



China Telecom Corporation Limited

HKEx Stock Code: 728

TRANSFORM
變遷拓新 科創未來

Annual Report 2023



ABOUT CHINA TELECOM

China Telecom Corporation Limited ("China Telecom" or the "Company", a joint stock limited company incorporated in the People's Republic of China with limited liability, together with its subsidiaries, collectively the "Group") is a leading large-scale integrated intelligent information services operator in the world whose principal business is the provision of fundamental telecommunications businesses including wireline, mobile communications and satellite communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses. The Company's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively.



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IMPORTANT NOTICE

1. The financial statements of the Company for the year of 2023 prepared in accordance with the IFRS Accounting Standards have been audited by PricewaterhouseCoopers, who has issued a standard unqualified audit report.
2. The profit distribution proposal or proposal for conversion of capital reserve into share capital for the Reporting Period has been approved by the Board.

Pursuant to the previous decision of the Board, within three years after the A Share Offering and Listing, the profit to be distributed by the Company in cash for each year will gradually increase to 70% or above of the profit attributable to equity holders of the Company for that year. After fully considering the Company's cash flow level, the cash return to shareholders, etc., the Board of Directors proposed a final dividend of RMB0.090 per share (pre-tax) in an aggregate amount of approximately RMB8,236 million calculated based on 91,507,138,699 shares, being the total number of issued share capital of the Company as at the end of 2023. The dividend distribution is derived from net profit realised in the current period. 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 Company attaches great importance to shareholder returns and fully considers the overall interests of shareholders, the Company's profitability, cash flow levels and future development needs. 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.

The profit distribution plan will be submitted to the Annual General Meeting of the Company for the year 2023 for consideration and approval.

3. Risk Statement of Forward-Looking Statements

Forward-looking statements, such as development strategies, future business plans and prospects, contained in the 2023 annual report of the Company do not constitute a commitment of the Company to investors. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause the Company's actual performance, financial condition or results of operations to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, the Company will not update these forward-looking statements. Investors should be aware of the investment risks.

4. Significant Risk Warning

The Company has described in detail the economic and policy environment adaptation risks, sci-tech and innovation risks, network and data security risks, risks relating to emerging businesses in strategic emerging industries and future industries and international business operational risks in this report. Please refer to the "Management's Discussion and Analysis (Report of the Directors)" in this report.

SECTION I DEFINITIONS

In this report, unless the context otherwise requires, the following terms and expressions have the following meanings:

| | |
|---|--|
| 2C/2H/2B/2G | To Customer/To Home/To Business/To Government |
| 4G | 4th generation mobile communication technology |
| 5G | 5th generation mobile communication technology |
| A Share(s) | Shares of the Company issued in mainland China, listed on domestic stock exchanges and subscribed and traded in RMB |
| AIDC | Artificial Intelligence Datacentre |
| AIoT | Artificial Intelligence of Things |
| ARPU | Monthly average revenue per user |
| Artificial Intelligence/AI | Technology science that researches and develops theories, methodologies, technologies and application systems for simulating, extending and expanding human intelligence |
| BG | Business Group |
| Big Data | Massive, real-time and diversified data information that can be recorded, collected, developed and utilised, and big data-based mining and processing technology |
| Board/Board of Directors | The board of directors of the Company |
| China Comservice/CCS | China Communications Services Corporation Limited (中國通信服務股份有限公司) |
| China Telecom/the Company | China Telecom Corporation Limited (中國電信股份有限公司), or where the context so requires, refers to China Telecom Corporation Limited and its subsidiaries |
| China Telecom Digital Intelligence Technology | China Telecom Digital Intelligence Technology Co., Ltd. (中電信數智科技有 限公司), formerly known as China Telecom System Integration Co., Limited (中國電信集團系統集成有限責任公司) |

SECTION I DEFINITIONS

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| China Telecom Finance | China Telecom Group Finance Co., Ltd. (中國電信集團財務有限公司) |
| China Telecom Global | China Telecom Global Limited (中國電信國際有限公司) |
| China Telecommunications | China Telecommunications Corporation (中國電信集團有限公司), formerly known as China Telecommunications Corporation (中國電信集團公司), the controlling shareholder of the Company |
| China Tower | China Tower Corporation Limited (中國鐵塔股份有限公司) |
| Chinese Accounting Standard/ China Accounting Standards for Business Enterprises | The Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the specific accounting standards, application guidelines, interpretations and other relevant regulations subsequently revised |
| Cloud/Cloud Computing | An Internet technology that provides flexible and on-demand services to external users through the Internet with pooled cluster computing capabilities |
| Company Law | The Company Law of the PRC |
| Computing Power | The ability of computer equipment or computing centres/datacentres for processing information, i.e., the ability of computer hardware and software to cooperate to perform certain computing needs |
| CSRC | China Securities Regulatory Commission |
| DaaS | Desktop as a Service |
| DCI | Datacentre Interconnect |
| Dual Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange |
| E-surfing Pay | E-surfing Pay Co., Ltd (天翼電子商務有限公司) |
| EFLOPS | FLOPS, Floating-Point Operations Per Second, which is commonly used to estimate computer performance; "E" stands for "Exa" and means 10^{18} ; therefore EFLOPS implies 10^{18} times of floating-point operations per second |
| FTTR | Fibre to The Room |
| Guangdong Rising | Guangdong Rising Holdings Group Co., Ltd. (廣東省廣晟控股集團有限公司), formerly known as Guangdong Rising Assets Management Co., Ltd. (廣東省廣晟資產經營有限公司) |
| H Share(s) | Shares of the Company that are registered in mainland China, issued outside mainland China, listed on the Stock Exchange and subscribed and traded in Hong Kong dollars |

SECTION I
DEFINITIONS

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|--|--|
| IaaS | Infrastructure as a Service |
| IFRS Accounting Standards | IFRS Accounting Standards, amendments and interpretations issued from time to time by the International Accounting Standards Board |
| Internet of Things/IoT | Various sensory devices that are based on computer and communication technology, using cellular mobile network, wired network, wireless network, etc. to complete the transmission, coordination and processing of information, so as to realise the network of communication between objects and things, and communication between objects and people |
| Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| MaaS | Model as a Service |
| MIIT | Ministry of Industry and Information Technology |
| PaaS | Platform as a Service |
| PON | Passive Optical Network |
| Prospectus | The prospectus in connection with the initial public offering of A Shares of China Telecom Corporation Limited |
| Quantum-encrypted Calls | The communication technology that is closely integrated with quantum information technology to achieve end-to-end voice calls and other encryption protection, and provide users with stable and reliable quantum protection secure communication services |
| RDO | Fundamental research (R), applied technological research and development (D) and operational development (O) |
| Reporting Period | Period from 1 January 2023 to 31 December 2023 |
| SASAC | State-owned Assets Supervision and Administration Commission of the State Council |
| Securities Law | The Securities Law of the PRC |
| SSE | Shanghai Stock Exchange |
| SSE Listing Rules | The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange |
| Stock Exchange/ Hong Kong Stock Exchange/HKSE | The Stock Exchange of Hong Kong Limited |
| The Offering/A Share Offering | The public offering of RMB ordinary shares (A Shares) by the Company in 2021 |

SECTION II COMPANY PROFILE

1. CORPORATE INFORMATION

| | |
|-------------------------------------|-----------------------------------|
| Company name in Chinese | 中國電信股份有限公司 |
| Short name in Chinese | 中國電信 |
| Company name in English | China Telecom Corporation Limited |
| Short name in English | China Telecom |
| Legal representative of the Company | Ke Ruiwen |

2. CONTACT PERSONS AND CONTACT INFORMATION

| | Secretary of the Board | Securities Affairs Representative | Company Secretary |
|-----------|---|---|--|
| Name | Li Yinghui | Xu Fei | Wong Yuk Har |
| Address | 31 Jinrong Street, Xicheng District, Beijing, China | 31 Jinrong Street, Xicheng District, Beijing, China | 28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong |
| Telephone | 8610-58501800 | 8610-58501508 | 852-28779777 |
| Fax | 8610-58501531 | 8610-58501531 | 852-28770988 |
| E-mail | ir@chinatelecom-h.com | ir@chinatelecom-h.com | ir@chinatelecom-h.com |

3. GENERAL INFORMATION

| | |
|--|---|
| Registered address and office address of the Company | 31 Jinrong Street, Xicheng District, Beijing, China |
| Postal code of the office address of the Company | 100033 |
| Principal place of business in Hong Kong | 28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong |
| Company website | www.chinatelecom-h.com |
| E-mail | ir@chinatelecom-h.com |

SECTION II
COMPANY PROFILE

4. STOCK INFORMATION

| Class of shares | Stock exchange for listing | Stock Short Name | Stock Code |
|-----------------|----------------------------|------------------|------------|
| A Shares | Shanghai Stock Exchange | China Telecom | 601728 |
| H Shares | Hong Kong Stock Exchange | China Telecom | 00728 |

5. OTHER RELEVANT INFORMATION

| | | |
|---|--|--|
| Accountant engaged by the Company (mainland China) | Name | PricewaterhouseCoopers Zhong Tian LLP <i>Recognised Public Interest Entity Auditor</i> |
| | Office Address | 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai |
| | Name of signing accountants | Song Shuang, Liu Yuanbo |
| Accountant engaged by the Company (overseas) | Name | PricewaterhouseCoopers <i>Certified Public Accountant</i> <i>Registered Public Interest Entity Auditor</i> |
| | Office Address | 22/F, Prince's Building, Central, Hong Kong |
| Sponsor performing ongoing supervision duties during the Reporting Period | Name | China International Capital Corporation Limited |
| | Office Address | 27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing |
| | Names of signing sponsor representatives | Xu Shiyan, Liang Jingjing |
| | Period of ongoing supervision | 20 August 2021 to 31 December 2023 |
| Sponsor performing ongoing supervision duties during the Reporting Period | Name | CSC Financial Co., Ltd. |
| | Office Address | Building 4, No. 66 Anli Road, Chaoyang District, Beijing |
| | Names of signing sponsor representatives | Wang Chenning, Dong Junfeng |
| | Period of ongoing supervision | 20 August 2021 to 31 December 2023 |

TRANSMIT



SECTION III

MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

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 revenues¹ amounted to RMB465.0 billion, representing an increase of 6.9% year-on-year, maintaining growth for 11 consecutive years. EBITDA² amounted to RMB136.8 billion, representing an increase of 5.0% year-on-year. Net profit³ 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 flow⁴ reached RMB13.0 billion.

