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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 FIRST QUARTER REPORT OF 2023

The unaudited financial data of the Group for the first quarter of 2023

- Operating revenues were RMB130,588 million, representing an increase of 9.2% over the same period of last year; of which service revenues were RMB118,478 million, representing an increase of 7.7% over the same period of last year
- EBITDA was RMB33,874 million, representing an increase of 4.7% over the same period of last year
- Profit attributable to equity holders of the Company was RMB7,984 million, representing an increase of 10.5% over the same period of last year

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 three months ended 31 March 2023. 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).

KEY FINANCIAL DATA

Financial information set out in this announcement has been prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

Amounts expressed in RMB million unless otherwise specified

Item	For the three months ended 31 March 2023 (the “reporting period”)		The year-on-year increase/decrease in the reporting period (%)
	As at the end of the reporting period	As at the end of last year	Increase/ decrease as at the end of the reporting period as compared to the end of last year (%)
Operating revenues	130,588		9.2
Profit attributable to equity holders of the Company	7,984		10.5
Basic earnings per share (RMB per share)	0.09		12.5
Total assets	823,656	807,698	2.0
Equity attributable to equity holders of the Company	439,985	432,089	1.8

Note: The year-on-year increase/decrease in the reporting period for basic earnings per share is calculated based on the amount rounded to two decimal places.

BUSINESS DATA

	As at 31 March 2023/ For the period from 1 January 2023 to 31 March 2023	As at 31 March 2022/ For the period from 1 January 2022 to 31 March 2022
Mobile Subscribers (Million)	398.70	379.54
Net Increase of Mobile Subscribers (Million)	7.52	7.11
5G Package Subscribers (Million)	283.21	210.75
Net Increase of 5G Package Subscribers (Million)	15.25	22.95
Handset Data Traffic (kTB)	15,566.7	13,041.5
Wireline Broadband Subscribers (Million)	184.00	173.11
Net Increase of Wireline Broadband Subscribers (Million)	3.10	3.40
Access Lines in Service (Million)	104.04	106.52
Net Increase/(Decrease) of Access Lines in Service (Million)	(0.91)	(0.12)

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

In the first quarter of 2023, the Company actively fulfilled the responsibility in building Digital China, with high-quality development as the theme, digital transformation as the main line, reform, opening and innovation as the driving force, comprehensively and deeply implemented the Cloudification and Digital Transformation strategy, and made every effort to build a service-oriented, technology-oriented and secured enterprise. Operating performance continued to improve with new achievements in high-quality development.

In the first quarter of 2023, operating revenues were RMB130,588 million, representing an increase of 9.2% over the same period of last year, of which service revenues¹ were RMB118,478 million, representing an increase of 7.7% over the same period of last year. The profit attributable to equity holders of the Company was RMB7,984 million, representing an increase of 10.5% over the same period of last year. Basic earnings per share was RMB0.09; EBITDA² was RMB33,874 million, representing an increase of 4.7% over the same period of last year. EBITDA margin³ was 28.6%.

In terms of mobile communications services, the Company continued to strengthen its 5G network coverage, optimise network quality, enhance 5G user experience and enrich 5G applications and privilege portfolio to promote mobile subscriber growth and value stabilisation. In the first quarter of 2023, revenues from mobile communications services amounted to RMB50,591 million, representing an increase of 3.2% over the same period of last year. The total number of mobile subscribers reached 399 million with a net addition of 7.52 million. The number of 5G package subscribers reached 283 million with a net addition of 15.25 million, while the penetration rate reached 71.0%. The mobile ARPU⁴ amounted to RMB45.8.

In terms of wireline and Smart Family services, leveraging the convergence of “5G + Gigabit Broadband + Gigabit WiFi”, as well as the incorporation of new digital elements such as cloud and AI, the Company promoted the expansion and upgrade of broadband subscriber applications and services and empowered Smart Family, Smart Communities and Digital Villages with rich digital solutions to create a digital life with intelligent, sharing and integrated development. In the first quarter of 2023, revenues from wireline and Smart Family services reached RMB31,136 million, representing an increase of 5.0% over the same period of last year. The number of wireline broadband subscribers reached 184 million. Revenue from Smart Family increased by 15.9% year-on-year, driving the broadband blended ARPU⁵ to reach RMB47.5. 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 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.

⁴ Mobile ARPU = monthly average revenues from mobile services/the average number of mobile subscribers.

