year. The profit attributable to equity holders of the Company was RMB24,543 million, representing an increase of 5.2% over the same period of last year. Excluding the one-off after-tax gain² from the disposals of its subsidiaries last year, the year-on-year increase was 12.0%. Basic earnings per share were RMB0.27. EBITDA³ was RMB100,458 million, representing an increase of 4.3% over the same period of last year. EBITDA margin⁴ was 30.6%.

In terms of mobile communications services, the Company insisted on the individual informatisation upgrade led by 5G, continued to improve 5G network coverage, continuously enriched 5G applications, and promoted network access and usage for 5G subscribers, driving the steady increase of user scale and value. In the first three quarters of 2022, mobile communications service revenues amounted to RMB148,367 million, representing an increase of 5.6% over the same period of last year. The total number of mobile subscribers reached approximately 390 million with a net addition of 17.46 million. The number of 5G package subscribers reached approximately 251 million with a net addition of 63.24 million, while the penetration rate reached 64.4%. The mobile ARPU⁵ amounted to RMB45.5.

In terms of Wireline and Smart Family services, focusing on customers' demand for digital life, the Company accelerated the expansion of Gigabit products at scale to create a platform for digital life applications with wider connectivity, broader reach and higher level of intelligence, so as to promote the integrated development of Smart Family, Smart Community and Digital Village. In the first three quarters of 2022, the Company's Wireline and Smart Family service revenues reached RMB89,433 million, representing an increase of 4.6% over the same period of last year. The number of wireline broadband subscribers reached 179 million, and revenue from Smart Family maintained rapid growth, driving the broadband blended ARPU⁶ to reach RMB46.6. The value contribution from Smart Family continued to improve.

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

² 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.

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

⁴ EBITDA margin = EBITDA/service revenues.

⁵ Mobile ARPU = monthly average revenues from mobile services / the average number of mobile subscribers.

⁶ Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services / the average number of broadband subscribers.

In terms of Industrial Digitalisation, the Company actively promoted the in-depth integration and development of the digital economy and the real economy, deepened government and enterprise reform on all fronts, optimised its proprietary capabilities such as cloud, network, data, intelligence, security, platform, etc., enhanced the construction of cloud core platform, and strengthened differentiated competitive advantages of e-Surfing Cloud, to push forward the digital and intelligent upgrade of vertical industries and empower the digital transformation and development of the society. In the first three quarters of 2022, Industrial Digitalisation service revenues reached RMB85,632 million, representing a year-on-year increase of 16.5% on a comparable basis⁷. Revenue from e-Surfing Cloud continued to double.

In the first three quarters of 2022, the Company's operating expenses amounted to RMB330,665 million, representing an increase of 9.9% over the same period of last year and was mainly due to the increase in network operations and support expenses and other operating expenses. Of which, network operations and support expenses amounted to RMB106,398 million, representing an increase of 10.0% over the same period of last year. It was mainly attributable to the fact that the Company continued to enhance the service quality and capability of its cloud-network and improve user perception, actively supporting the business development of 5G and Industrial Digitalisation services, while moderately increasing investment in capabilities deployment. Other operating expenses amounted to RMB39,566 million, representing an increase of 21.0% over the same period of last year and was mainly due to the increase in the sales of mobile terminal products such as 5G handsets. Net finance costs amounted to RMB27 million, representing a decline of 97.9% from the same period of last year, mainly because the Company had sound operating condition, while A Share Offering in year 2021 effectively covered the capital needs of key investment projects and thus the scale of interest-bearing debts was effectively reduced.

⁷ Revenue for Industrial Digitalisation in the first three quarters of 2021 has excluded the Internet Finance revenue before the disposal of E-surfing Pay Co., Ltd.

Looking ahead, the Company will seize on new stages of its development and implement its new development principles completely, accurately and comprehensively, while proactively serving and integrating into the new development pattern. The Company will insist on making progress while ensuring stability, continuously promote its high-quality development and fully implement its “Cloudification and Digital Transformation” strategy to promote the continuous implementation of cloud-network integration 3.0. Through the integration of cloud, security, AI and digital platform, the Company will accelerate the nurturing and development of strategic emerging services such as cloud, security, Big Data and AI. The Company will strengthen its core competitiveness with enhanced sci-tech innovation, while fully motivating the enthusiasm of employees and stimulating corporate vitality to expedite the building of a world-class enterprise and share its high-quality development achievements with its shareholders, customers and the society.

