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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 2023**

#### **HIGHLIGHTS**

- Operating revenues of the Company amounted to RMB513.6 billion, representing an increase of 6.7% over last year. Service revenues amounted to RMB465.0 billion, representing an increase of 6.9% over last year, maintaining growth for 11 consecutive years. EBITDA amounted to RMB136.8 billion, representing an increase of 5.0% over last year. Net profit amounted to RMB30.4 billion, representing an increase of 10.3% over last year. The basic earnings per share were RMB0.33
- In 2023, revenues from the Company's fundamental businesses grew steadily with continuous enhancement in subscriber scale and value. Mobile communications service revenues amounted to RMB195.7 billion, representing an increase of 2.4% over last year. Of which, revenue from mobile value-added and applications amounted to RMB25.8 billion, representing an increase of 12.4% over last year
- Wireline and Smart Family service revenues amounted to RMB123.1 billion, representing an increase of 3.8% over last year. Of which, revenue from the Smart Family business amounted to RMB19.0 billion, representing an increase of 12.8% over last year
- Industrial Digitalisation business of the Company maintained rapid development, with its revenue reaching RMB138.9 billion, representing an increase of 17.9% over last year. Revenue from China Telecom Cloud reached RMB97.2 billion, representing an increase of 67.9% over last year
- The Board of Directors has decided to recommend at the Annual General Meeting that a final dividend of 2023 of RMB0.090 per share (pre-tax) shall be declared. Together with the 2023 interim dividend of RMB0.1432 per share (pre-tax) which has been distributed, the full year dividend of 2023 amounts to RMB0.2332 per share (pre-tax), and the aggregate amount of the full year dividend increased by 19.0% year-on-year. This represents over 70% of the profit attributable to equity holders of the Company for the year, successfully fulfilling the profit distribution commitment made during the Company's A Shares issuance. Within three years from 2024, the profit distributed in cash will gradually increase to above 75% of the profit attributable to equity holders of the Company for the year, striving to create more value for shareholders

## I. CHAIRMAN'S STATEMENT

In 2023, with the accelerated development of the new round of sci-tech revolution and industrial transformation represented by artificial intelligence (AI) and quantum technology among others, the building of Digital China continued to advance. Demands for digitalisation from the economy and society have been constantly upgrading, while the digital economy with data as a key element boomed, contributing to a vast market space. Based on the new development stage, the Company implemented the new development principles completely, accurately and comprehensively, while proactively serving and integrating into the new development pattern. In the process of supporting the advancement of Chinese modernisation, the Company firmly seized opportunities arising from the market development, resolutely fulfilled its responsibilities in building Cyberpower and Digital China, as well as safeguarding network and information security, while fully and deeply implementing its Cloudification and Digital Transformation strategy. The Company fully leveraged its edges in cloud-network integration, further advanced the building of a service-oriented, technology-oriented, and secured enterprise, continued to achieve breakthroughs in sci-tech innovation, and fully completed its deployment in strategic emerging businesses. The Company further upgraded its digital information infrastructure, sped up the formation of new quality productive forces and accelerated the growth of new momentum for market development. The Company deepened corporate reforms, with continuous enhancement of governance capabilities and levels, propelling its high-quality development to a new level.

### 1. OVERALL RESULTS

In 2023, the Company's operating revenues amounted to RMB513.6 billion, representing an increase of 6.7% year-on-year. Service revenues<sup>1</sup> amounted to RMB465.0 billion, representing an increase of 6.9% year-on-year, maintaining growth for 11 consecutive years. EBITDA<sup>2</sup> amounted to RMB136.8 billion, representing an increase of 5.0% year-on-year. Net profit<sup>3</sup> amounted to RMB30.4 billion, representing an increase of 10.3% year-on-year, and the basic earnings per share were RMB0.33. Capital expenditure was RMB98.8 billion and free cash flow<sup>4</sup> reached RMB13.0 billion.

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

<sup>2</sup> EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

<sup>3</sup> Net profit represents profit attributable to equity holders of the Company.

<sup>4</sup> 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. 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 2023 of RMB0.090 per share (pre-tax) shall be declared. Together with the 2023 interim dividend of RMB0.1432 per share (pre-tax), which has been already distributed, the full year dividend of 2023 amounts to RMB0.2332 per share (pre-tax), and the aggregate amount of the full year dividend increased by 19.0% year-on-year. This represents over 70% of the profit attributable to equity holders of the Company for the year, successfully fulfilling the profit distribution commitment made during the Company's A Shares issuance. Within three years from 2024, the profit distributed in cash will gradually increase to above 75% of the profit attributable to equity holders of the Company for the year, striving to create more value for shareholders.

Over the past three years since its A Shares listing, the Company seized opportunities, upheld fundamental principles and broke new ground, and carried out expansion and upgrades, successfully fulfilling its commitment made during A Shares issuance, and continuously sharing new development achievements with shareholders, customers and the society. Service revenues maintained good growth and the compound growth rate for three years was higher than the industry average. The proportion of Industrial Digitalisation within incremental service revenues increased by 24.5 p.p. to reach 70.4%. Profitability remained strong, with net profit achieving double-digit growth for three consecutive years. Shareholders' return increased significantly, with the dividend payout ratio increasing to over 70% within three years, and the compound growth rate of dividend per share for three years reaching 31%, being the highest in the industry. The market capitalisation management achieved remarkable results, with its market capitalisation at the end of 2023 increasing to 3.2 times more than that at the end of 2020.

## **2. FULLY IMPLEMENTED CLOUDIFICATION AND DIGITAL TRANSFORMATION STRATEGY, WITH NEW ACHIEVEMENTS IN CORPORATE HIGH-QUALITY DEVELOPMENT**

In 2023, the Company firmly seized opportunities arising from growing demands for digital transformation and intelligent upgrades from the economy and society, gave full play to its edges in cloud-network integration and pushed forward upgrades of digital information infrastructure. Insisting on the leading role of sci-tech innovation, while harnessing driving forces from reforms and opening up, the Company effectively stimulated the vitality of its talent teams, comprehensively promoted green transformation and development, continued satisfying customers' desires for a better new digital life, with its customer perception and service reputation continuing to elevate. Business revenue maintained steady growth and its operating capabilities were further strengthened, achieving new results in corporate high-quality development.

## ***2.1 Continued to achieve new breakthroughs in sci-tech innovation to accelerate the formation of new quality productive forces***

Anchoring on its vision and mission of building a technology-oriented enterprise, the Company promoted corporate high-quality development driven by sci-tech innovation. Focusing on digital information infrastructure, the Company strengthened breakthroughs in key core technologies. With network as the foundation and cloud as the core, the Company promoted cloud-network integration and grasped the development direction of AI. Centring on four major technical directions of cloud, network, AI and quantum/security, the Company carried out deployment focusing on seven strategic emerging industries including cloud computing and computing power, new generation information and communications, Big Data, AI, security, quantum and digital platform, as well as future industries.

The Company increased the input of “new” elements. Research and development (R&D) expenses<sup>5</sup> increased from RMB4.7 billion in 2020 to RMB13.1 billion in 2023, representing an increase of 175.6% for three years. The Company further strengthened the recruitment of high-end sci-tech talents. The aggregate number of leading sci-tech talents reached 138 in 2023, representing an increase of 392.9% for three years. The Company further intensified its efforts in the transformation of its workforce. The number of R&D personnel reached approximately 33,000, representing an increase of 174.5% for three years, with its proportion increasing to 11.8% from 4.2% in 2020. The Company led the “new” digital information infrastructure. Focusing on key areas such as cloud, network, AI, security and quantum, the Company strove to build a digital base with independent control of key core technologies and accelerated the construction of digital information infrastructure with cloud-network integration as the core feature through the integration of various elements. The Company created “new” digital tools to empower the digital, intelligent and green corporation transformation. Driven by data and through AI empowerment, the Company continuously elevated the digital level of R&D, cloud-network operation as well as marketing services, to vigorously promote the upgrade of corporate services as well as costs reduction and efficiency enhancement.