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.

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

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

³ Net profit represents profit attributable to equity holders of the Company.

⁴ 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

Chairman Ke Ruiwen presented at Digital Technology Ecosystem Conference

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) expenses⁵ 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.

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

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Giving full play to the collaborative edges of the RDO⁶ system, the Company vigorously promoted the conversion and industrialisation of achievements. The number of invention patent applications exceeded 5,000 throughout the year. 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.

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 ARPU⁷ 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 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 ARPU⁸ reached RMB47.6, representing an increase of 2.8% year-on-year.

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

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

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

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.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

engine", a new-generation image and streaming fusion⁹ 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 share¹⁰.

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"¹¹ 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% year-on-year. 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 2023¹². 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 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 fusion¹³ 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

⁹ 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.

¹⁰ Source of market share data of China Telecom Cloud: IDC.

¹¹ 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.

¹² Source of rankings of data elements service providers: Internet Weekly.

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

SECTION III

MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

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 aerial-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 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 Commissions 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.

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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 have 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"¹⁴, 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 traffic¹⁵. 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 EFLOPS¹⁶, 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 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

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

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

¹⁶ 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.

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, IoT 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

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Chairman Ke Ruiwen introduced China Telecom's efforts in supporting the high-quality development of the computing power industry

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 proprietary 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

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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 2023" organised by *Institutional Investor*. The

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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

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2. OVERVIEW OF THE COMPANY'S INDUSTRY DURING THE REPORTING PERIOD

1. INDUSTRY OVERVIEW

In 2023, the volume and revenue of telecommunications businesses of the communications industry achieved a steady growth, with positive growth in investment for five consecutive years. The construction of new network infrastructure such as computing power was accelerated, and the scale of 5G and Gigabit subscribers maintained rapid growth, making solid progress in high-quality development.

The development of the telecommunications industry achieved significant enhancement of quality and efficiency. Firstly, both volume and revenue of telecommunications businesses achieved growth. The total volume of telecommunications businesses calculated based on the price of the previous year increased by 16.8% year-on-year, which strongly drove the recovery and growth of the service industry. The revenue from telecommunications businesses for the year amounted to RMB1.68 trillion, representing an increase of 6.2% year-on-year. Secondly, the supporting role of emerging businesses was consolidated. The industry achieved prominent results in expanding the digital transformation services, with the business structure showing the characteristics of being driven by "three wheels" including mobile Internet, wireline broadband access and emerging businesses such as cloud computing. Thirdly, new breakthroughs in promoting industrial development were achieved through sci-tech innovation. By increasing efforts in sci-tech R&D, the industry made advanced deployment in emerging fields, strengthened key technological R&D, and achieved a number of innovation breakthroughs.

The industry appropriately advanced the deployment of new infrastructure on a large scale. Firstly, the coverage of "dual-Gigabit" networks continued to optimise. FTTR moved to the user promotion stage, propelling the launch of Smart Family applications such as HD Video and Smart Home. The Gigabit fibre network supported thousands of industries and empowered the digital transformation of the society. Secondly, the computing power network achieved an initial leap. The industry strengthened the coordinated enhancement of computing power, storage capacity and network bandwidth, creating a all-fibre foundation with the integration of computing power network and

cloud-network integration. The industry carried out coordinated deployment of general computing power and intelligent computing power, commenced the construction of the ultra-large-scale intelligent computing centre, and continuously optimised the supply structure of computing power. Thirdly, the industry built an AI infrastructure system. The industry explored new models of AI applications through the combination of internal application and external empowerment, promoted the integrated development of "cloud, network and intelligence", and comprehensively transformed to the "AI+" strategy.

The proportion of dual-Gigabit and IoT users increased rapidly. Firstly, 5G mobile phone users accounted for nearly half of the total. By the end of 2023, the number of mobile phone users in China reached 1,727 million. The 5G migration of mobile phone users accelerated, with the number of 5G mobile phone users reaching 805 million. Secondly, Gigabit users accounted for more than a quarter. By the end of 2023, the number of wireline broadband access users reached 636 million, while the number of users with access speed of 1000Mbps and above reached 163 million. Thirdly, the proportion of IoT terminal connections was nearly 60%. By the end of 2023, the total number of mobile network terminal connections in China reached 4,059 million, of which the number of cellular IoT terminal users reached 2,332 million, and cellular IoT terminals were widely used in public services, Internet of Vehicles, smart retail, smart home and other fields.

The development and upgrade of converged applications accelerated. Firstly, data traffic consumption continued to be active. In 2023, the access data traffic of mobile Internet users reached 301.5 billion GB, representing an increase of 15.2% over last year. the average access data traffic per user per month (also known as dataflow of usage, DOU) reached 16.85 GB, representing an increase of 10.9% over last year. Secondly, the expansion of industry converged applications deepened. 5G industry applications evolved from single demonstration to large-scale replication in some fields. The number of 5G application cases exceeded 94,000. 5G applications have been integrated into 71 out of the 97 national economic categories, covering 70% of major industries, and achieving scale replication in industries such as mining, electricity and ports. The coverage of 31 provinces (regions and municipalities) and all prefecture-level cities has been achieved.

Note: The above data are from MIIT's Statistical Communique of the Communications Industry in 2023 and its interpretations.

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Management introduced the development of China Telecom's strategic emerging businesses

2. SIGNIFICANT IMPACT OF NEW LAWS, ADMINISTRATIVE REGULATIONS, DEPARTMENTAL RULES AND INDUSTRY POLICIES ON THE INDUSTRY

During the Reporting Period, a number of laws, administrative regulations, departmental rules and departmental normative documents were promulgated and implemented, introducing new requirements for the development and compliance operation of the industry.

On 29 December 2023, the *Company Law of the People's Republic of China* was amended and adopted at the seventh meeting of the Standing Committee of the 14th National People's Congress, which will come into effect on 1 July 2024. The newly revised *Company Law* improved the company capital system, establishment and withdrawal system, relevant provisions of state-funded companies and relevant provisions of corporate bonds, optimised corporate governance, strengthened the protection of shareholders' rights, and strengthened the responsibilities of controlling shareholders, actual controllers, directors, supervisors and senior management.

On 16 October 2023, the State Council promulgated the *Regulation on the Protection of Minors in Cyberspace* (the "Regulation"), which came into effect on 1 January 2024. The *Regulation* put forward requirements for Internet products and services providers, personal information processors, intelligent terminal product manufacturers and sellers in terms of promoting the Internet literacy of minors, strengthening the construction of Internet information and content, protecting personal information of minors, and preventing minors from addicting to the Internet.

On 10 March 2023, the State Administration for Market Regulation promulgated the *Provisions on the Examination of Concentrations of Undertakings*, the *Provisions on Prohibiting Monopoly Agreements* and the *Provisions on Prohibiting Abuse of Dominant Market Positions*, which became effective on 15 April 2023. The *Provisions on the Examination of Concentrations of Undertakings* took into account the overall situation of practices, adding capabilities to master and control data processing as a new special consideration when the market regulatory authorities analyse and make decisions on market control, market entry and additional restrictive conditions. The *Provisions on Prohibiting Monopoly Agreements* improved relevant regulations on the development of data, algorithms and other technologies, and required that operators shall not use data and algorithms, technologies and platform rules to reach relevant monopoly agreements. The *Provisions on Prohibiting Abuse of Dominant Market Positions* strengthened the restrictions on the abuse of dominant market positions in the field of data, and clarified that operators with dominant market positions shall not use data and algorithms, technologies and platform rules to engage in related abuse of dominant market positions.

On 25 June 2023, the State Administration for Market Regulation issued the *Provisions on Prohibiting the Abuse of Intellectual Property Rights to Exclude or Restrict Competition*, which became effective on 1 August 2023. The *Provisions on Prohibiting the Abuse of Intellectual Property Rights to Exclude or Restrict Competition* expanded the connotation of "abuse of intellectual property rights to exclude or restrict competition", improved the rules for determining monopolistic conducts by means of exercising intellectual property rights, and strengthened the regulation of typical and special monopolistic conducts in the field of intellectual property rights.

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On 10 July 2023, seven departments including the Cyberspace Administration of China jointly announced the *Interim Measures for the Management of Generative Artificial Intelligence Services* (the "*Interim Measures*"), which came into effect on 15 August 2023. The *Interim Measures* regulated the development and governance of generative AI technologies and contents such as service specifications of generative AI service providers.

On 3 January 2023, 16 departments including the Ministry of Industry and Information Technology jointly issued the *Guiding Opinions on Promoting the Development of the Data Security Industry*, which proposed that by 2025, the fundamental capabilities and comprehensive strength of the data security industry shall be significantly enhanced, the industry ecology and innovation system shall be initially established, and the product and service supply capabilities shall be greatly improved. By 2035, the data security industry shall enter a prosperous and mature stage, the data security industry policy system shall be further improved, and the awareness and application capabilities of data security applications in various fields shall be significantly improved.