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 the Appendix to this announcement.

(3) Adjustment to financial statements at the beginning of the year since 2022 due to application of new accounting standards or interpretations of accounting standards 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, 20 October 2022

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 and Mr. Tang Ke (both 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 2022

(Amounts in million)

	30 September	31 December
	2022	2021
	RMB	RMB
ASSETS		
Non-current assets		
Property, plant and equipment, net	396,657	415,981
Construction in progress	70,476	51,456
Right-of-use assets	52,860	61,186
Goodwill	29,923	29,919
Intangible assets	18,134	19,753
Interests in associates and joint ventures	41,593	41,166
Financial assets at fair value through profit or loss	395	248
Equity instruments at fair value through other comprehensive income	839	1,216
Deferred tax assets	4,754	6,688
Other assets	7,519	7,261
	<hr/>	<hr/>
Total non-current assets	623,150	634,874
Current assets		
Inventories	4,798	3,827
Income tax recoverable	9	437
Accounts receivable, net	39,464	22,389
Contract assets	2,294	912
Prepayments and other current assets	31,429	24,585
Short-term bank deposits and restricted cash	4,037	1,929
Cash and cash equivalents	79,412	73,281
	<hr/>	<hr/>
Total current assets	161,443	127,360
	<hr/>	<hr/>
Total assets	784,593	762,234

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

at 30 September 2022

(Amounts in million)

	30 September 2022 RMB	31 December 2021 RMB
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debts	2,791	2,821
Current portion of long-term debts	3,147	6,280
Accounts payable	138,696	114,895
Accrued expenses and other payables	73,865	55,765
Contract liabilities	64,027	70,914
Income tax payable	3,804	588
Current portion of lease liabilities	10,075	13,809
	<u>296,405</u>	<u>265,072</u>
Total current liabilities	296,405	265,072
	<u>(134,962)</u>	<u>(137,712)</u>
Net current liabilities	(134,962)	(137,712)
	<u>488,188</u>	<u>497,162</u>
Total assets less current liabilities	488,188	497,162
Non-current liabilities		
Long-term debts	4,516	7,395
Lease liabilities	24,009	28,593
Deferred tax liabilities	25,407	26,677
Other non-current liabilities	4,659	3,329
	<u>58,591</u>	<u>65,994</u>
Total non-current liabilities	58,591	65,994
	<u>354,996</u>	<u>331,066</u>
Total liabilities	354,996	331,066
Equity		
Share capital	91,507	91,507
Reserves	335,531	337,167
	<u>427,038</u>	<u>428,674</u>
Total equity attributable to equity holders of the Company	427,038	428,674
Non-controlling interests	2,559	2,494
	<u>429,597</u>	<u>431,168</u>
Total equity	429,597	431,168
	<u>784,593</u>	<u>762,234</u>
Total liabilities and equity	784,593	762,234

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

for the nine-month period ended 30 September 2022

(Amounts in million)

	Nine-month period ended	
	30 September	
	2022	2021
	RMB	RMB
Operating revenues	360,982	329,241
Operating expenses		
Depreciation and amortisation	(70,141)	(68,094)
Network operations and support	(106,398)	(96,718)
Selling, general and administrative	(47,435)	(42,966)
Personnel expenses	(67,125)	(60,507)
Other operating expenses	(39,566)	(32,702)
	<u>(330,665)</u>	<u>(300,987)</u>
Operating profit	30,317	28,254
Net finance costs	(27)	(1,309)
Investment income and others	141	2,238
Share of profits of associates and joint ventures	1,400	1,304
	<u>1,400</u>	<u>1,304</u>
Profit before taxation	31,831	30,487
Income tax	(7,194)	(7,051)
	<u>(7,194)</u>	<u>(7,051)</u>
Profit for the period	24,637	23,436
	<u>24,637</u>	<u>23,436</u>
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	(284)	(128)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	68	36
	<u>68</u>	<u>36</u>
	<u>(216)</u>	<u>(92)</u>

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

for the nine-month period ended 30 September 2022

(Amounts in million except for per share data)