Giving full play to the collaborative edges of the RDO<sup>6</sup> system, the Company vigorously promoted the conversion and industrialisation of achievements. The number of invention patent applications exceeded 5,000. The Company’s proprietary IT system and business platforms accounted for 45.0%, up by 6.0 p.p. year-on-year. The Company initiated 98 projects in international standardisation organisations, ranking at the forefront among global operators. The Company achieved a series of groundbreaking sci-tech innovative achievements, which accelerated the formation of new quality productive forces, effectively boosting the rapid development of strategic emerging businesses and offering strong driving forces for the dual engines of fundamental businesses and Industrial Digitalisation business.

<sup>5</sup> The growth rate of R&D expenses is calculated based on figures of R&D expenses in Chinese Accounting Standards.

<sup>6</sup> RDO: fundamental research (R), applied technological research and development (D) and operational development (O).

## ***2.2 Adhering to customer-oriented principles, with constant driving forces from dual engines***

### ***Steady growth in fundamental businesses with brand-new upgrades as well as integration and mutual promotion***

The Company proactively promoted upgrades of connectivity, applications, and user experience within its fundamental businesses, accelerated the brand-new upgrades of 5G and Smart Family, strengthened the integration and mutual promotion of smart community and digital village platforms and continued addition of high-quality digital products and scene-based services. In terms of the brand-new 5G, the Company launched innovative and featured applications such as 5G Mobile Phones with Direct Satellites Connection and 5G Quantum-encrypted Calls and further promoted the scale development of computing products such as 5G Cloud Computer. The Company accelerated the intelligent upgrade of applications such as 5G Communications Assistant and Colour Ringback Tone with Video. The Company stepped up the promotion of applications such as 5G Enhanced Calls and 5G Message to further consolidate its differentiated development edges. In terms of the brand-new Smart Family, the Company continued to promote the enhancement of capabilities of Gigabit network and scale penetration, sped up Gigabit customers' upgrade to FTTR. The Company further enriched cloud broadband applications such as Cloud Storage, Cloud Playback and Cloud Video, sped up the promotion of family AI and security products such as e-Surfing Webcam and Smart Smoke Detection, and further upgraded applications and services of Whole-home intelligence. In terms of integration and mutual promotion, the Company further promoted the capabilities enhancement of digital platforms such as smart community and digital village. By accelerated addition of applications and services of platforms such as subdistrict cloud and town cloud, convenient living circles, as well as elderly and child care, the Company promoted the integration and mutual promotion of multiple scenes such as rural and community management, community services and family applications to drive the scale development and value enhancement of fundamental businesses. In 2023, revenues from the Company's fundamental businesses grew steadily with subscriber scale and value rising continuously. Mobile communications service revenues amounted to RMB195.7 billion, representing an increase of 2.4% year-on-year. Of which, revenues from mobile value-added and applications amounted to RMB25.8 billion, representing an increase of 12.4% year-on-year. The net addition of mobile subscribers was 16.59 million, maintaining the industry-leading position for six consecutive years, and bringing the total number of subscribers to 408 million. Mobile ARPU<sup>7</sup> reached RMB45.4, representing an increase of 0.4% year-on-year. Wireline and Smart Family service revenues amounted to RMB123.1 billion, representing an increase of 3.8% year-on-year. Of which, revenue from the Smart Family business reached RMB19.0 billion, representing an

<sup>7</sup> Mobile ARPU = monthly average revenues from mobile services/the average number of mobile subscribers.

increase of 12.8% year-on-year. The number of broadband subscribers reached 190 million with a net addition of 9.26 million. Broadband blended ARPU<sup>8</sup> reached RMB47.6, representing an increase of 2.8% year-on-year.

***Rapid growth of Industrial Digitalisation business by firmly seizing opportunities arising from the integration of digital technologies and real economy***

Leveraging its edges in cloud-network integration, capabilities from strategic emerging technologies, customer resources and localised services, the Company further enhanced its customer service capabilities while constantly promoted ecological cooperation to achieve leadership in terms of both capabilities and scale in key industries. This boosted the rapid development of its Industrial Digitalisation business. The Company's government and enterprise services cover all major industries of the national economy. The number of government and enterprise customers continued to increase, with an increase of 11.3% year-on-year. China Telecom Cloud continued to achieve breakthroughs in key core technologies and further consolidated its leading market and customers scale. In the field of 5G applications, the Company fully created industry-leading scene-based customised network solutions to empower use cases such as HD video, data collection and control, unmanned inspection, dual domain switch and Internet of Vehicles. The number of newly added projects of 5G industry applications for the year increased by 106.3% year-on-year, with the aggregate number surpassing 31,000. The Company further upgraded its e-Surfing Artificial Intelligence of Things (AIoT) platform, providing one-stop IoT services comprising device access, connectivity management and application empowerment. This helps to achieve cross-field and cross-industry collaboration under the scene of Internet of Everything. The number of terminal users exceeded 520 million. The Company's e-Surfing Internet of Video Things (IoVT) effectively supported the building of smart cities, with the aggregate number of subscribers for applications such as Kitchen Monitoring and e-Surfing Emergency Response exceeding 77 million. Focusing on over 10 key industries such as government administration, industry and education and more than 100 subdivisions, the Company intensified its efforts in R&D, construction as well as continued iteration of platforms, with emerging technologies as the core foundation. In 2023, the Company's Industrial Digitalisation business maintained rapid growth, with its revenue reaching RMB138.9 billion, representing an increase of 17.9% year-on-year and accounting for 29.9% of service revenues, up by 2.8 p.p. over last year. Its incremental contribution to service revenues increased to 70.4% from 51.6% in 2021. The revenue of the Company's China Telecom Cloud amounted to RMB97.2 billion, representing an increase of 67.9% year-on-year. Revenues from international businesses exceeded RMB13.7 billion.

<sup>8</sup> Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services/the average number of broadband subscribers.

### ***2.3 Fully completed the deployment of strategic emerging businesses, with further strengthened new market momentum***

#### ***China Telecom Cloud empowered thousands of industries with “computing power” and embarked on a new journey with “intelligence”***

The Company developed China Telecom Cloud as the source of original cloud computing technologies with high quality and made constant breakthroughs in key technologies. With its proprietary cloud operating system TeleCloudOS 4.0 as the core, the Company has fostered a full-stack cloud technologies and products system that is technologically advanced, independent and controllable, building a cloud foundation that features multi-chip architecture in one cloud, polymorphism and multi-type computing in one cloud. China Telecom Cloud served thousands of industries for cloud migration and the use of cloud, ranking among the top in the market, with China Telecom Cloud being the framework of national cloud fully taking shape. Focusing on new requirements to cloud service providers in the era of large models, China Telecom Cloud has fully upgraded to an intelligent cloud. The Company developed “Yunxiao”, an intelligent computing acceleration platform integrating cloud, intelligent computing and supercomputing, providing the supreme computing power and highly-efficient operation and maintenance tools adapting to AI use cases. The Company also launched “Huiju”, a one-stop intelligent computing service platform, providing large model developers with a training and inferencing tool chain that is one-stop, fully linked, low-threshold and highly secured. The Company upgraded “XiRang”, a computing power distribution network platform, to fully support the unified access, packaging and scheduling of general computing, intelligent computing, and supercomputing, providing computing power operators with computing power connection and trading services. This has facilitated better utilisation of computing power resources, the realisation of computing power inclusion, the efficiency enhancement of computing power supply and the interconnection of computing power from multiple parties. The Company carried out R&D of “Zhenshi 3.0 engine”, a new-generation image and streaming fusion<sup>9</sup> algorithm, driving the growth of cloud computer users by more than two times year-on-year, ranking first in China’s DaaS market, with a market share of nearly 40%. China Telecom Cloud maintained its leading market positions, including the No.1 ranking in government and administration public cloud infrastructure and the No. 1 ranking in the global telco cloud. China Telecom Cloud was the only one among the top three players in the domestic public cloud IaaS and IaaS+PaaS market to have achieved continuous growth in market share<sup>10</sup>.

<sup>9</sup> Image and streaming fusion: with an aim to provide the best user experience, the cloud computer dynamically balances multiple dimensions such as image quality and smoothness and automatically selects desktop compression and transmission algorithms, according to the network and desktop application status.

<sup>10</sup> Source of market share data of China Telecom Cloud: IDC.