On 13 March 2023, the Ministry of Industry and Information Technology issued the *Regulations on Handling Reports on Illegal Acts in the Telecommunications Field* (the "*Regulations on Handling Reports*"), which came into effect on 1 June 2023. The *Regulations on Handling Reports* clarified the basic requirements, acceptance requirements, handling procedures, processing time limit and other contents for the telecommunications authorities in handling reports on illegal acts in the telecommunications sector, and optimised the supervision mechanism for the compliance operation of telecommunications operators in accordance with the law.

On 1 August 2023, the Ministry of Finance issued the *Interim Provisions on Accounting Treatment Relating to Enterprises' Data Resources* (the "*Interim Provisions*"), which came into effect on 1 January 2024. The *Interim Provisions* clarified the conditions for the recognition of data resources and the relevant accounting treatment, and required enterprises to conduct accounting recognition, measurement and reporting of data resources-related transactions and matters in accordance with the provisions, and present and disclose them in the balance sheet accordingly.

The Company will conscientiously implement the relevant newly issued and revised laws, administrative regulations, departmental rules and industry policies, and proactively follow and study the relevant upcoming laws, administrative regulations, departmental rules and industry policies to ensure that the relevant business operations are in compliance with laws and regulations and that the Company operates in compliance with laws and regulations.

3. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

In 2023, the Company firmly seized opportunities arising from the growing demands for digital transformation and intelligent upgrade of the economy and society, gave full play to its edges in cloud-network integration and adhered to the green development principles. The Company insisted on the leading role of sci-tech innovation, harnessed driving forces from reforms and opening up, and further upgraded the digital intelligent applications and services for 2C/2H/2B/2G customers. Business revenues achieved steady growth, with continuous enhancement of operating capabilities, and new achievements in corporate high-quality development.

With accurate insight into user demands, the Company proactively promoted upgrades of connectivity, applications, and user experience within its fundamental businesses. **The Company further accelerated the brand-new upgrades of 5G**, launched innovative and featured applications such as 5G Mobile Phones with Direct Satellites Connection and 5G Quantum-encrypted Calls, and continued to promote the intelligent upgrade of applications such as 5G Communications Assistant and Colour Ringback Tone with Video, so as to consolidate differentiated development advantages. **The Company further accelerated the brand-new upgrades of Smart Family**, continued to promote the enhancement of capabilities of Gigabit network and scale penetration and strengthened the expansion of Smart Family applications and service upgrades. The Company enriched cloud broadband applications such as Cloud Storage, Cloud Playback and Cloud Video, strengthened the promotion of family AI and security products such as e-Surfing Webcam and Smart Smoke Detection, and accelerated the upgrade of applications and services of Whole-home Intelligence. **The Company continued to deepen the integration and mutual promotion of digital platforms such as smart community and**

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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 drove the scale development and value enhancement of fundamental businesses. In 2023, the number of the Company's mobile subscribers reached 408 million, with a net addition of 16.59 million, maintaining the industry-leading position for six consecutive years. Mobile ARPU reached RMB45.4, representing an increase of 0.4% year-on-year. The number of broadband subscribers reached 190 million, with a net addition of 9.26 million. Broadband blended ARPU reached RMB47.6, representing an increase of 2.8% year-on-year.

Leveraging its edges in cloud-network integration, capabilities from strategic emerging technologies, customer resources and localised services, the Company has fully completed its deployment in seven strategic emerging industries such as cloud computing and computing power, AI, security, digital platform, Big Data, quantum, and new generation information and communications. **The Company continued to optimise and strengthen 5G industry applications,** and accelerated the development of industry-leading 5G scene-based customised network solutions. **The Company continued to upgrade the industry digital platforms** and continuously strengthened the service capabilities of platforms such as the e-Surfing Artificial Intelligence of Things (AIoT) and the e-Surfing Internet of Video Things. The Company promoted the rapid development of Industrial Digitalisation business, achieved breakthroughs in the scale of strategic emerging businesses, and empowered thousands of industries. In 2023, the Company's Industrial Digitalisation business maintained a rapid development trend, with its revenue reaching RMB138.9 billion, representing an increase of 17.9% year-on-year, 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 China Telecom Cloud amounted to RMB97.2 billion, representing an increase of 67.9% year-on-year.

For detailed business analysis of the Company, please refer to "5. MAJOR OPERATION DURING THE REPORTING PERIOD" in this section.



Management introduced China Telecom's achievements in sci-tech innovation

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, based on its own resource endowment, edges and characteristics, China Telecom strengthened sci-tech innovation, accelerated the formation of new quality productive forces, and proactively fulfilled responsibilities in building Cyberpower and Digital China, as well as maintaining network and information security. The Company fully and deeply implemented its Cloudification and Digital Transformation strategy, continued to build a service-oriented, technology-oriented and secured enterprise, effectively enhanced corporate core competitiveness, and accelerated the building of a world-class enterprise.

ACCELERATED UPGRADE OF DIGITAL INFORMATION INFRASTRUCTURE

The Company continued to deepen co-building and co-sharing and promoted the quality and efficiency enhancement of "dual-Gigabit". 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. Focusing on the hub node regions of the national integrated computing power network, the Company

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strengthened the building of intelligent computing capabilities. At present, nodes in Beijing, Shanghai, Jiangsu, Guizhou, Ningxia and Inner Mongolia have already possessed training resources of over a thousand GPUs, and 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 AIDC and proactively built the new-generation datacentres that support the hybrid mode of air and liquid cooling with "Two-Elastic-One-Optimised", achieving elastic and adaptive capabilities that enable the average power for one single cabinet to range from 2kW to 50kW+. 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. The average mutual access latency among hub nodes of "East-to-West Computing Resource Transfer" was reduced by more than 10% year-on-year. Green and low-carbon achievements have begun to manifest. 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 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 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.

FULLY COMPLETED DEPLOYMENT IN STRATEGIC EMERGING BUSINESSES

The Company insisted on taking industrial control as its own responsibility, proactively gave play to the leading role of industry and the promotion driven by integration, and focused on the deployment of seven strategic emerging industries and future industries. In terms of cloud computing and computing power, 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. In terms of Big Data, 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% year-on-year. In terms of AI, the Company created the "1+N+M" 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. In terms of security, 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 global top service providers selection. In terms of quantum, 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, and initiated the acquisition of Quantumctek Co., Ltd. In terms of digital platforms, the Company promoted the construction of a group-wide unified technology stack and created more than 110 industry digital platforms. In the area of next-generation information and communications, the Company fully

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created industry-leading scene-based customised network solutions in the field of 5G applications to empower use cases such as HD video, data collection and control, unmanned inspection, dual domain switch and Internet of Vehicles. 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 of its e-Surfing AIoT exceeded 520 million.

STEADY ENHANCEMENT IN PRODUCT AND SERVICE CAPABILITIES

The Company adhered to the customer-oriented principle and continued to promote the building of a service-oriented enterprise. Focusing on meeting people's needs for a better digital life, the Company insisted on the driving forces from dual engines of fundamental businesses and Industrial Digitalisation business and provided higher quality digital products and services. The Company launched the brand-new 5G brand and continuously rolled out featured applications such as 5G Mobile Phones with Direct Satellites Connection and 5G Quantum-encrypted Calls. The Company vigorously promoted the Gigabit fibre broadband to households, deepened the integration and mutual promotion of digital platforms such as smart community and digital village, and expanded multi-scene applications such as rural and

community management, community services and family services. The scale of smart communities increased by 46% year-on-year, and the scale of digital villages increased by 48% year-on-year. The Company innovated and upgraded the new model of 5G customised network services, and the number of new projects of 5G industry applications in the year increased by 106.3% year-on-year, bringing the aggregate number to exceed 31,000. The Company continued to enhance customer experience and comprehensively promoted the digital and intelligent upgrade of customer services.

NEW BREAKTHROUGHS IN SCI-TECH INNOVATION CAPABILITIES

The Company firmly grasped opportunities arising from the new round of sci-tech revolution and industrial transformation and accelerated the building of a technology-oriented enterprise. The Company continued to increase sci-tech innovation efforts, with the incremental revenue contribution from sci-tech innovation continuing to increase. The distributed cloud operating system of China Telecom Cloud, TeleCloudOS 4.0, won the first prize of Science and Technology Award of China Institute of Communications in 2023. The Company built a four-level cross-centre and cross-region AI computing power layout comprising core + province + edge + terminal, creating high-quality digital products and services. The Company launched the Lingze data elements service platform, upgraded the "Yunxiao" intelligent computing acceleration platform integrating cloud, intelligent computing and supercomputing and launched the one-stop intelligent computing service platform "Huiju". The Company released the "Xingchen" large language model at the hundred-billion parameter grade, as well as a series of large vertical models for education, emergency and transportation. The Company developed the computing power distribution and scheduling platform "Xirang" to schedule cross-operating-entities and heterogeneous cloud computing infrastructure through DCI networks with large bandwidth, low latency and high reliability. 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. The Company realised the world's first two-way voice calls and text messages sending and receiving communications service for consumer-grade mobile phones with direct satellites connection. The breakthroughs in sci-tech innovations propelled the rapid development of strategic emerging businesses. In the field of sci-tech innovation, the Company promoted the implementation of systems such



Management introduced China Telecom's new 5G applications

as the "open bidding for selecting the best candidates" and solidly promoted the building of sci-tech talent teams.

CONTINUOUS CONSOLIDATION OF SECURE AND CONTROLLABLE CAPABILITIES

The Company solidly promoted the building of a secured enterprise to achieve benign interaction of high-quality development and high-level security. The network security operating system has gradually matured, and the data security work system has basically taken shape. 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 took the lead in the industry to build a digital security situational awareness system, with its accuracy increasing to 98%. The Company created a collaborative protection system for digital security ecology and built the first ecological platform for network security. The Company expanded key products such as Security Brain and Security Cat and provided customers with comprehensive and managed security services. The Company built the leading quantum-encrypted communications metropolitan network. The Company also built an anti-fraud risk model for all users and realised the daily full risk assessment for 470 million users. The Company incorporated the blacklist data of communications/banks, such that newly plugged in sim cards for terminals involved would be shut down in minutes.