⁵ 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 seized the opportunity of deep integration of digital technology and real economy, continuously improved its computing power, and provided integrated intelligent information services to meet the industry customer needs with the driving force from cloud-, AI-, security- and platform-integrated initiatives. The Company gave full play to the competitiveness of China Telecom Cloud, continuously created the “5G + industry applications” benchmark project and promoted the rapid development of the second growth curve. In the first quarter of 2023, the Company’s Industrial Digitalisation service revenues reached RMB34,971 million, representing a year-on-year increase of 18.9%.

In the first quarter of 2023, the Company’s operating expenses were RMB120,586 million, representing an increase of 9.1% over the same period of last year. Of which, the network operations and support expenses were RMB38,786 million, representing an increase of 9.8% over the same period of last year. It was mainly attributable to the fact that the Company continued to optimise network quality, actively supporting the business development of 5G, Industrial Digitalisation, etc., while moderately increasing investment in the build-up of capabilities. The net finance costs amounted to RMB294 million, representing an increase of 50.6% over the same period of last year, mainly due to the increase in lease liability interest expenses.

In the future, the Company will actively fulfill the responsibility in building Digital China, seize opportunities arising from the development of digital economy, and comprehensively and deeply implement the strategy of Cloudification and Digital Transformation. The Company will intensify sci-tech innovation and continuously strive for breakthroughs in key core technologies of digitalisation. Persisting in its focus on customers, the Company will continuously optimise the supply of digital products, further advance capability deployment of various emerging businesses, and promote the rapid development of the second growth curve. The Company will deepen the reform of systems and mechanisms, stimulate employees’ innovation and development momentum, continuously optimise the corporate governance system, effectively enhance its core competitiveness, continuously promote high-quality development and accelerate the building of a world-class enterprise.

QUARTERLY FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

at 31 March 2023

(Amounts in million)

	31 March 2023 RMB	31 December 2022 RMB
ASSETS		
Non-current assets		
Property, plant and equipment, net	403,563	413,963
Construction in progress	66,532	58,443
Right-of-use assets	84,122	87,055
Goodwill	29,922	29,922
Intangible assets	20,207	20,780
Interests in associates and joint ventures	42,746	42,220
Financial assets at fair value through profit or loss	402	402
Equity instruments at fair value through other comprehensive income	1,092	885
Deferred tax assets	2,898	3,821
Other assets	8,647	9,135
	<hr/>	<hr/>
Total non-current assets	660,131	666,626
	<hr/>	<hr/>
Current assets		
Inventories	4,807	3,513
Income tax recoverable	75	154
Accounts receivable, net	40,734	24,312
Contract assets	4,001	3,042
Prepayments and other current assets	34,253	33,751
Short-term bank deposits and restricted cash	5,013	3,835
Cash and cash equivalents	74,642	72,465
	<hr/>	<hr/>
Total current assets	163,525	141,072
	<hr/>	<hr/>
Total assets	823,656	807,698
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED) (Continued)**

at 31 March 2023

(Amounts in million)

	31 March	31 December
	2023	2022
	RMB	RMB
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debts	2,914	2,840
Current portion of long-term debts	1,107	3,160
Accounts payable	139,376	127,260
Accrued expenses and other payables	70,685	65,229
Contract liabilities	62,289	67,841
Income tax payable	1,479	919
Current portion of lease liabilities	14,775	14,488
	<u>292,625</u>	<u>281,737</u>
Total current liabilities		
	<u>(129,100)</u>	<u>(140,665)</u>
Net current liabilities		
	<u>531,031</u>	<u>525,961</u>
Total assets less current liabilities		
Non-current liabilities		
Long-term debts	4,070	4,484
Lease liabilities	49,415	52,408
Deferred tax liabilities	27,555	27,945
Other non-current liabilities	5,680	4,697
	<u>86,720</u>	<u>89,534</u>
Total non-current liabilities		
	<u>379,345</u>	<u>371,271</u>
Total liabilities		

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

at 31 March 2023

(Amounts in million)

	31 March 2023 RMB	31 December 2022 RMB
Equity		
Share capital	91,507	91,507
Reserves	348,478	340,582
	<hr/>	<hr/>
Total equity attributable to equity holders of the Company	439,985	432,089
Non-controlling interests	4,326	4,338
	<hr/>	<hr/>
Total equity	444,311	436,427
	<hr/>	<hr/>
Total liabilities and equity	823,656	807,698
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

for the three-month period ended 31 March 2023

(Amounts in million)