***Empowered the digital transformation of the economy and society at depth with the use of “data” and injection of “intelligence”***

The Company firmly seized the development opportunities in the era of AI and accelerated R&D of technologies as well as launch of applications in fields of AI and Big Data by fully leveraging the multiplier effect of data elements. The Company created the “1+N+M”<sup>11</sup> Xingchen large models series product portfolio and established the base for the general-purpose large foundation model, covering four major capabilities including language, speech, visual and multimodal capabilities, while achieving open source. The Company rolled out 12 large vertical models in vertical fields such as government administration, education and transportation, while empowering more than 600 projects for use cases such as grassroots governance, smart customer service and smart city. The Company released “Xingchen MaaS platform”, providing customers with services such as one-stop large model R&D and applications including computing power, algorithms, data and tools. The Company launched 9 large models for its own use focusing on internal production and operation including network operation, operational analysis and code R&D to help itself accelerate digital transformation and push forward costs reduction and efficiency enhancement. The Company also strengthened R&D of core technologies of Big Data, sped up the deployment in the data elements market. Focusing on four major fields including Big Data PaaS, data core platform, data trading and flow and data security, the Company strove for breakthroughs in core technologies and passed the DCMM5 level certification, the highest level in national data governance. The total number of Big Data API accessed reached 4.6 billion times throughout the year, representing an increase of 45%. The Company developed more than 50 “Xinghai Big Data” products to offer services such as financial risk control and regional insights. “Lingze data elements 2.0 platform” provided data trading service covering the whole business process and was ranked No.1 among service providers of the data elements ecology in 2023<sup>12</sup>. The Company’s “data product supermarket” has been promoted and launched in 9 provinces and cities, supporting the aggregation, development and trading of data resources for customers.

***Further elevated the level of integrated security protection capabilities by “forging shields with quantum”***

The Company continued to build an integrated end-to-end collaborative security protection system. It has developed security capabilities and services in 7 major categories and more than 50 subdivisions around key products such as Anti-DDoS Cloud Dam and Security Brain. Its Anti-DDoS Cloud Dam maintained the No. 1 ranking in terms of market share in China and was included in Gartner’s list of

<sup>11</sup> 1+N+M: 1 refers to the general-purpose large foundation model. N refers to the number of large vertical models. M refers to the number of large models for own use.

<sup>12</sup> Source of rankings of data elements service providers: *Internet Weekly*.

global top service providers selection. The Company built the industry's first managed security service platform at the operator level, creating an "O2O" integrated managed security service model featuring "cloud operation experts + localised services". The Company intensified its efforts in achieving breakthroughs of original technologies in the field of quantum. Its quantum computing cloud platform, "Tianyan", achieved super fusion<sup>13</sup> which enabled the significant increase in the processing speed of superconducting quantum computers. The Company built quantum communications infrastructure at the municipal level with "quantum-network integration", providing industry customers with security services such as information transmission and data storage. The Company strengthened professional consolidation and forward-looking deployment in the field of quantum technology, initiated the acquisition of Quantumctek Co., Ltd., strengthened breakthroughs in technological and application innovation, and expanded the space for quantum business development.

### ***Innovative breakthroughs in new-generation information and communications technologies***

The Company continued to deepen the cultivation of new-generation information and communications technologies to provide more versatile all-domain access capabilities. It further promoted the capabilities building and application innovation of the arial-ground integrated information network. The Company created the industry's first "Satellite as a Service S+" concept and continued to achieve breakthroughs in key technologies in fields such as satellite network system operation. The Company launched the world's first commercial service of "Mobile Phones with Direct Satellites Connection" at the operational product level, which supports direct satellites connection for consumer-grade 5G terminals with two-way voice calls and text messages. This provided emergency response and communications assurance for industries such as maritime transport, industry and rescue as well as for public users. The Company proactively planned for innovations in key directions of 5G-A, carried out deployment in carrier aggregation, pushed forward the innovative application of cross-domain unified scheduling of resources from the time, frequency and spatial domain, significantly enhancing user experience. The Company completed the scale trial for RedCap on current network with multiple frequencies, multiple carriers and multiple manufacturers, created demonstrative applications in a number of industries such as steel, petrochemical and port, and pushed forward the deployment for scale commercialisation. The Company took the lead to complete the 5G NR NTN test and verification based on real satellites. The Company carried out trials for technologies such as low-altitude communications, sensing and communications integration and NTN, to accelerate the maturity for 5G-A commercialisation. The Company strove for breakthroughs of R&D for key technologies in 6G. The Company continued to take the lead in setting standards in key fields such as super

<sup>13</sup> Super fusion: the fusion of the supercomputing power of China Telecom Cloud and superconducting quantum computing capabilities with 176 quantum bits.

uplinks, enhanced coverage, as well as co-building and co-sharing. The Company carried out proprietary R&D of the simulated verification system for 6G, realising compatibility to potential key features of 6G, and creating practice and innovation demonstration based on current network environments in areas such as aerial-ground integration and near-field cellular.

***Effectively empowering customers' digital transformation and upgrades with digital platforms***

The Company further intensified its efforts in technological R&D and function iteration of digital platforms and developed more than 110 key digital platforms to empower the digital transformation and upgrades at scale for customers from fields such as government administration, enterprises, education, healthcare and finance. In the field of digital government administration, the Company strengthened technological empowerment and product integration and innovation services, continued to provide and upgrade resources pools and platforms of China Telecom government administration cloud, and has already provided more than 20 provinces and over 220 cities with various integrated applications such as access to services via a single website, management via a single website, collaboration via a single website as well as urban operation, management and services. In the field of new industrialisation, the Company provided network-based connectivity for various enterprises through 5G definitive network and proprietary industrial PON. In terms of intelligent transformation, the Company built a unified database for industrial protocols and statutes and achieved scale application of its proprietary e Cloud Collection terminals in 15 industries, realising real-time and accurate collection of production data. At the same time, leveraging its proprietary e Cloud Control platform, the Company vigorously promoted cloud-based decoupling and the application of AI for PLC, and has launched 12 use cases for industries such as tobacco and steel, achieving unified control among equipment. In the field of healthcare, the Company assisted the health committees at all levels to build the universal health information platform and the close-type county-level medical community to realise the interconnection of regional healthcare data, with a coverage of 25 provinces. In many other fields such as education, transportation and logistics, culture and tourism, smart community, and digital village, the Company continued to build and deepen the application capabilities of industry-specific platforms.

## ***2.4 Expedited the intelligent upgrade of digital information infrastructure***

The Company accelerated the intelligent transformation of digital information infrastructure and consolidated digital foundation to forge key cornerstones for the development of new quality productive forces. The Company proactively built the distributed computing power infrastructure with cloud-intelligence integration, training-inferencing integration as well as cloud-network-edge-terminal coordination. Focusing on the hub node regions of the national integrated computing power network, the Company strengthened the building of intelligent computing capabilities. The Company added 8.1 EFLOPS of intelligent computing power throughout the year, bringing the total to 11.0 EFLOPS, representing an increase of 279.3%. Nodes in Beijing, Shanghai, Jiangsu, Guizhou, Ningxia and Inner Mongolia has already possessed training resources of over a thousand GPUs. In regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta and Guangdong-Hong Kong-Macau where the large model industry, technologies and talents concentrate, the Company accelerated the deployment of the new generation large-scale intelligent computing clusters. The liquid-cooling intelligent computing centre with ten-thousand GPUs in one single pool in Shanghai will be in operation in 2024. The Company advanced the revolution and upgrades of datacentres to become Artificial Intelligence Datacentres (AIDC). The Company proactively built the new-generation datacentres that support the hybrid mode of air and liquid cooling with “Two-Elastic-One-Optimised”<sup>14</sup>, achieving elastic and adaptive capabilities that enable the average power for one single cabinet to range from 2kW to 50kW+, flexibly meeting requirements for the scale and centralised deployment of general computing, intelligent computing, and supercomputing power. The Company built a network of intelligent computing centres that is high-speed, lossless, and elastic, while also optimised its DCI networks with large bandwidth, wide coverage, low latency and high reliability. The Company continued the building of latency circles with 1ms/10ms/15ms latency for the east-west direction traffic and 1ms/5ms/20ms latency for the south-north direction traffic<sup>15</sup>. The average mutual access latency among hub nodes of “East-to-West Computing Resource Transfer” was reduced by more than 10% year-on-year. The Company steadily pushed forward the building of general computing power capabilities, with the number of cities covered by “One-City-One-Pool” reaching 280 and the number of edge nodes surpassing 1,000. The Company added 1.0 EFLOPS of general computing power throughout the year, bringing the total to 4.1 EFLOPS<sup>16</sup>, representing an increase of 32.3%. The Company’s security capability pools carried out software and hardware decoupling for industry mainstream security products to achieve unified configuration, setting, operation, maintenance and management, as well as flexible output of customised

<sup>14</sup> Two-Elastic-One-Optimised: elastic power supply, elastic cooling, optimised air distribution.