5. MAJOR OPERATION DURING THE REPORTING PERIOD

The Company fully grasped the opportunities arising from the digital transformation of the economy and society, proactively explored new scenes, new business formats and new models, and continuously upgraded the digital innovative applications for 2C/2H/2B/2G customers. The Company accelerated the integrated development of fundamental businesses and strategic emerging businesses, achieving new results in corporate development.

In 2023, the Company's operating revenues amounted to RMB513.6 billion, representing an increase of 6.7% year-on-year. Of which, service revenues amounted to

RMB465.0 billion, representing an increase of 6.9% year-on-year, maintaining favourable growth for 11 consecutive years.

THE COMPANY SPED UP THE BRAND-NEW UPGRADES OF 5G AND CONTINUOUSLY ENHANCED USER EXPERIENCE OF 5G INNOVATIVE APPLICATIONS FOR INDIVIDUAL CUSTOMERS, ACHIEVING A STEADY INCREASE OF SCALE AND VALUE OF MOBILE SUBSCRIBERS.

The Company deeply understood the needs of users in the digital era, comprehensively built 5G superior network, and continuously enhanced 5G network coverage and service quality. The Company accelerated the brand-new upgrades of 5G, continuously enhanced customer experience, and steadily increased the scale and value of mobile subscribers.

The Company accelerated the creation of differentiated advantages in 5G communications and connectivity. The Company launched innovative and featured applications such as 5G Mobile Phones with Direct Satellites Connection and 5G Quantum-encrypted Calls, and strengthened the promotion of applications such as 5G Enhanced Calls and 5G Message to provide users with more secure and more versatile voice calls and text messaging services.

The Company accelerated the integration and innovation of 5G with computing power and AI. The Company continued to promote the scale development of computing power products such as 5G Cloud Computers, and continuously promoted the intelligent upgrade of applications such as 5G Communications Assistant and Colour Ringback Tone with Video to meet more expectations from users for personalised, diversified and quality information services.

In 2023, the Company's mobile communications service revenues reached RMB195.7 billion, representing an increase of 2.4% year-on-year. Of which revenue from mobile value-added and application services reached 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

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for six consecutive years, and bringing the total number of subscribers to 408 million. Mobile ARPU reached RMB45.4, representing an increase of 0.4% year-on-year.

THE COMPANY ACCELERATED UPGRADES OF GIGABIT AND SMART FAMILY APPLICATIONS AND CONTINUOUSLY STRENGTHENED THE INTEGRATION AND INNOVATION OF DIGITAL PLATFORMS SUCH AS SMART COMMUNITY AND DIGITAL VILLAGE, RESULTING IN A STEADY INCREASE IN BROADBAND REVENUE, SUBSCRIBER SCALE AND BLENDED ARPU.

The Company proactively followed the new trend of digital life development, relied on its resource endowment, edges and characteristics such as cloud-network integration, and continued to promote the enhancement of capabilities of Gigabit network and scale penetration. The Company strengthened the expansion of Smart Family applications and service upgrades, deepened the integration and mutual promotion of digital platforms such as smart community and digital village, and continued to enhance user perception, resulting in a steady increase in broadband revenue, subscriber scale and blended ARPU.

The Company continuously accelerated the development of Gigabit fibre network. The Company accelerated Gigabit customers' upgrade to FTTR and created the ultimate experience of family networking by providing high-quality fibre network with full coverage and increased speed, so as to consolidate the digital infrastructure for Smart Family and meet family users' demands for access with larger bandwidth, greater connectivity and lower latency. **The Company continuously upgraded new applications for Smart Family.** Based on cloud-network integration, 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. **The Company continuously deepened the integration and mutual promotion of digital platforms such as smart community and digital village.** 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, the Company's Wireline and Smart Family service revenues amounted to RMB123.1 billion, representing an increase of 3.8% over last year. Of which, revenue from Smart Family business amounted to RMB19.0 billion, representing an 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 reached RMB47.6, representing an increase of 2.8% year-on-year.

THE COMPANY INCREASED EFFORTS IN SCI-TECH INNOVATION, PROMOTED THE BREAKTHROUGHS OF STRATEGIC EMERGING BUSINESSES SCALE TO FORM NEW MOMENTUM, WITH RAPID GROWTH OF INDUSTRIAL DIGITALISATION REVENUE.

With deepened development of the new round of sci-tech revolution and industrial transformation, the Company proactively grasped customers' growing demands for digitalisation, intelligence, greenness and security, and fully completed deployment in seven strategic emerging industries, including cloud computing and computing power, AI, security, digital platform, Big Data, quantum and new generation information and communications. The Company obtained leading advantages in cloud, quantum, satellites and other fields, while it further consolidated its foundations in fields such as security, AI and Big Data, boasting huge potential in the future. Based on its advantages of cloud-network integration, customer resources and localised services, the Company further strengthened its service capabilities for industry customers, achieving dual leadership in terms of scale and capabilities of digital platforms in key industries, as well as high-quality development of Industrial Digitalisation business.

The cloud computing and intelligent computing power continued to upgrade. The Company developed China Telecom Cloud as the source of original cloud computing technologies with high quality and made

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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 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. In 2023, revenue from China Telecom Cloud amounted to RMB97.2 billion, representing an increase of 67.9% year-on-year.

The R&D and application launch of AI and Big Data technologies were continuously strengthened. In terms of AI, the Company created the "1+N+M" Xingchen large models 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 realise operation digitalisation, business digitalisation and management digitalisation. In terms of deployment in the data element market, the Company released the "Lingze data elements 2.0 platform" to provide data trading service covering the whole business process. The Company built the benchmark project of "data product supermarket", supporting the aggregation, development and trading of data resources in various regions, and helping thousands of industries accelerate the transformation and upgrades of business digitalisation, operation digitalisation and management digitalisation.

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 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. The Company built quantum communications infrastructure at the municipal level with "quantum-network integration", providing

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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.

5G industry applications continued to be optimised and strengthened.

Driven by the "cloud-, network-, AI- and security-integrated" initiatives, the Company leveraged exclusive networks, nearby storage, and the new architecture of edge distribution to achieve the instant access to cloud for data traffic of 5G applications. The Company carried out proprietary R&D of intelligent applications such as 5G AI quality inspection and 5G data collection and control. The Company built the industry's first proprietary customer self-service operation platform for 5G customised networks and created industry-leading scene-based customised network solutions. The number of new projects of 5G industry applications in the year increased by 106.3% year-on-year, bringing the aggregate number to exceed 31,000.

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.

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 COMPANY ACCELERATED THE ENHANCEMENT OF NETWORK QUALITY, PROMOTED THE DIGITAL TRANSFORMATION OF CHANNELS, MARKETING AND SERVICES, AND CONTINUOUSLY ENHANCED CORPORATE DIGITAL AND INTELLIGENT SERVICE CAPABILITIES.

The Company deeply implemented the people-centred development philosophy, focused on the common concerns of users, and took "focusing on digital upgrades and enhancing customer perception" as the mainline, continuously enhanced digital and intelligent service capabilities, with customer perception reaching a new level.

The Company accelerated the optimisation of network service quality.

Focusing on popular scenes, business applications and in-depth network coverage, the Company improved the network quality as well as perception and experience of the "ten key scenes". In

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2023, the Company's mobile network quality and broadband network quality satisfaction continued to improve.

The Company accelerated the strengthening of channel service capabilities. Focusing on the frequently used scenes by users, the Company accelerated the building of online handling and cross-region handling capabilities such as cross-province addition of mobile service, cross-province addition of broadband service, main and supplementary card splitting and card replacement, and realised online handling for all common services nationwide. The number of user-times served via video by "remote counter" exceeded 8.60 million, and the proportion of service volume of China Telecom App increased by 7 p.p. year-on-year.

The Company accelerated the innovation of marketing service model. Relying on innovative means such as Big Data and AI algorithms and digital service tools, the Company explored new marketing service models such as live streaming and micro stores and loaded smart voice, digital human, robots and other online service scenes. The Company carried out 37,000 live streaming sessions such as marketing, service and public welfare, with the total number of online users exceeding a hundred million, and the proportion of AI smart customer service increased by 12.6 p.p. year-on-year.

6. FINANCIAL OVERVIEW

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



Management introduced China Telecom's measures in cost reduction and efficiency enhancement

development. In 2023, operating revenues were RMB513,551 million, representing an increase of 6.7% from year 2022. Service revenues¹⁷ 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. EBITDA¹⁸ amounted to RMB136,830 million, representing an increase of 5.0% from year 2022. EBITDA margin¹⁹ 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

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

¹⁸ 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.

¹⁹ EBITDA margin is calculated based on EBITDA divided by service revenues.

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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.

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

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.

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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> | For the year ended 31 December | | |
|--|--------------------------------|---------|-----------------|
| | 2023 | 2022 | Rates of change |
| Depreciation and amortisation | 99,702 | 96,932 | 2.9% |
| Network operations and support | 160,411 | 147,589 | 8.7% |
| Selling, general and administrative | 66,804 | 64,277 | 3.9% |
| Personnel expenses | 92,805 | 84,772 | 9.5% |
| Other operating expenses | 56,701 | 54,451 | 4.1% |
| Total operating expenses | 476,423 | 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.

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.

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.

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. For details regarding the number of employees, remuneration policy and training programs, please refer to *Sustainability Report 2023*.

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

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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 | 137,508 | 136,432 |
| Net cash used in investing activities | (95,492) | (96,796) |
| Net cash used in financing activities | (33,477) | (40,906) |
| Net increase/(decrease) in cash and cash equivalents | 8,539 | (1,270) |

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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:

| (RMB million) | 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 | 5,142 | 4,484 |
| Total indebtedness | 9,142 | 10,484 |

As at the end of 2023, the total indebtedness²⁰ 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

were 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).