	Nine-month period ended	
	30 September	
	2022	2021
	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	<u>587</u>	<u>(60)</u>
	<u>587</u>	<u>(60)</u>
Other comprehensive income for the period, net of tax	<u>371</u>	<u>(152)</u>
Total comprehensive income for the period	<u><u>25,008</u></u>	<u><u>23,284</u></u>
Profit attributable to		
Equity holders of the Company	24,543	23,327
Non-controlling interests	<u>94</u>	<u>109</u>
Profit for the period	<u><u>24,637</u></u>	<u><u>23,436</u></u>
Total comprehensive income attributable to		
Equity holders of the Company	24,914	23,175
Non-controlling interests	<u>94</u>	<u>109</u>
Total comprehensive income for the period	<u><u>25,008</u></u>	<u><u>23,284</u></u>
Basic earnings per share (RMB)	<u><u>0.27</u></u>	<u><u>0.28</u></u>
Diluted earnings per share (RMB)	<u><u>0.27</u></u>	<u><u>0.28</u></u>
Number of shares (in million)	<u><u>91,507</u></u>	<u><u>91,507</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the nine-month period ended 30 September 2022

(Amounts in million)

	<i>Note</i>	Nine-month period ended	
		30 September	
		2022	2021
		RMB	RMB
Net cash from operating activities	<i>(a)</i>	116,018	119,930
Cash flows used in investing activities			
Capital expenditure		(60,251)	(57,105)
Purchase of investments		(155)	(106)
Payments for right-of-use assets		(141)	(12)
Proceeds from disposal of property, plant and equipment		203	501
Proceeds from disposal of right-of-use assets		15	48
Proceeds from disposal of investments		136	37
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		(1,933)	(7,844)
Maturity of short-term bank deposits		174	9,135
Short-term loans granted to China Telecommunications Corporation by Finance Company		(6,105)	–
Net cash used in investing activities		(68,057)	(51,675)
Cash flows used in financing activities			
Proceeds from A Shares Offering, net of issuing expenses		–	47,518
Repayments of principal of lease liabilities		(8,604)	(8,607)
Proceeds from bank and other loans		2,401	30,583
Repayments of bank and other loans		(8,446)	(64,031)
Payment of dividends		(24,871)	(8,439)
Distribution to non-controlling interests		(5)	–
Contribution from non-controlling interests		–	79
Net deposits with Finance Company		(2,471)	(3,131)
Increase in statutory deposit reserves placed by Finance Company		(318)	(220)
Net cash used in financing activities		(42,314)	(6,248)
Net increase in cash and cash equivalents		5,647	62,007
Cash and cash equivalents as at 1 January		73,281	23,684
Effect of changes in foreign exchange rate		484	(47)
Cash and cash equivalents as at 30 September		79,412	85,644

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

for the nine-month period ended 30 September 2022

(Amounts in million)

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

	Nine-month period ended	
	30 September	
	2022	2021
	RMB	RMB
Profit before taxation	31,831	30,487
Adjustment for:		
Depreciation and amortisation	70,141	68,094
Impairment losses for financial assets and other items, net of reversal	3,086	2,316
Write-down of inventories, net of reversal	(7)	30
Investment income and others	(141)	(2,238)
Share of profits of associates and joint ventures	(1,400)	(1,304)
Interest income	(1,215)	(579)
Net interest expense	1,394	1,938
Net foreign exchange gain and others	(152)	(50)
Net loss on retirement and disposal of long-lived assets	3,321	3,812
	106,858	102,506
Increase in accounts receivable	(19,654)	(14,262)
Increase in contract assets	(1,401)	(662)
Increase in inventories	(961)	(1,978)
Increase in prepayments and other current assets	(1,193)	(248)
(Increase)/decrease in restricted cash	(9)	123
Increase in other assets	(460)	(631)
Increase in accounts payable	21,702	21,100
Increase in accrued expenses and other payables	20,192	19,294
Decrease in contract liabilities	(6,958)	(2,620)
Cash generated from operations	118,116	122,622
Interest received	1,195	634
Interest paid	(1,541)	(1,745)
Investment income received	1,067	860
Income tax paid	(2,819)	(2,441)
Net cash from operating activities	116,018	119,930