<sup>15</sup> East-west direction traffic: data traffic between datacentres. South-north direction traffic: data traffic between external users and datacentres.

<sup>16</sup> The industry’s common calculation method has been applied for computing power. Intelligent computing power is calculated using FP16, while general computing power is calculated using FP32.

security capabilities, with its business covering more than 200 cities. The Company fully strengthened the digital transformation and construction of its cloud-network. It completed the full launch and application of its proprietary new generation cloud-network operating system that enables SDN-based, scalable and unified control of major networks such as IP, transmission and 5G. The Company also accelerated the application of new technologies, such as AI large models to the cloud-network operating system. The Company released “Qiming”, the first large network model within the information and communications sector, to empower scenes such as emergency scheduling, network optimisation and product delivery. The overall level of automation and intelligence of its cloud-network operation reached L3 while the level of automation and intelligence of some scenes such as 5G Core reached L4, further enhancing its cloud-network operation capabilities.

The Company continued to deepen network co-building and co-sharing with China Unicom to continuously enhance the depth and breadth of its 5G coverage. It also accelerated the consolidation and co-sharing of “one single 4G mid-band network” to jointly create 4G/5G co-shared networks that lead in terms of user experience, efficiency, and technologies. The cumulative savings of investment for both parties reached over RMB340 billion, while the annualised savings of operating costs exceeded RMB39 billion. The number of newly built 5G base stations was over 220,000 throughout the year, and the number of 5G base stations in use exceeded 1.21 million, achieving contiguous coverage for townships and above, as well as effective coverage for developed administrative villages. The number of co-shared 4G mid-band base stations exceeded 2 million, with the mid-band co-sharing rate exceeding 90%. The two parties jointly promoted the precise construction and optimisation in key locations such as airports, high-speed railways and hospitals. As a result, the satisfaction rate of its mobile network quality increased steadily with benefits of co-building and co-sharing being further unleashed. In addition, the Company proactively pushed forward the refarming of its 800MHz spectrum and obtained approval in August 2023 to refarm its 800MHz spectrum for 5G use. As of January 2024, the Company has built 250,000 800MHz base stations with 4/5G integrated service capabilities, significantly enhancing network coverage and user experience in rural areas.

## ***2.5 Deepened corporate reforms and opening up on all fronts to continue unleashing vitality for high-quality development***

The Company deepened reforms in key fields and processes on all fronts, fully and successfully completed the three-year action programme of state-owned enterprise (SOE) reforms, and planned and pushed forward key tasks in the new round of deepening and enhancing action of SOE reforms. The Company strengthened the building of customer-oriented organisations, processes and mechanisms, and continued to foster comprehensive edges in system integration aggregating professional capabilities, industry capabilities, ecological capabilities as well as sales and servicing capabilities. The Company continued to optimise the building of its

organisational system, strengthened functional reforms of its headquarters to further enhance the impact on fields such as sci-tech innovation, business promotion, talent development and corporate governance. The Company fully promoted the optimisation of main processes with cloud core platform as the hub and elevated the level of end-to-end integration delivery, operation and service. The Company established the AI company, quantum technology group, IoVT company and unmanned technology company. Four industry business groups (BGs) for government and enterprise including healthcare, education, finance as well as government administration took the lead in achieving market-oriented and corporate operation. This has given full play to the autonomy in areas such as industrial cooperation, talent recruitment as well as compensation and incentives, elevating the level of sci-tech breakthroughs, market expansion and professional capabilities. The Company also accelerated the digital and intelligent transformation of its operation and management, optimised its corporate data governance system, enhanced the value of data elements and created an intelligent, agile, and highly efficient digital sales and marketing service model. The proportion of user acquisition for fundamental businesses from online increased by 11.5 p.p. year-on-year, while the proportion of AI smart customer service increased by 12.6 p.p. year-on-year. The Company's proprietary smart AI system enabled precise energy savings, resulting in annualised electricity savings of approximately 800 million kWh for AI facility rooms and base stations. Through strengthened digitalisation of elements and smart management, the Company's operating efficiency continued to increase. The Company deepened market-oriented reforms of organisations and mechanisms, promoted the implementation of mechanisms such as "open bidding for selecting the best candidates" in the field of sci-tech innovation. The Company vigorously implemented the project of promoting corporate strength through talents and achieved breakthroughs in the recruitment of strategic top talents in fields such as cloud computing, AI and quantum. Through innovative mechanisms such as the chief technician system, the talent special zone and the talent workstation, the Company created a big stage for experts and talents to carry out their work and get the job done. The Company further deepened reforms of talent development system and mechanism and laid a solid talent foundation for the high-quality development and strategy implementation of the Company. Insisting on balancing responsibilities, rights and interests with a dual emphasis on using incentives and constraints, the Company refined its market-oriented employment mechanism, optimised its remuneration mechanism to become more precise, flexible, standardised and efficient to fully stimulate the vitality of employees.

The Company expedited the open cooperation at a high level, creating win-win ecological patterns in areas such as sci-tech innovation, exchange of talents and business ecology. The number of members of the World Broadband Association (WBBA) increased to 77, spanning 32 countries in 5 continents. The association published the *WBBA World Cloud-Network Broadband Industry Development Report* and World Cloud-network Development Index to advance global cooperation

in digital governance. The Company continued to deepen collaboration among industry, academia, and research institutes, establishing joint laboratories with leading scientific research institutions and enterprises to achieve breakthroughs in key technologies such as intelligent computing network, satellite Internet and large models. The Company also strengthened the exchange and cooperation of talents, joining hands with leading universities to carry out joint academia-enterprise training projects with a focus on the field of emerging technologies. The Company carried out business and channel cooperation in key areas, promoting cooperation across the industrial chain and supply chain to further extend into the upstream and downstream of the innovation chain and service chain, while supporting the co-development of products and applications as well as the co-sharing of earnings and value. The Company deepened the cultivation of international businesses, with its business covering major countries and regions around the world. The Company has established 53 branches overseas, serving customers' growing demands for services such as communications, Internet, cloud computing and digital transformation in the international market. The Company accelerated the construction of overseas digital information infrastructure, with the total capacity of its international transmission network backbone reaching nearly 115Tbps, of which over 50% was along "the Belt and Road" direction. The Company has more than 6,000 cabinets in nearly 30 overseas facility rooms around the world. The Company vigorously pushed forward China Telecom Cloud's expansion into the overseas markets. The number of newly added China Telecom Cloud global CDN nodes was 15 for the year. The Company also proactively promoted the launch of strategic emerging businesses such as satellite communications and IoT in overseas markets.

## ***2.6 Insisted on the green development principles to empower green transformation of the economy and society***

In line with the global trends of green and low-carbon transformation, the Company proactively implemented the green development principles. Focusing on the national "dual carbon" goals, the Company promoted corporate low-carbon operation and empowered the green development of the whole society. The Company deepened efforts to achieve breakthroughs in key green and low-carbon technologies as well as the conversion of achievements. The Company has developed a series of propriety green and low-carbon products such as e Secure Energy, e Energy Saving, e Extreme Cooling and 5G Integrated Smart Power Supply Cabinet. The Company established and optimised a green and low-carbon standard system, participated in setting nearly 30 national, industry and enterprise standards in total in areas of dual carbon, and established a green and zero-carbon innovative experimental base in Qinghai. The Company continued to accelerate the green upgrade of cloud-network and created efficient, intelligent, green and low-carbon networks with end-to-end dynamic adjustability as well as automated energy-saving. Through co-building and co-sharing, as well as various energy saving measures, the Company reduced its greenhouse gas emissions by more than 13 million tons, while greenhouse gas

emissions per unit of total volume of telecommunications services decreased by 19.6% year-on-year. The Company also supported the society to reduce greenhouse gas emissions by over 100 million tons. By continued optimisation of energy consumption structure, the consumption volume of green electricity with “integration of trading of permit and electricity” throughout the year exceeded 1.1 billion kWh, representing an increase of nearly 3 times year-on-year. The Company intensified the recycling of resources and optimised the building of green packaging and waste disposal systems. The Company enhanced the green elements in digital products and launched a series of green and low-carbon products and solutions. The Company rolled out green products such as Green Cloud Drive, Green Cloud Computer and Zero-carbon Datacentres. The Company also developed green and environmental protection solutions such as the management platform of energy consumption and carbon emissions, the monitoring and management system of air/water pollution source and the biodiversity monitoring platform. The number of project signings exceeded 3,000, serving customers from industries such as government, industrial manufacturing and construction. This empowered application fields such as ecological protection, pollution prevention and control, energy conservation and carbon reduction, supporting the green and low-carbon transformation of thousands of industries.