²⁰ Total indebtedness refers to interest-bearing debts excluding lease liabilities.

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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.

Contractual obligations

Contractual obligations as at 31 December 2023 are as follows:

| <i>(RMB million)</i> | Total | Within 1 year | Between 1 to 2 years | Between 2 to 5 years | Thereafter |
|-------------------------------|--------|------------------|-------------------------|-------------------------|------------|
| Short-term debts | 2,909 | 2,909 | — | — | — |
| Long-term debts | 7,152 | 1,207 | 1,272 | 3,422 | 1,251 |
| Lease liabilities | 60,458 | 14,922 | 14,113 | 27,215 | 4,208 |
| Capital commitments | 22,927 | 22,927 | — | — | — |
| Total contractual obligations | 93,446 | 41,965 | 15,385 | 30,637 | 5,459 |

Note: Amounts of short-term debts, long-term debts and lease liabilities include recognised and unrecognised interest payable, and the amounts shown above were not discounted.

7. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

1. INDUSTRY LANDSCAPE AND TREND

2024 is a critical year for achieving the goals and tasks of the "14th Five-Year Plan". The information communications industry should more accurately grasp and identify changes in the external policy environment, as well as the development trends of technology, industry and market, and clarify the next step of efforts.

Firstly, the nation proactively cultivates and develops new productive forces. Focusing on the building of Digital China and the development of new industrialisation, the nation has intensively introduced a series of new policies and new requirements, such as the release of the *Overall Layout Plan for the Construction of Digital China*, the introduction of the *Action Plan for the High-quality Development of Computing Infrastructure* and the *Three-year Action Plan for "Data Elements×" (2024–2026)*, etc., with an aim to vigorously promote the building of modern industrial systems, actively cultivate emerging industries and future industries, and further promote the innovative development of digital economy. In particular, the nation proactively builds new growth



Management presented at Mobile World Congress (MWC)

engines such as the low-altitude economy, opens up new tracks such as quantum technologies, implements the digital transformation of the manufacturing industry, and promotes the digitalisation of the service industry, which are not only the responsibilities of the information communications industry, but also the rare opportunities for the development of the Company.

Secondly, the development of the new round of sci-tech revolution and industrial transformation is deepening. At present, in the network era represented by "network + application", it is gradually moving from the cloud era of "network + cloud + application" to the intelligent era represented by "network + cloud + AI + application", which is a big trend of technological and industrial transformation. In particular, in terms of AI, quantum, space-aerial-ground integration and green development, the evolution of relevant technologies and industries has accelerated, with gradual maturity of the large multimodal models, the continuous innovation of business models of large models, the continuous breakthroughs of quantum computing, the scale commercialisation of Mobile Phones with Direct Satellites Connection services, the rapid development of low-altitude economy, and the accelerated application of green and low-carbon technologies such as wind-solar integration, source-network load storage and liquid cooling. New technologies, new business forms and new industries are the commanding heights for future development. The Company will further deepen its understanding of promoting industrial innovation through sci-tech innovation and seize the strategic opportunities brought by the new round of sci-tech revolution and industrial transformation.

Thirdly, the demands for digitalisation from the economy and society are continuously upgrading, with vast market space. In recent years, customers' demands for digitalisation, intelligence, greenness and security have continued to grow, evolving from the basic demands such as single voice, text messages and data traffic to the comprehensive demands of simple convergence of wireline and mobile convergence as well as system integration, and further evolving to the customised scene-based demands of digitalisation, intelligence, greenness and security. The demands for industrial digitalisation from manufacturing as well as small and medium-sized enterprises, the demands for digital homes and smart communities, the low-carbon transformation of energy and industry, the demands for green consumption from the public, and the demands for

network and information security are continuously diversifying and rapidly upgrading, bringing broad market space. The Company will fully grasp the evolving trend of customer demands, promote the resolution of the problem of unbalanced and insufficient digital development, and continuously meet people's growing needs for a better digital life.

2. DEVELOPMENT STRATEGY OF THE COMPANY

China Telecom adheres to the keynote of seeking progress while maintaining stability and fully, accurately and comprehensively implements the new development principles while coordinating high-quality development and high-level security. The Company firmly fulfils its responsibilities in building Cyberpower and Digital China, as well as maintaining network and information security, anchoring on the mission and vision of building a service-oriented, technology-oriented and secured enterprise. The Company upholds fundamental principles and breaks new ground, carries out expansion and upgrades, assumes responsibility and carries out implementation. The Company continues to deeply implement its Cloudification and Digital Transformation strategy, comprehensively deepens reform and opening up, and comprehensively promotes high-quality development.

3. BUSINESS PLAN

In 2024, the Company will firmly grasp the new round of sci-tech revolution and industrial transformation trend represented by AI, and continue to deeply implement its Cloudification and Digital Transformation strategy.

Insisting on the leading role of innovation, the Company will focus on key areas such as cloud, AI, security, quantum and network, and accelerate the formation of new momentum and new advantages for corporate development. **Insisting on driving forces from capability enhancement**, the Company will continue to promote the application expansion and service upgrade of 5G, Gigabit and Smart Family, continuously enrich the content and value of fundamental businesses, and promote the steady growth of fundamental businesses. The Company will continue to deeply cultivate the digital transformation needs of industry customers, accelerate the development of high-quality digital products and services, and promote the rapid development of Industrial Digitalisation business. **Adhering to the customer-oriented**

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approach, the Company will continue to promote the digital and intelligent upgrades of marketing services, continuously optimise service quality and customer perception, and make every effort to propel the corporate high-quality development to a new level.

4. POTENTIAL RISKS

Risks of adapting to economic and policy environment

At present, the new round of sci-tech revolution and industrial transformation is developing in depth. The broad application of AI technologies promotes the transformation of innovation and growth modes, and changes the traditional production mode, which will have a profound impact on the human society. The world economy is undergoing profound cyclical and structural changes, with insufficient economic growth momentum and slower growth. The Company's internal Cloudification and Digital Transformation and structural adjustments need to be further deepened, and the foundation for promoting the transformation of development mode, promoting the effective enhancement of quality and the reasonable growth of quantity needs to be further consolidated. The Company will proactively adapt to market, technology and business development trends, strengthen sci-tech innovation, deepen reform and opening up, continuously shape new momentum and new advantages for development, and accelerate corporate transformation to become a service-oriented, technology-oriented and secured enterprise.

Risks relating to sci-tech innovation

The new round of sci-tech revolution and industrial transformation has developed rapidly, spawning a large number of new scenes, new business forms and new models. Large models have shown an explosive growth trend. Computing power service and cloud service have become the main development directions, and the value of data elements has been released rapidly. The Company's sci-tech innovation and proprietary R&D and control capabilities of products need to be continuously improved. The Company will continue to strive for breakthroughs in key core technologies, further increase the deployment of high-level sci-tech innovation platforms around strategic emerging businesses and future industries, enhance R&D efficiency and results

output, implement the project of strengthening the enterprise with talents, and create a talent centre and innovation highland.

Network and data security risks

The network and data security problems are showing characteristics of complexity and diversity. While the threshold for the occurrence of cyber-attacks has greatly lowered, the scale of the attacks have increased significantly. The security risks brought by new technologies and new scenes increased, and the dynamic characteristics of hybrid multi-cloud environments make security monitoring more complex. The use of data in compliance with laws and regulations and the prevention of data leakage face new challenges. The Company's network and data security system needs to be further improved, and the capabilities to maintain network and data security needs to be continuously fortified. The Company will further intensify the construction of the network and data security system, enhance the network security protection capabilities, strengthen the risk prevention of extreme scenes, and improve the independent and self-control capability of core network technologies. The Company will further deepen the protection of data security and users' personal information, improve the building of organisation and capability of anti-fraud governance, and effectively safeguard the security of data and personal information.

Risks of emerging businesses risks from strategic emerging businesses and future industries

There are many uncertainties in the development of strategic emerging businesses and future industries. The competition in the digital service market has become more diversified, and the competition in business areas such as large models and intelligent computing cloud is fierce. The R&D and application capabilities of the Company's emerging businesses need to be further improved. The Company will gain further insight into customer needs, further strengthen ecological cooperation, increase investment in R&D, step up the creation of scene-based solutions, intensify the promotion of differentiated and standardised products and services, and promote the rapid development of strategic emerging businesses.

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International business operation risks

Factors such as the intertwined changes in the world, changes in the policy environment of the countries/regions where the Company's business and investments are located have led to increased uncertainties in international business expansion. The Company still has certain deficiencies in terms of overseas product services, government and enterprise product development and operation capabilities, and sales channel expansion. The Company will closely track changes in the international situation, pay attention to changes in policies and rules of relevant countries/regions, and actively use the rule of law and rules to safeguard the legitimate rights and interests of the Company. The Company will strengthen the building of overseas compliance management and risk prevention systems, and conduct risk assessment and regular tracking and monitoring of international business operations to enhance risk response capabilities.

8. OTHER DISCLOSURES

1. PRINCIPAL BUSINESS

The principal business of the Company and the Group is the provision of fundamental telecommunications businesses including wireline, mobile communications and satellite communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses.

2. DIVIDEND POLICY

The basic principles of the Company's profit distribution policy are:

- (1) The Company attaches great importance to reasonable investment returns to investors, and the Company's profit distribution policy will take into account the overall interests of all shareholders, the Company's long-term interests and the Company's sustainable development;

- (2) Under the premise that the Company's profit distribution does not exceed the cumulative distributable profit and that the Company takes into account the continuous profits, meets regulatory requirements, operates regularly and develops in the long term, the Company will give priority to cash distribution of dividends.