	Three-month period ended	
	31 March	
	2023	2022
	RMB	RMB
Operating revenues	130,588	119,629
Operating expenses		
Depreciation and amortisation	(23,872)	(23,249)
Network operations and support	(38,786)	(35,310)
Selling, general and administrative	(16,160)	(16,122)
Personnel expenses	(27,479)	(24,338)
Other operating expenses	(14,289)	(11,498)
	<u>(120,586)</u>	<u>(110,517)</u>
Operating profit	10,002	9,112
Net finance costs	(294)	(195)
Investment income and others	63	–
Share of profits of associates and joint ventures	515	408
	<u>10,286</u>	<u>9,325</u>
Profit before taxation	10,286	9,325
Income tax	(2,314)	(2,061)
	<u>7,972</u>	<u>7,264</u>
Profit for the period	7,972	7,264
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	207	(194)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	(52)	44
	<u>155</u>	<u>(150)</u>

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

for the three-month period ended 31 March 2023

(Amounts in million except for per share data)

	Three-month period ended	
	31 March	
	2023	2022
	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	(244)	(59)
	(244)	(59)
Other comprehensive income for the period, net of tax	(89)	(209)
Total comprehensive income for the period	7,883	7,055
Profit attributable to		
Equity holders of the Company	7,984	7,223
Non-controlling interests	(12)	41
Profit for the period	7,972	7,264
Total comprehensive income attributable to		
Equity holders of the Company	7,895	7,014
Non-controlling interests	(12)	41
Total comprehensive income for the period	7,883	7,055
Basic earnings per share (RMB)	0.09	0.08
Diluted earnings per share (RMB)	0.09	0.08
Number of shares (in million)	91,507	91,507

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*for the three-month period ended 31 March 2023**(Amounts in million)*

		Three-month period ended	
		31 March	
	<i>Note</i>	2023	2022
		RMB	RMB
Net cash from operating activities	<i>(a)</i>	<u>28,215</u>	<u>27,613</u>
Cash flows used in investing activities			
Capital expenditure		(14,504)	(15,669)
Purchase of investments		(11)	(78)
Payments for right-of-use assets		(3)	(5)
Proceeds from disposal of property, plant and equipment		99	110
Proceeds from disposal of right-of-use assets		2	8
Purchase of short-term bank deposits		(1,838)	(90)
Maturity of short-term bank deposits		347	107
Short-term loans granted to China Telecom Group by Finance Company		(2,050)	(2,000)
China Telecom Group's repayments of short-term loans granted by Finance Company		<u>2,015</u>	<u>–</u>
Net cash used in investing activities		<u>(15,943)</u>	<u>(17,617)</u>
Cash flows used in financing activities			
Repayments of principal of lease liabilities		(2,109)	(2,528)
Proceeds from bank and other loans		771	390
Repayments of bank and other loans		(3,292)	(5,738)
Distribution to non-controlling interests		(1)	(1)
Net deposits with Finance Company		(5,502)	(5,606)
Decrease/(increase) in statutory deposit reserves placed by Finance Company		<u>156</u>	<u>(76)</u>
Net cash used in financing activities		<u>(9,977)</u>	<u>(13,559)</u>
Net increase/(decrease) in cash and cash equivalents		2,295	(3,563)
Cash and cash equivalents as at 1 January		72,465	73,281
Effect of changes in foreign exchange rate		<u>(118)</u>	<u>(20)</u>
Cash and cash equivalents as at 31 March		<u>74,642</u>	<u>69,698</u>

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

for the three-month period ended 31 March 2023

(Amounts in million)

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

	Three-month period ended	
	31 March	
	2023	2022
	RMB	RMB
Profit before taxation	10,286	9,325
Adjustment for:		
Depreciation and amortisation	23,872	23,249
Impairment losses for financial assets and contract assets, net of reversal	1,115	1,101
Write-down of inventories, net of reversal	17	132
Investment income and others	(63)	–
Share of profits of associates and joint ventures	(515)	(408)
Interest income	(408)	(322)
Net interest expense	696	515
Net foreign exchange gain and others	6	2
Net loss on retirement and disposal of long-lived assets and others	543	1,903
	35,549	35,497
Increase in accounts receivable	(17,664)	(13,021)
Increase in contract assets	(967)	(312)
Increase in inventories	(1,311)	(2,696)
Increase in prepayments and other current assets	(428)	(285)
Decrease in restricted cash	103	197
Increase in other assets	(77)	(224)
Increase in accounts payable	7,913	7,713
Increase in accrued expenses and other payables	12,066	8,047
Decrease in contract liabilities	(5,520)	(6,178)
Cash generated from operations	29,664	28,738
Interest received	454	357
Interest paid	(770)	(663)
Investment income received	62	4
Income tax paid	(1,195)	(823)
Net cash from operating activities	28,215	27,613

The Board wishes to remind investors that the above financial and business data are based on the Group's unaudited management accounts. Investors are cautioned not to unduly rely on such data.

In the meantime, investors are advised to exercise caution in dealing in the securities of the Company.

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

Beijing, China, 20 April 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).