### **3. PROACTIVELY UNDERTOOK SOCIAL RESPONSIBILITIES WHILE CONTINUOUSLY ENHANCED CORPORATE GOVERNANCE**

The Company successfully completed communications assurance tasks for key events. It utilised satellite communications, drones and other technologies to effectively assist flood fighting and disaster relief efforts during times of natural disasters such as the Beijing-Tianjin-Hebei flood and Jishishan earthquake. The Company effectively supported rural revitalisation, popularised digital services and narrowed the digital divide between urban and rural areas. The Company promoted the building of digital villages, with the penetration rate of administrative villages exceeding 60%. The Company has achieved the highest rating for the review and assessment of targeted support carried out by central units for 5 consecutive years. The Company has been committed to social welfare and proactively helped the disabled and underprivileged. The Company initiated the launch of “Public Welfare Union of Caring Stations”, and 96 of its “Caring Stations” have been awarded the title of “Most Beautiful Trade Union Outdoor Worker Service Station” by the All-China Federation of Trade Unions. The Company protected the rights and interests of its employees in accordance with the law, and created a comprehensive system for employee care, while continuing to enhance its institutional safeguards. The Company created career development paths for employees and strove to achieve the mutual growth of employees and the Company.

Insisting on high-standard corporate governance while adhering to excellent, prudent and effective corporate governance principles, the Company maintained compliance and efficient operation of its Shareholders Meeting, Board of Directors and

Supervisory Committee, and continued to optimise its corporate governance system, while cultivating and further reinforcing the culture of compliance. The Company also further enhanced its risk prevention level with more stable corporate operation. The Company attaches great importance to the management of market capitalisation and held roadshows and reverse roadshows activities for domestic and overseas investors and equity analysts. The Company continued to increase the frequency of communications between the Company and investors, while also enriched the forms of communications, creating multi-dimensional and matrix investor communications channels. The Company actively listened to the voice of investors, proactively fulfilled various commitments made to the capital market and effectively safeguarded the best and long-term interests of its shareholders. The Company received high affirmation and recognition from domestic and international capital markets and industry organisations for its relentless efforts and outstanding performance. It was voted as the “Most Honoured Companies in Asia” for the 13th consecutive year in the “All-Asia-Executive Team Poll” organised by *Institutional Investor*. The Company also received top rankings in the “Best Board of Directors”, “Best IR Team” and “Best ESG” categories. Furthermore, the Company was awarded “Best Investor Relations Team” and “Best Social Responsibility Initiative” in *The Asset’s* “ESG Corporate Awards 2023”. It was accredited “Golden Bull Most Investment Value Award” and “Golden Bull Award for Hong Kong Stocks” in the Golden Bull Award poll organised by *China Securities Journal*. At the same time, the Company was awarded the “Best Practise of the Board of Directors for Listed Companies in 2023” by the China Association for Public Companies.

#### **4. OUTLOOK**

In a boat race, those who row the hardest will win. When a thousand boats set sail, the boat which advances bravely will win. China has edges such as great market potential, complete industrial system and versatile high-quality human resources. With the rapid formation and accelerated growth of new momentum, the intrinsic impetus and vitality for development are further strengthened. With the rapid development of digital technologies such as AI, cloud computing, Big Data, and quantum information, new technologies and applications continue to emerge. Digital and intelligent transformation of the economy and society is in great demand, which will bring greater space for the development of the industry. The Company is in an important period of opportunities of promoting high-quality development. Facing the future, the Company will proactively seize the development trends of the new round of sci-tech revolution and industrial transformation and firmly seize opportunities arising from the development of industries in the process of supporting the advancement of Chinese modernisation. The Company will continue to deeply implement its Cloudification and Digital Transformation strategy, anchoring its mission and vision of building a service-oriented, technology-oriented, and secured enterprise. With network as the foundation and cloud as the core, the Company will grasp the direction of AI development and innovate the supply of products and

services. The Company will satisfy the demands for digitalisation from thousands of families and thousands of industries leveraging “network + cloud + AI + applications”. The Company will put sci-tech innovation at a more prominent position and further open up the big cycle of technology, product and industry. The Company will accelerate the fostering and development of new quality productive forces according to its own conditions, speed up the scale expansion of strategic emerging businesses and further create new momentum and edges for development. The Company will deepen the transformation and upgrades of its digital information infrastructure, enhance the green and low carbon capabilities of its cloud-network, and build the key foundation for Digital China. The Company will deepen reforms and opening up on all fronts, comprehensively push forward high-quality development, and further enhance its core functions and core competitiveness. The Company will accelerate the building of a world-class enterprise, further enhance corporate value and proactively bring returns to shareholders.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to all shareholders and customers for their continued support, and our sincere thanks to all our employees for their hard work and contributions. Furthermore, I would also like to extend our sincere gratitude towards Mr. Xia Bing for his outstanding contributions to the Company’s transformation and upgrades as well as continued development made during his tenure.

**Ke Ruiwen**

*Chairman and Chief Executive Officer*

Beijing, China

26 March 2024

## II. FINANCIAL REVIEW

In 2023, based on the new development stage, the Company implemented the new development principles completely, accurately and comprehensively, while also fully and deeply implemented its Cloudification and Digital Transformation strategy. Firmly seizing opportunities arising from growing demands for digital transformation and intelligent upgrades from the economy and society, the Company strengthened breakthroughs in key core technologies, fully completed the deployment of strategic emerging businesses and achieved new results in corporate high-quality development. In 2023, operating revenues were RMB513,551 million, representing an increase of 6.7% from year 2022. Service revenues<sup>17</sup> were RMB464,965 million, representing an increase of 6.9% from year 2022. Operating expenses were RMB476,423 million, representing an increase of 6.3% from year 2022. The profitability of the Company continued to improve. Profit attributable to equity holders of the Company was RMB30,446 million, representing an increase of 10.3% from year 2022. Basic earnings per share were RMB0.33. EBITDA<sup>18</sup> amounted to RMB136,830 million, representing an increase of 5.0% from year 2022. EBITDA margin<sup>19</sup> was 29.4%.

### OPERATING REVENUES

In 2023, the Company gave full play to its edges in cloud-network integration, insisted on the leading role of sci-tech innovation, and harnessed driving forces from reforms and opening up. Insisting on the customer-oriented approach, the Company continued to satisfy customers' desire for a better new digital life, achieving steady growth in fundamental businesses, rapid development of Industrial Digitalisation business, as well as further optimised revenue structure. In 2023, operating revenues were RMB513,551 million, representing an increase of 6.7% from year 2022. Service revenues were RMB464,965 million, representing an increase of 6.9% from year 2022.

<sup>17</sup> Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment, and other non-service revenues.

<sup>18</sup> EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation. 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 IFRS Accounting 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.

<sup>19</sup> EBITDA margin is calculated based on EBITDA divided by service revenues.

The following table sets forth a breakdown of the operating revenues for year 2023 and 2022, together with their respective rates of change:

<i>(RMB million, except percentage data)</i>	<b>For the year ended</b>		Rates of change
	<b>31 December</b>		
	<b>2023</b>	2022	
Service revenues	<b>464,965</b>	434,928	6.9%
Of which: Mobile communications service revenues	<b>195,660</b>	191,026	2.4%
Wireline and Smart Family service revenues	<b>123,063</b>	118,534	3.8%
Industrial Digitalisation service revenues	<b>138,890</b>	117,756	17.9%
Other service revenues	<b>7,352</b>	7,612	-3.4%
Revenue from sales of goods and others	<b>48,586</b>	46,520	4.4%
Total operating revenues	<b><u>513,551</u></b>	<b><u>481,448</u></b>	<b><u>6.7%</u></b>

### **Mobile communications service revenues**

In 2023, the Company continued to promote upgrades of connectivity, applications, and user experiences within its fundamental businesses, continued to optimise its 5G superior network and accelerated the brand-new upgrades of 5G, resulting in further enhancement of mobile subscribers scale and value. In 2023, mobile communications service revenues were RMB195,660 million, representing an increase of 2.4% over the same period of last year and accounting for 38.1% of operating revenues.