The Board is responsible for formulating the dividend distribution plan and will execute the relevant approval procedures in accordance with relevant laws, rules, regulations and articles of association of the Company (the "Articles of Association") before proceeding with the distribution. In the future, the Company will strive for profitability enhancement and at the same time continue to deliver favourable dividend return for the shareholders. Details of the dividend policy of the Company are set out in the "Corporate Governance Report" of this annual report.

3. DIVIDENDS

The Board of Directors proposed a final dividend of RMB0.090 per share (pre-tax) in an aggregate amount of approximately RMB8,236 million calculated based on 91,507,138,699 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 the year 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. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on Monday, 27 May 2024 (the "2023 AGM"). Dividends will be denominated and declared in Renminbi. Details of the profit distribution of the Company for 2023 are set out in the "Corporate Governance Report" of this annual report.

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Dividends for holders of A Shares and the investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading Link") (the "Southbound Investors") will be paid in Renminbi, whereas dividends for H share shareholders other than Southbound Investors will be paid in Hong Kong dollars. The relevant exchange rate will be the average median rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends at the 2023 AGM. The proposed final dividends are expected to be paid on or before 26 July 2024 upon approval at the 2023 AGM.

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China", the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China" and the "Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the proposed 2023 final dividends to non-resident enterprise shareholders of overseas H shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members on Wednesday, 12 June 2024.

Pursuant to the "Notice of the State Taxation Administration on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)", if the individual H share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty

with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H share shareholders. If those shareholders need to request a refund of tax overpaid from the PRC tax authorities on his own or through an agent or the Company in accordance with the relevant requirements of the "Announcement of the State Taxation Administration on Promulgating the Administrative Measures for Non-resident Taxpayers for Treatments under Tax Treaties" (Announcement [2019] No. 35 of the State Taxation Administration), they shall submit the "Information Report on Non-resident Taxpayers for Treatments under Tax Treaties" (Announcement [2019] No. 35 of the State Taxation Administration), and collect and file such information.

The Company will determine the country of domicile of the individual H share shareholders based on the registered address as recorded in the H share register of members of the Company on Wednesday, 12 June 2024 (the "Registered Address"). If the country of domicile of an individual H share shareholder is not the same as the Registered Address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 6 June 2024. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share shareholders may either personally attend or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the

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investors of the Southbound Trading Link, will receive all dividends distributed by the Company and will distribute the dividends to the relevant investors under the Southbound Trading Link through its depositary and clearing system. According to the relevant provisions under the "Notice on Taxation Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)" and "Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (Cai Shui [2016] No. 127)", the Company shall withhold and pay individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H shares of the Company listed on the Hong Kong Stock Exchange through the Southbound Trading Link. In respect of the dividends received by Mainland securities investment funds investing in the H shares of the Company listed on Hong Kong Stock Exchange through the Southbound Trading Link, the tax levied shall be ascertained by reference to the rules applicable to

individual investors. The Company is not required to withhold and pay income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading Link, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the shareholders' rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company's H share shareholders.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H share shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

4. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The following table sets out certain information of the Directors and senior management of the Company:

| Name | Age | Position in the Company | Date of Appointment* |
|----------------------|-----|---|----------------------|
| Ke Ruiwen | 60 | Executive Director, Chairman and Chief Executive Officer | 30 May 2012 |
| Shao Guanglu | 60 | Executive Director, President and Chief Operating Officer | 26 May 2020 |
| Liu Guiqing | 57 | Executive Director and Executive Vice President | 19 August 2019 |
| Tang Ke | 49 | Executive Director and Executive Vice President | 22 March 2022 |
| Li Yinghui | 53 | Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board | 6 January 2023 |
| Li Jun | 48 | Executive Director | 23 May 2023 |
| Chen Shengguang | 60 | Non-Executive Director | 23 May 2017 |
| Ng Kar Ling Johnny | 63 | Independent Non-Executive Director | 6 January 2023 |
| Yeung Chi Wai, Jason | 69 | Independent Non-Executive Director | 26 October 2018 |
| Chen Dongqi | 67 | Independent Non-Executive Director | 6 January 2023 |
| Lyu Wei | 67 | Independent Non-Executive Director | 23 May 2023 |

* Date of appointment as Director

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References are made to the announcements in relation to the changes of Directors and senior management published by the Company on the following dates:

The appointments of Mr. Xia Bing and Mr. Li Yinghui as Executive Directors of the Company and the appointments of Mr. Ng Kar Ling Johnny and Mr. Chen Dongqi as Independent Non-Executive Directors of the Company have been approved at the Extraordinary

General Meeting held on 6 January 2023. The relevant appointments became effective from 6 January 2023 until the Annual General Meeting of the Company for the year 2022 (the "2022 Annual General Meeting"). The resignation of Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming as Independent Non-Executive Directors took effect on 6 January 2023. Meanwhile, the below changes to the members of special committees of the Board became effective on 6 January 2023:

| | |
|------------------------|--|
| Audit Committee | Mr. Ng Kar Ling Johnny, Madam Wang Hsuehming, Mr. Yeung Chi Wai, Jason and Mr. Chen Dongqi serve as members, and Mr. Ng Kar Ling Johnny serves as the Chairman |
| Remuneration Committee | Mr. Yeung Chi Wai, Jason, Mr. Ng Kar Ling Johnny and Madam Wang Hsuehming serve as members, and Mr. Yeung Chi Wai, Jason serves as the Chairman |
| Nomination Committee | Mr. Chen Dongqi, Mr. Ng Kar Ling Johnny and Mr. Yeung Chi Wai, Jason serve as members, and Mr. Chen Dongqi serves as the Chairman |

The term of office of the seventh session of the members of the Board of the Company expired on 23 May 2023, i.e., the date of the 2022 Annual General Meeting. The members of the seventh session of the Board of the Company, namely, Mr. Ke Ruiwen, Mr. Shao Guanglu, Mr. Liu Guiqing, Mr. Tang Ke, Mr. Xia Bing and Mr. Li Yinghui (all as Executive Directors) were re-elected as Executive Directors of the eighth session of the Board at the 2022 Annual General Meeting; Mr. Chen Shengguang (as the Non-Executive Director) was re-elected as the Non-Executive Director of the eighth session of the Board at the 2022 Annual General Meeting; Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason and Mr. Chen Dongqi (all as Independent Non-Executive Directors) were re-elected as Independent Non-Executive Directors of the eighth session of the

Board at the 2022 Annual General Meeting. Meanwhile, Mr. Li Jun and Madam Lyu Wei were elected as an Executive Director and an Independent Non-Executive Director, respectively, of the eighth session of the Board at the 2022 Annual General Meeting. The appointment of the eighth session of the members of the Board lasts for a term of three years from 23 May 2023 until the annual general meeting of the Company for the year 2025 to be held in year 2026. The resignation of Madam Wang Hsuehming as an Independent Non-Executive Director took effect on the date of election of the new Independent Non-Executive Director at the 2022 Annual General Meeting. In addition, the below arrangement in relation to the special committees of the Board took effect on 23 May 2023:

| | |
|------------------------|--|
| Audit Committee | Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei serve as members, and Mr. Ng Kar Ling Johnny serves as the Chairman of the Audit Committee |
| Remuneration Committee | Mr. Yeung Chi Wai, Jason, Mr. Ng Kar Ling Johnny and Madam Lyu Wei serve as members, and Mr. Yeung Chi Wai, Jason serves as the Chairman of the Remuneration Committee |

Due to change in work arrangement, Mr. Xia Bing has resigned from his positions as an Executive Director and Executive Vice President of the Company with effect from 19 January 2024.

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5. SUPERVISORS OF THE COMPANY

The following table sets out certain information of the Supervisors of the Company:

| Name | Age | Position in the Company | Date of Appointment* |
|---------------|-----|--|----------------------|
| Han Fang | 50 | Chairlady of the Supervisory Committee and Shareholder Representative Supervisor | 22 March 2022 |
| Zhang Jianbin | 58 | Employee Representative Supervisor | 16 October 2012 |
| Guan Lixin | 52 | Employee Representative Supervisor | 23 May 2023 |
| Luo Zhendong | 46 | Shareholder Representative Supervisor | 23 May 2023 |
| Wang Yibing | 58 | Shareholder Representative Supervisor | 22 March 2022 |

* *Date of appointment as Supervisor*

Reference is made to the announcement in relation to the changes of Supervisors published by the Company on 23 May 2023: The term of office of the seventh session of the members of the Supervisory Committee of the Company expired on the date of the 2022 Annual General Meeting. Due to change in work arrangement, Mr. Dai Bin, an Employee Representative Supervisor of the seventh session of the Supervisory Committee and Mr. Xu Shiguang, a Shareholder Representative Supervisor of the seventh session of the Supervisory Committee retired from their positions as Supervisors of the Company upon the expiry of their term of service on 23 May 2023. Madam Han Fang and Madam Wang Yibing, Shareholder Representative Supervisors of the seventh session of the Supervisory Committee, were re-elected as Shareholder Representative Supervisors of the eighth session of the Supervisory Committee at the 2022 Annual General Meeting. Mr. Luo Zhendong was elected as a Shareholder Representative Supervisor of the eighth session of the Supervisory Committee at the 2022 Annual General Meeting. Meanwhile, Mr. Zhang Jianbin and Madam Guan Lixin have been elected by the employees of the Company democratically as the Employee Representative Supervisors of the eighth session of the Supervisory Committee. The appointment of the eighth session of the members of the Supervisory Committee lasts for a term of three years from 23 May 2023 until the annual general meeting of the Company for the year 2025 to be held in year 2026.