### **Wireline and Smart Family service revenues**

In 2023, the Company accelerated the upgrade of Gigabit subscribers to FTTR, continued to strengthen the application expansion and service upgrade of cloud broadband, and continued to enrich multi-scene family digital life applications. The value contribution from Smart Family service continued to increase and broadband blended ARPU maintained healthy growth. In 2023, Wireline and Smart Family service revenues were RMB123,063 million, representing an increase of 3.8% over the same period of last year and accounting for 24.0% of operating revenues.

## **Industrial Digitalisation service revenues**

In 2023, the Company proactively seized opportunities arising from network-based, digitalised, and intelligent transformation and development of the economy and society. Based on its edges of cloud-network integration, customer resources and localised services, the Company continued to strengthen service capabilities for industry customers, further deepened ecological cooperation, and promoted the rapid development of Industrial Digitalisation business. In 2023, revenue from Industrial Digitalisation reached RMB138,890 million, representing an increase of 17.9% over last year and accounting for 27.0% of operating revenues.

## **Other service revenues**

In 2023, revenues from other services amounted to RMB7,352 million, representing a decrease of 3.4% from year 2022.

## **Revenue from sales of goods and others**

In 2023, revenue from sales of goods and others amounted to RMB48,586 million, representing an increase of 4.4% from year 2022, mainly due to the rapid growth in the sales volume of mobile terminals and system integration equipment.

## **OPERATING EXPENSES**

The Company carried out comprehensive deployment of strategic emerging businesses, increased investment in key fields such as sci-tech innovation, 5G and Industrial Digitalisation. At the same time, leveraging digital means such as AI, the Company strengthened refined management of costs, increased efficiency of resources utilisation to support corporate high-quality development and long-term value creation. In 2023, operating expenses were RMB476,423 million, representing an increase of 6.3% from year 2022. Operating expenses accounted for 92.8% of operating revenues.

The following table sets forth a breakdown of the operating expenses in 2023 and 2022 and their respective rates of change:

<i>(RMB million, except percentage data)</i>	<b>For the year ended</b>		
	<b>31 December</b>		
	<b>2023</b>	2022	Rates of change
Depreciation and amortisation	<b>99,702</b>	96,932	2.9%
Network operations and support	<b>160,411</b>	147,589	8.7%
Selling, general and administrative	<b>66,804</b>	64,277	3.9%
Personnel expenses	<b>92,805</b>	84,772	9.5%
Other operating expenses	<b>56,701</b>	54,451	4.1%
Total operating expenses	<b>476,423</b>	448,021	6.3%

### **Depreciation and amortisation**

In 2023, the Company sped up the intelligent evolution and upgrade of digital information infrastructure, while further deepened 5G co-building and co-sharing as well as 4G network co-sharing. Depreciation and amortisation amounted to RMB99,702 million, representing an increase of 2.9% from year 2022 and accounting for 19.4% of operating revenues.

### **Network operations and support**

In 2023, the Company further enhanced its network quality and capabilities to support the rapid development of Industrial Digitalisation and Smart Family services. The Company appropriately increased investment in the building of capabilities. Meanwhile, leveraging digital means such as AI, the Company strengthened refined management of costs and further increased resource utilisation efficiency. Network operations and support expenses amounted to RMB160,411 million, representing an increase of 8.7% from year 2022 and accounting for 31.2% of operating revenues.

## **Selling, general and administrative**

In 2023, the Company maintained necessary input of marketing resources to expedite the scale development with value. At the same time, the Company proactively carried out digital transformation of marketing services. Leveraging digital means such as AI, the Company strengthened precise marketing and enhanced the efficiency of channels. Selling, general and administrative expenses amounted to RMB66,804 million, representing an increase of 3.9% from year 2022 and accounting for 13.0% of operating revenues. Of which, selling expenses were RMB51,195 million, representing an increase of 1.4% from year 2022.

## **Personnel expenses**

Firmly seizing the period of opportunities arising from the development of digital economy, the Company intensified the efforts to attract sci-tech and innovative talents, increased incentives for frontline employees and high-performance teams and granted medium- and long-term incentives. Investments in personnel expenses were in line with the direction of building the Company as a sci-tech company. In 2023, personnel expenses amounted to RMB92,805 million, representing an increase of 9.5% from year 2022 and accounting for 18.1% of operating revenues.

## **Other operating expenses**

In 2023, other operating expenses amounted to RMB56,701 million, representing an increase of 4.1% from year 2022 and accounting for 11.0% of operating revenues. The increase was mainly due to the increase in the sales volume of mobile terminals and system integration equipment.

## **Net finance costs**

In 2023, net finance costs amounted to RMB332 million, representing an increase of RMB325 million from year 2022. The increase was mainly because the renewal of tower leasing contract led to the increase of the Company's lease liabilities in scale, and related interest expenses grew significantly.

## **PROFITABILITY LEVEL**

### **Income taxes**

The Company's statutory income tax rate is 25.0%. In 2023, income tax expenses were RMB8,776 million while the effective tax rate was 22.4%, representing a decrease of 0.1 percentage point from last year. The reason for the effective tax rate to be lower than the statutory tax rate was because income from investment in the associate company, China Tower Corporation Limited ("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 corporate reforms and fully completed the deployment of strategic emerging businesses. The resource utilisation and operating efficiency of the Company continued to increase while its profitability further strengthened. In 2023, the profit attributable to equity holders of the Company was RMB30,446 million, representing an increase of 10.3% from year 2022.

## **CAPITAL EXPENDITURE AND CASH FLOWS**

### **Capital expenditure**

In 2023, in order to support the construction of 5G network at scale and strengthen the support and assurance for strategic emerging businesses, the Company increased the investment in cloud-network integrated digital information infrastructure, proactively grasped the development trends of AI and stepped up the investment and building of intelligent computing capabilities. At the same time, the Company further deepened 5G co-building and co-sharing as well as 4G network co-sharing, and continuously enhanced the depth and breadth of its 5G coverage. Capital expenditure for the year was RMB98,838 million, representing an increase of 6.8% from year 2022.

## Cash flows

In 2023, the net increase in cash and cash equivalents was RMB8,539 million.

The following table sets forth the cash flow position in 2023 and 2022:

<i>(RMB million)</i>	For the year ended	
	31 December	
	2023	2022
Net cash flow from operating activities	<b>137,508</b>	136,432
Net cash used in investing activities	<b>(95,492)</b>	(96,796)
Net cash used in financing activities	<b>(33,477)</b>	(40,906)
Net increase/(decrease) in cash and cash equivalents	<b><u>8,539</u></b>	<b><u>(1,270)</u></b>

In 2023, the net cash inflow from operating activities was RMB137,508 million, representing an increase of 0.8% year-on-year.

In 2023, the net cash outflow used in investing activities was RMB95,492 million, representing a decrease of 1.3% year-on-year, mainly due to the repayment of short-term loan received by its finance company from China Telecommunications Corporation.

In 2023, the net cash outflow used in financing activities was RMB33,477 million, representing a decrease of 18.2% year-on-year, mainly because the Company distributed interim dividend for the first time in the second half of 2022.

## WORKING CAPITAL

The Company consistently upheld stable and prudent financial principles and stringent fund management policies. At the end of 2023, the working capital (total current assets minus total current liabilities) deficit was RMB135,573 million, representing a decrease in deficit of RMB5,092 million compared to the end of 2022. As at 31 December 2023, the unutilised credit facilities were RMB205,452 million (2022: RMB233,639 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 2023, cash and cash equivalents amounted to RMB81,046 million, among which cash and cash equivalents denominated in Renminbi accounted for 93.6% (2022: 94.3%).

## ASSETS AND LIABILITIES

In 2023, the Company continued to maintain a solid financial position. At the end of 2023, the total assets increased by 3.5% from RMB807,698 million as at the end of 2022 to RMB835,814 million. The total liabilities increased to RMB388,647 million from RMB371,271 million at the end of 2022, representing an increase of 4.7%. The debt-to-asset ratio was 46.5% at the end of 2023.

### Indebtedness

The indebtedness analysis as at the end of 2023 and 2022 is as follows:

<i>(RMB million)</i>	For the year ended	
	31 December 2023	2022
Short-term debts	2,867	2,840
Current portion of long-term debts	1,133	3,160
Long-term debts	<u>5,142</u>	<u>4,484</u>
Total indebtedness	<u>9,142</u>	<u>10,484</u>

As at the end of 2023, the total indebtedness<sup>20</sup> was RMB9,142 million, representing a decrease of RMB1,342 million from the end of 2022, 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 97.3% (2022: 97.4%), 1.8% (2022: 1.7%) and 0.9% (2022: 0.9%), respectively. 93.2% (2022: 95.8%) of the indebtedness are loans with fixed interest rates while the remaining portion of the indebtedness represented loans with floating interest rates.

As at 31 December 2023, neither the Company nor any of its subsidiaries pledged any assets as collateral for debt (2022: 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.

<sup>20</sup> Total indebtedness refers to interest-bearing debts excluding lease liabilities.

### III. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS

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 2023 extracted from the audited consolidated financial statements of the Group as set out in its 2023 Annual Report.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(Amounts in million except for per share data)

	<i>Notes</i>	<b>2023</b> <b>RMB</b>	2022 <b>RMB</b>
<b>Operating revenues</b>	4	<b>513,551</b>	481,448
<b>Operating expenses</b>			
Depreciation and amortisation		<b>(99,702)</b>	(96,932)
Network operations and support		<b>(160,411)</b>	(147,589)
Selling, general and administrative		<b>(66,804)</b>	(64,277)
Personnel expenses		<b>(92,805)</b>	(84,772)
Other operating expenses		<b>(56,701)</b>	(54,451)
<b>Total operating expenses</b>		<b>(476,423)</b>	(448,021)
<b>Operating profit</b>		<b>37,128</b>	33,427
Net finance costs	5	<b>(332)</b>	(7)
Investment income and others		<b>292</b>	243
Share of profits of associates and joint ventures		<b>2,116</b>	2,051
<b>Profit before taxation</b>		<b>39,204</b>	35,714
Income tax	6	<b>(8,776)</b>	(8,038)
<b>Profit for the year</b>		<b>30,428</b>	27,676

	<i>Notes</i>	<b>2023</b> <b>RMB</b>	2022 <b>RMB</b>
<b>Other comprehensive income for the year</b>			
<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		<b>511</b>	(222)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income		<u>(135)</u>	<u>50</u>
		<u><b>376</b></u>	<u>(172)</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		<b>63</b>	712
Share of other comprehensive income of associates and joint ventures		<u>2</u>	<u>—</u>
		<u><b>65</b></u>	<u>712</u>
<b>Other comprehensive income for the year, net of tax</b>		<u><b>441</b></u>	<u>540</u>
<b>Total comprehensive income for the year</b>		<u><b>30,869</b></u>	<u>28,216</u>
<b>Profit attributable to</b>			
Equity holders of the Company		<b>30,446</b>	27,593
Non-controlling interests		<u>(18)</u>	<u>83</u>
<b>Profit for the year</b>		<u><b>30,428</b></u>	<u>27,676</u>
<b>Total comprehensive income attributable to</b>			
Equity holders of the Company		<b>30,887</b>	28,133
Non-controlling interests		<u>(18)</u>	<u>83</u>
<b>Total comprehensive income for the year</b>		<u><b>30,869</b></u>	<u>28,216</u>
<b>Basic earnings per share (RMB)</b>	7	<u><b>0.33</b></u>	<u>0.30</u>
<b>Diluted earnings per share (RMB)</b>	7	<u><b>0.33</b></u>	<u>0.30</u>
<b>Number of shares (in million)</b>		<u><b>91,507</b></u>	<u>91,507</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Amounts in million)

	31 December 2023	31 December 2022
<i>Note</i>	<i>RMB</i>	<i>RMB</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment, net	409,943	413,963
Construction in progress	72,238	58,443
Right-of-use assets	76,908	87,055
Goodwill	29,923	29,922
Intangible assets	22,702	20,780
Interests in associates and joint ventures	43,158	42,220
Financial assets at fair value through profit or loss	397	402
Equity instruments at fair value through other comprehensive income	1,426	885
Deferred tax assets	1,347	3,821
Other assets	9,909	9,135
	<u>667,951</u>	<u>666,626</u>
<b>Total non-current assets</b>		
<b>Current assets</b>		
Inventories	3,417	3,513
Income tax recoverable	140	154
Accounts receivable, net	9 32,210	24,312
Contract assets	4,665	3,042
Prepayments and other current assets	35,580	33,751
Short-term bank deposits and restricted cash	10,805	3,835
Cash and cash equivalents	81,046	72,465
	<u>167,863</u>	<u>141,072</u>
<b>Total current assets</b>		
	<u>835,814</u>	<u>807,698</u>
<b>Total assets</b>		

	<b>31 December</b>	31 December
	<b>2023</b>	2022
<i>Note</i>	<b>RMB</b>	<b>RMB</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term debts	2,867	2,840
Current portion of long-term debts	1,133	3,160
Accounts payable	10 145,872	127,260
Accrued expenses and other payables	74,260	65,229
Contract liabilities	65,417	67,841
Income tax payable	488	919
Current portion of lease liabilities	13,399	14,488
	<u>303,436</u>	<u>281,737</u>
<b>Total current liabilities</b>		
	<u>(135,573)</u>	<u>(140,665)</u>
<b>Net current liabilities</b>		
	<u>532,378</u>	<u>525,961</u>
<b>Total assets less current liabilities</b>		
<b>Non-current liabilities</b>		
Long-term debts	5,142	4,484
Lease liabilities	42,650	52,408
Deferred tax liabilities	31,025	27,945
Other non-current liabilities	6,394	4,697
	<u>85,211</u>	<u>89,534</u>
<b>Total non-current liabilities</b>		
	<u>388,647</u>	<u>371,271</u>
<b>Total liabilities</b>		
<b>Equity</b>		
Share capital	91,507	91,507
Reserves	351,419	340,582
	<u>442,926</u>	<u>432,089</u>
<b>Total equity attributable to equity holders of the Company</b>		
Non-controlling interests	4,241	4,338
	<u>447,167</u>	<u>436,427</u>
<b>Total equity</b>		
	<u>835,814</u>	<u>807,698</u>
<b>Total liabilities and equity</b>		

*Notes:*

## **1. BASIS OF PRESENTATION**

The Group's consolidated financial statements included in the Annual Report have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee

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 2023, the total current liabilities of the Group had exceeded the total current assets by RMB135,573 million (31 December 2022: RMB140,665 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 RMB205,452 million (31 December 2022: RMB233,639 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 2023 have been prepared on a going concern basis.

## 2. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for the current year:

- IFRS 17 *“Insurance Contracts”*
- Amendments to IAS 1 *“Presentation of Financial Statement”* and IFRS Practice Statement 2 *“Making Materiality Judgements”* — Disclosure of Accounting Policies
- Amendments to IAS 8 *“Accounting Policies, Changes in Accounting Estimates and Errors”* — Definition of Accounting Estimates
- Amendments to IAS 12 *“Income tax”* — Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 *“Income tax”* — International Tax Reform — Pillar Two model rules

The application of the above amendments to IFRS Accounting Standards 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 (“CODM”) in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. 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>	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
<b>Type of goods or services</b>			
Service revenues		<b>464,965</b>	434,928
Mobile communications service revenues	<i>(i)</i>	<b>195,660</b>	191,026
Wireline and Smart Family service revenues	<i>(ii)</i>	<b>123,063</b>	118,534
Industrial Digitalisation service revenues	<i>(iii)</i>	<b>138,890</b>	117,756
Other service revenues	<i>(iv)</i>	<b>7,352</b>	7,612
Sales of goods and others	<i>(v)</i>	<b>48,586</b>	46,520
<b>Total operating revenues</b>		<b>513,551</b>	481,448
Revenue from customer contracts		<b>505,531</b>	472,952
Revenue from other sources and others		<b>8,020</b>	8,496
<b>Total operating revenues</b>		<b>513,551</b>	481,448
<b>Timing of revenue recognition</b>			
A point in time		<b>42,563</b>	40,039
Over time		<b>470,988</b>	441,409
<b>Total operating revenues</b>		<b>513,551</b>	481,448

*Notes:*

- (i) Represent primarily the aggregate amount of mobile communications service fees, mobile Internet access 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 2023 and 2022, 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

	2023 <i>RMB million</i>	2022 <i>RMB million</i>
Interest expense on lease liabilities	2,130	1,425
Interest expense on short-term and long-term debts	504	556
Less: Interest expense capitalised*	<u>(89)</u>	<u>(100)</u>
Net interest expense	2,545	1,881
Interest income	(2,368)	(1,808)
Net foreign exchange gain or loss and others	<u>155</u>	<u>(66)</u>
	<u><u>332</u></u>	<u><u>7</u></u>
*Interest expense was capitalised in construction in progress at the following rates per annum	<u><u>2.9%–3.6%</u></u>	<u><u>3.4%–3.6%</u></u>

## 6. INCOME TAX

Income tax in the profit or loss comprises:

	2023 <i>RMB million</i>	2022 <i>RMB million</i>
Provision for PRC income tax	3,121	3,676
Provision for income tax in other tax jurisdictions	236	177
Deferred taxation	<u>5,419</u>	<u>4,185</u>
	<u><u>8,776</u></u>	<u><u>8,038</u></u>

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

	<i>Notes</i>	<b>2023</b> <i>RMB million</i>	2022 <i>RMB million</i>
Profit before taxation		<u>39,204</u>	<u>35,714</u>
Expected income tax expense at statutory tax rate of 25%	<i>(i)</i>	9,801	8,929
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		<b>(1,238)</b>	(1,061)
Differential tax rate on mainland China subsidiaries' and branches' income	<i>(i)</i>	<b>(858)</b>	(764)
Differential tax rate on other subsidiaries' income	<i>(ii)</i>	<b>(69)</b>	(54)
Non-deductible expenses	<i>(iii)</i>	<b>928</b>	821
Non-taxable income	<i>(iv)</i>	<b>(626)</b>	(568)
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised		<b>1,028</b>	803
Others	<i>(v)</i>	<u><b>(190)</b></u>	<u>(68)</u>
Income tax expense		<u><b>8,776</b></u>	<u>8,038</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 12% to 38%.
- (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, etc.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2023 and 2022 is based on the profit attributable to equity holders of the Company of RMB30,446 million and RMB27,593 million, respectively, divided by 91,507,138,699 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 26 March 2024, a final dividend of RMB0.090 per share (pre-tax) totalling approximately RMB8,236 million for the year ended 31 December 2023 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 2023.

The 2022 Annual General Meeting considered and approved the authorisation to the Board of Directors to decide on the interim profit distribution plan of the Company for year 2023. Pursuant to a resolution at the Board of Directors' meeting on 8 August 2023, an interim dividend of RMB0.1432 (equivalent to HK\$0.156524) per share (pre-tax) totalling approximately RMB13,104 million in respect of the six-month period ended 30 June 2023 was declared. The dividend of RMB11,117 million for A shares was paid on 31 August 2023, and the dividend of RMB1,987 million for H shares was paid on 28 September 2023.

Pursuant to the shareholders' approval at the Annual General Meeting held on 23 May 2023, a final dividend of RMB0.076 (equivalent to HK\$0.085065) per share (pre-tax) totalling approximately RMB6,955 million in respect of the year ended 31 December 2022 was declared. The dividend of RMB5,900 million for A shares was paid on 9 June 2023, and the dividend of RMB1,055 million for H shares was paid on 21 July 2023.

The 2021 Annual General Meeting considered and approved the authorisation to the Board of Directors to decide on the interim profit distribution plan of the Company for year 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.

## 9. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	<i>Notes</i>	<b>31 December</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
Third parties		<b>37,861</b>	27,714
China Telecom Group	<i>(i)</i>	<b>1,670</b>	2,073
China Tower	<i>(ii)</i>	<b>24</b>	23
Other telecommunications operators in the PRC		<b>893</b>	619
		<b>40,448</b>	30,429
Less: Allowance for credit losses		<b>(8,238)</b>	(6,117)
		<b>32,210</b>	24,312

*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 2023 and 2022, the gross carrying amounts of accounts receivable from contracts with customers amounted to RMB40,353 million, and RMB30,350 million.

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

	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
Current, within 1 month	<b>6,073</b>	6,405
1 to 3 months	<b>2,554</b>	2,040
4 to 6 months	<b>905</b>	807
7 to 12 months	<b>1,469</b>	1,234
Over 12 months	<b>1,604</b>	1,317
	<b>12,605</b>	11,803
Less: Allowance for credit losses	<b>(3,944)</b>	(3,335)
	<b>8,661</b>	8,468

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

	<b>31 December</b>	
	<b>2023</b>	2022
	<i><b>RMB million</b></i>	<i>RMB million</i>
Within 6 months	<b>17,601</b>	11,817
7 to 12 months	<b>5,540</b>	3,537
1 to 2 years	<b>2,663</b>	1,709
2 to 3 years	<b>913</b>	677
Over 3 years	<b>1,126</b>	886
	<hr/>	<hr/>
	<b>27,843</b>	18,626
Less: Allowance for credit losses	<b>(4,294)</b>	(2,782)
	<hr/>	<hr/>
	<b>23,549</b>	15,844
	<hr/> <hr/>	<hr/> <hr/>

## 10. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	<b>31 December</b>	
	<b>2023</b>	2022
	<i><b>RMB million</b></i>	<i>RMB million</i>
Third parties	<b>111,025</b>	98,076
China Telecom Group	<b>26,444</b>	23,971
China Tower	<b>7,505</b>	4,340
Other telecommunications operators in the PRC	<b>898</b>	873
	<hr/>	<hr/>
	<b>145,872</b>	127,260
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>31 December</b>	
	<b>2023</b>	2022
	<i><b>RMB million</b></i>	<i>RMB million</i>
Due within 1 month or on demand	<b>40,068</b>	22,078
Due after 1 month but within 3 months	<b>30,859</b>	28,308
Due after 3 months but within 6 months	<b>35,261</b>	33,280
Due after 6 months	<b>39,684</b>	43,594
	<b>145,872</b>	127,260

## **11. EVENTS AFTER THE REPORTING PERIOD**

On 11 March 2024, China Telecom Quantum Information Technology Group Limited, a wholly-owned subsidiary of the Company, entered into “The Conditional Non-Public A Share Subscription and Strategic Cooperation Agreement with Quantumtek Co., Ltd.” with Quantumtek Co., Ltd. (“Quantumtek”), planning to subscribe non-public issuance of A shares of Quantumtek with self-owned funds. The transaction is subject to approval by shareholder’s meeting of Quantumtek and the review and approval by relevant authorities.

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

During the year ended 31 December 2023, 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 2023).

The figures in respect of the Group's consolidated results for the year ended 31 December 2023 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 2023.

#### **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 2023. 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 2023, the Company was in compliance with all the code provisions under the *Corporate Governance Code* as set out in Appendix C1 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 C3 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 2023 to 31 December 2023.

## **VIII. DIVIDENDS**

The Board of Directors proposes a final dividend of RMB0.090 per share (pre-tax) in an aggregate amount of approximately RMB8,236 million calculated based on 91,507 million shares, being the total number of issued share capital of the Company as at the end of 2023. Together with the 2023 interim dividend of RMB0.1432 per share (pre-tax) which has been distributed, the full year dividend of 2023 amounts to RMB0.2332 per share (pre-tax) in an aggregate amount of approximately RMB21,339 million which represents over 70% of the profit attributable to equity holders of the Company for the year 2023. 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 2023 which will be held on Monday, 27 May 2024. The proposed final dividends are expected to be paid on or before 26 July 2024 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 2023 prepared in accordance with IFRS Accounting Standards 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](http://www.hkexnews.hk)) and the website of the Company ([www.chinatelecom-h.com](http://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, 26 March 2024

## **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 and Mr. Li Yinghui (as the Chief Financial Officer) (all as the Executive Vice Presidents); Mr. Li Jun; Mr. Chen Shengguang (as the Non-Executive Director); Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei (all as the Independent Non-Executive Directors).