6. SHARE CAPITAL, ISSUE OF SHARES AND USE OF PROCEEDS

As at 31 December 2023, the total share capital of the Company was approximately RMB91,507 million, divided into 91,507,138,699 shares at a nominal value of RMB1.00 per share (including 77,629,728,699 A Shares and 13,877,410,000 H shares). On 20 August 2021, the Company successfully completed the offering and listing of A Shares on the SSE and initially issued 10,396,135,267 A Shares (with a nominal value of RMB1.00 each) at an issue price of RMB4.53 per share. The subscribers are qualified natural persons and institutional investors (except those prohibited by the laws and regulations and other regulatory requirements applicable to the Company). The total proceeds from the issuance amounted to approximately RMB47,094 million before the exercise of the over-allotment option. After deducting the issuance expenses, the net proceeds amounted to approximately RMB46,712 million and the net proceeds per share amounted to approximately RMB4.49. The exercise period of the over-allotment option for the A Share Offering expired on 22 September 2021. Together with the proceeds from the initial issuance of A Shares, the final gross proceeds from the issuance amounted to approximately RMB47,904 million, and the net proceeds after deducting the issuance expenses amounted to approximately RMB47,516 million and the net proceeds per share amounted to approximately RMB4.49. As disclosed in the Prospectus, the above proceeds were used on the three investment projects of the Company, namely 5G

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MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

Industrial Internet Construction Project, the Cloud-network integration new information infrastructure project and the research and development project of sci-tech innovation. During the Reporting Period, the proceeds were used, or are proposed to be used, according to the intentions previously disclosed in the Prospectus, and there was no material change or delay. As of 31 December 2022, the total amount of proceeds invested was approximately RMB37,888 million, and the amount of proceeds not utilised was approximately

RMB9,628 million. As of 31 December 2023, the amount of proceeds invested during the Reporting Period was approximately RMB10,593 million, and the accumulated total amount of proceeds invested was approximately RMB48,481 million. The amount of proceeds not utilised was nil. Due to the proceeds and its interest invested in the investment projects, total accumulated amount invested exceeded the total committed investment of proceeds. The use of proceeds is as follows:

| Projects invested with proceeds | Total committed investment of proceeds (RMB million) | Amount invested during the Reporting Period (RMB million) | Total accumulated amount invested as of the end of the Reporting Period (RMB million) | Amount not utilised as of the end of the Reporting Period (RMB million) |
|--|--|---|---|---|
| 5G Industrial Internet Construction Project | 9,957 | 0 | 9,957 | 0 |
| Cloud-network integration new information infrastructure project | 23,583 | 6,081 | 24,548 | 0 |
| Research and development project of sci-tech innovation | 13,976 | 4,512 | 13,976 | 0 |
| Total | 47,516 | 10,593 | 48,481 | 0 |

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MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

7. MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at the shareholders' class meetings of the Company (excluding the Directors and Supervisors) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

| Name of shareholder | Number of shares* | Class of share | Approximate percentage of the respective class of shares in issue | Approximate percentage of the total number of shares in issue | Capacity |
|---|---|----------------|---|---|--------------------|
| China Telecommunications Corporation | 58,240,172,066 (Long Position) | A Share | 75.02% | 63.65% | Beneficial owner |
| Guangdong Rising Holdings Group Co., Ltd. | 5,614,082,653 [#] (Long Position) | A Share | 7.23% | 6.14% | Beneficial owner |
| GIC Private Limited | 1,248,239,702 (Long Position) | H Share | 8.99% | 1.36% | Investment manager |

[#] As at 31 December 2023, the interest in the shares of the Company has been provided by such shareholder as security to a person other than a qualified lender, and the number of shares involved was 400,000,000.

^{*} The information disclosed above is based on the interests and short position as recorded in the register required to be maintained by the Company under Section 336 of the SFO. Pursuant to the relevant provisions of the SFO, shareholders only have to file a disclosure of interest on the occurrence of certain events — called "relevant events". Accordingly, the exact numbers of shares held by the above-mentioned shareholders as at 31 December 2023 may be different from those as disclosed above.

Save as disclosed above, as at 31 December 2023, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares and underlying shares of the Company.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

8. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 December 2023, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules.

| Name | Position | Class of share | Number of Shares | Capacity | Shares held as approximate percentage of the total number of respective class of shares in issue | |
|-----------------|------------------------------------|----------------|--------------------------|--------------------|--|--|
| | | | | | Shares held as approximate percentage of the total number of shares in issue | Shares held as approximate percentage of the total number of shares in issue |
| Chen Shengguang | Non-Executive Director | A Share | 1,000 (Long Position) | Beneficial owner | 0.00% | 0.00% |
| | | | 1,000 (Long Position) | Interest of spouse | 0.00% | 0.00% |
| Zhang Jianbin | Employee Representative Supervisor | A Share | 1 (Long Position) | Beneficial owner | 0.00% | 0.00% |

During the year 2023, the Company has not granted its Directors or Supervisors, or their respective spouses or any of their respective minor child (natural or adopted) or on their behalf any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures.

9. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Reference is made to the announcement published by the Company dated 20 October 2023 in relation to revision of annual caps for continuing connected transactions. On 20 October 2023, the Board approved, among others, the revised annual caps for the years ended/ending 31 December 2023 and 2024 in respect of continuing connected transactions contemplated under the Engineering Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement and the Property and Land Use Right Leasing Framework Agreement entered into between the Company and China Telecommunications on 22 October 2021 (the "Revised Annual Caps"). Directors of the Company including

Mr. Ke Ruiwen who also serves as the Chairman of China Telecommunications, Mr. Shao Guanglu who also serves as a Director and the President of China Telecommunications, Mr. Liu Guiqing who also serves as a Director of China Telecommunications, Mr. Tang Ke, Mr. Xia Bing and Mr. Li Jun who also serve/served as Vice Presidents of China Telecommunications and Mr. Li Yinghui who also serves as the Chief Accountant of China Telecommunications therefore abstained from voting on the relevant board resolution in respect of, among others, the Revised Annual Caps.

Save as disclosed above and the service agreements entered into between the Company and the Directors and Supervisors, for the year ended 31 December 2023, the Directors and Supervisors of the Company or their connected entities did not have any material interest, whether directly or indirectly, in any transactions, arrangements or contracts which was significant to the

SECTION III
MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

Company's business and which was entered into by the Company, its parent company or any of its subsidiaries or fellow subsidiaries.

10. SERVICE CONTRACTS

None of the Directors or Supervisors of the Company has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

11. EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS

Please refer to note 34 of the audited consolidated financial statements for details of the emoluments of all Directors and Supervisors of the Company in 2023.

12. EMPLOYEES AND EMOLUMENT POLICY

The details of the Group's emolument policy are set out in the "Corporate Governance Report" in this annual report. The details of share appreciation rights are set out in the "Corporate Governance Report" in this annual report and note 46 of the audited consolidated financial statements.

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

In 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

14. MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2023, the Company had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

15. PUBLIC FLOAT

As at the date of this Report of the Directors, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company

has maintained the public float required under the Listing Rules and as agreed with the Hong Kong Stock Exchange.

16. SUMMARY OF FINANCIAL INFORMATION

Please refer to pages 253 to 255 of this annual report for a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2023.

17. BANK LOANS AND OTHER BORROWINGS

Please refer to note 20 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

18. CHARGE ON ASSETS

As at 31 December 2023, no fixed assets was pledged to banks as loan security (31 December 2022: Nil).

19. CAPITALISED INTEREST

Please refer to note 32 of the audited consolidated financial statements for details of the Group's capitalised interest for the year ended 31 December 2023.

20. FIXED ASSETS

Please refer to note 4 of the audited consolidated financial statements for movements in the fixed assets of the Group for the year ended 31 December 2023.

21. RESERVES

Distributable reserves of the Company as at 31 December 2023 before deducting the proposed final dividends for 2023 amounted to RMB161,486 million.

Please refer to note 26 of the audited consolidated financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2023.

SECTION III**MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)****22. EQUITY-LINKED AGREEMENTS**

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist for the year ended 31 December 2023.

23. DONATIONS

For the year ended 31 December 2023, the Group made charitable and other donations with a total amount of RMB16.61 million.

24. SUBSIDIARIES AND ASSOCIATES

Please refer to note 9 and note 10 of the audited consolidated financial statements for details of the Company's subsidiaries and the Group's associates as at 31 December 2023.

25. PERMITTED INDEMNITY

For the year ended 31 December 2023 and as at the date of approval of this report, the Company has arranged appropriate insurance coverage in respect of legal actions against the directors of the Group.

26. CHANGES IN EQUITY

Please refer to the consolidated statement of changes in equity as contained in the audited consolidated financial statements of the year.

27. RETIREMENT BENEFITS

Please refer to note 45 of the audited consolidated financial statements for details of the retirement benefits provided by the Group.

28. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Articles of Association requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

29. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, revenue generated from the five largest customers of the Group accounted for an amount of less than 30% of the total operating revenues of the Group.

For the year ended 31 December 2023, purchases from the five largest suppliers of the Group accounted for an amount of less than 30% of the total annual purchases of the Group.

30. COMPETING BUSINESS

None of the Directors of the Company had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

31. MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into any management contracts with respect to the entire or principal business of the Company.

32. RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group ("Related Party Transactions") are set out in note 43 of the consolidated financial statements. Only the Related Party Transactions set out in note 43(a) of the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules, the details of which (except for fully exempt continuing connected transactions) have been disclosed in "Significant Events" in this annual report. Other Related Party Transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

SECTION III

MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

33. BUSINESS REVIEW

The details of the material development of the Group in 2023, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business can be found throughout this annual report, particularly in this section. Particulars of important events affecting the Group that have occurred after 31 December 2023, if any, can also be found in the Notes to the consolidated financial statements.

Description of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends can be found throughout different parts of the annual report (including this section, "Corporate Governance Report", etc.), and are particularly detailed in the *Sustainability Report 2023* of the Company published on the websites of the Hong Kong Stock Exchange and the Company. In addition, more details regarding the financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are also disclosed throughout this annual report (including this section, "Environmental and Social Responsibilities", "Corporate Governance Report", etc.) and the *Sustainability Report 2023* of the Company. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

34. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Please refer to the "Corporate Governance Report" for details of our compliance with the Corporate Governance Code.

35. AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the external auditors of the Company for the year ended 31 December 2023. PricewaterhouseCoopers has audited the consolidated financial statements set out in this report, which have been prepared in accordance with IFRS Accounting Standards.

Pursuant to the relevant requirements of the Ministry of Finance of the People's Republic of China and the SASAC, the service term of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the international and domestic auditors of the Company for the year of 2020 expired on the date of the Annual General Meeting for the year of 2020 (7 May 2021). The appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the years of 2021, 2022 and 2023 were approved at the Annual General Meeting for the years of 2020, 2021 and 2022 respectively. The Audit Committee and the Board of the Company had agreed on the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2024 and would propose the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP at the Annual General Meeting for the year of 2023 of the Company for consideration.

By Order of the Board

Ke Ruiwen

Chairman and Chief Executive Officer

Beijing, China
26 March 2024

RECOGNITION AND AWARDS

RECOGNITION AND AWARDS

OUR ACHIEVEMENTS SOAR TO NEW HEIGHT



SECTION IV CORPORATE GOVERNANCE REPORT

1. AN OVERVIEW OF CORPORATE GOVERNANCE

The Company strives to maintain a high level of corporate governance and has 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. In 2023, the Company's shareholders' meetings, the Board and the Supervisory Committee operated soundly and efficiently. The Company was dedicated to lean management while ensuring stable and healthy operation, and elevated its high-quality development to a new level, while continuously optimising its internal control system and comprehensive risk management in order to effectively ensure steady operation of the Company. The standard of the Company's corporate governance continued to improve and effectively protected the best long-term interests of shareholders.

The Company persists in refining the basic system of its corporate governance and continues to optimise the corporate governance system and operating mechanism to ensure standardised operation in strict compliance with *the Company Law*, *the Securities Law* and the requirements of the CSRC, the SSE and the Stock Exchange on corporate governance. In 2023, in accordance with the latest regulatory requirements from the CSRC and the SSE on corporate governance and standardised operation, and taking into account the actual situation of the Company, the Company continuously improved the System of Information Disclosure Committee and delivered important information of the

Company to the capital market in a complete, accurate and timely manner. The Company's information disclosure work received an A grade evaluation from the SSE for 2022-2023. At the same time, the Company attaches great importance to the construction and improvement of risk management and internal control systems, which mainly include clear organisational structure and management responsibilities, effective authorisation approval and accountability system, clear objectives, policies and procedures, comprehensive risk assessment and management, sound financial accounting system, continuous operation performance analysis and supervision, etc., which play an important role in ensuring the overall operation of the Company.

A two-tier structure is adopted as the overall structure for corporate governance: the Board and the Supervisory Committee are established under the shareholders' meeting, while the Audit Committee, Remuneration Committee and Nomination Committee are established under the Board. The Board is authorised by the Articles of Association of the Company to make major operational decisions of the Company and to oversee the daily management and operations of the senior management. The Supervisory Committee is mainly responsible for the supervision of the performance of duties of the Board and the senior management. Each of the Board and the Supervisory Committee is independently accountable to the shareholders' meeting. In 2023, the Company convened a total of 2 general meetings, 8 Board meetings and 7 Supervisory Committee meetings. The convening, holding, voting and disclosure procedures of the relevant meetings were in compliance with the requirements of laws and regulations and the Articles of Association.

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For the year ended 31 December 2023, the roles of Chairman and Chief Executive Officer of the Company were performed by the same individual. In the Company's opinion, through the supervision by the Board and the Independent Non-Executive Directors of the Company, 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 enable the Company to effectively capture business opportunities. Many leading international corporations around the world also have similar arrangements. Save as stated above, the Company was in compliance with all the code provisions under *the Corporate Governance Code* as set out in Appendix C1 of the Listing Rules (the "Corporate Governance Code") in the year 2023.

The Company has always attached great importance to information disclosure, strictly complied with the requirements of the relevant regulatory rules of the places where the Company's shares are listed, and stringently implemented *the Rules for the Management of Information Disclosure of China Telecom Corporation Limited* to standardise the procedures for the Company to collect, organise, summarise and report important information internally and prepare external disclosure documents, clarify the responsibilities and code of conduct of relevant departments and branches, and ensure the truthfulness, accuracy, completeness and timeliness of the Company's information disclosure. In addition, the Company actively discloses data such as the numbers of mobile subscribers, 5G package subscribers and wireline broadband users, etc. on a monthly basis to strengthen communication with the capital market and improve the transparency of information disclosure. Meanwhile, the Company attaches great importance to the handling of inside information and standardised management of inside information through the *Registration and Management System for Insiders of China Telecom Corporation Limited*, ensuring the fairness and justice of information disclosure, and protecting the legitimate rights and interests of investors and relevant parties.

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services in a timely manner. It also maintains proactive communications with shareholders, investors and other capital market participants. The Company's senior management presents the annual results and interim results every year. Through various activities such as results briefings, investor briefings and investors road shows, the senior management provides the capital market and media with important information and responds to key questions which are of prime concerns to the investors. This has helped reinforce their understanding of the Company's business and the overall development of the industry. In 2023, the Company conducted the annual and interim results announcement briefings effectively and conducted the third quarter results announcement briefing through online means. The Company participated in the "Shanghai Stock Exchange Listed Companies Roadshow: Special ESG Event for Central Enterprises" and proactively innovated the communication modes including the introduction of innovative elements such as virtual digital intelligent host "Xinyi" in the interim results announcement briefing to demonstrate the achievements of the Company's digital transformation. The management of the Company led teams to overseas roadshows and conducted in-depth exchanges with local investment institutions. The Company organised domestic and international analysts and investors to conduct reverse roadshows with themes of 5G 2B and Industrial Digitalisation businesses in Nanjing, Wuhu, Guangzhou, etc. to fully demonstrate the Company's investment value to the capital market. In daily operation, the Company participated in a number of investor conferences held by major international investment banks and domestic securities firms worldwide through on-site and online integrated means to promote communication with institutional investors. At the same time, the Company set up a dedicated investor relations enquiry line to facilitate communications between investors and the Company and better serve shareholders and investors.

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CORPORATE GOVERNANCE REPORT

In 2023, the Company's continuous efforts in corporate governance gained wide recognition from the capital market and the Company was accredited with a number of awards. The Company was voted as the "Most Honoured Company in Asia" in the "All-Asia-Executive Team Poll 2023" organised by *Institutional Investor* for thirteen consecutive years. The Company also ranked among the top in categories such as "Best Company Board of Directors", "Best IR Programme", "Best IR Team" and "Best ESG". The Company was also accredited with "Best Investor Relations Team" and "Best Social Responsibility Initiative" in the "ESG Corporate Awards 2023" by *The Asset*. In addition, the Company was awarded "Asia's Best CSR" for four consecutive years in "Asian Excellence Award 2023" organised by *Corporate Governance Asia*, a renowned regional journal on corporate governance in Asia. The Company further received awards such as "Best Corporate Communications", "Best Environmental Responsibility" and "Best Investor Relations Company". The Company was voted as "Most Outstanding Company in China — Telecommunication Services Sector" in *Asiamoney's* "Asia's Outstanding Companies Poll 2023". Moreover, the Company received Gold Award of "Best Corporate ESG Strategy in China" at the "Asia's Best Managed Companies Poll 2023" by *FinanceAsia*. The Company also received "Golden Bull Most Investment Value Award" and the "Golden Bull Award for Hong Kong Stocks" in the Golden Bull Award poll organised by *China Securities Journal*. The Company received the "Outstanding Management Team Annual Award for Chinese Listed Companies" in the Chinese Listed Companies Value Poll organised by *Securities Times*. In addition, the Company was awarded the "Best Practise of the Board of Directors for Listed Companies in 2023" by the China Association for Public Companies.

2. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, ORGANISATION AND BUSINESS, AS WELL AS SOLUTIONS, WORK PROGRESS AND FOLLOW-UP WORK PLANS ADOPTED IN LIGHT OF THE IMPACT ON THE INDEPENDENCE OF THE COMPANY

The Company is independent from its controlling shareholder in terms of business, assets and finance, etc. The controlling shareholder of the Company undertakes not to act beyond their authority to interfere with the operation and management activities of the Company and not to misappropriate the interests of the Company. The controlling shareholder of the Company exercises its rights as a shareholder through the general meeting in accordance with the law, and has not acted beyond the authority of the general meeting of the Company, directly or indirectly interfered with the Company's business decisions and operating activities. The Company has independent and complete businesses and self-operation capabilities. During the Reporting Period, the Company was not aware of any act in which the controlling shareholder took advantage of its special status to encroach on or damage the interests of the Company and other shareholders.

SECTION IV
CORPORATE GOVERNANCE REPORT

3. GENERAL MEETINGS

| Session | Date | Designated websites for publishing resolutions | Resolutions of the Meeting |
|--|------------|--|--|
| The Second Extraordinary General Meeting in 2022 | 2023-01-06 | www.hkexnews.hk www.chinatelecom-h.com | <ol style="list-style-type: none"> 1. To consider and approve the resolution in relation to Directors' remuneration proposal. 2. To consider and approve the resolution in relation to entering into agreements in relation to affiliated transactions with China Tower Corporation Limited and the expected 2023 annual caps in respect of such affiliated transactions. 3. To consider and approve the resolutions in relation to the election of Directors (excluding the Independent Directors): <ol style="list-style-type: none"> 3.01. THAT the election of Mr. Xia Bing as a Director of the Company be and is hereby considered and approved. 3.02. THAT the election of Mr. Li Yinghui as a Director of the Company be and is hereby considered and approved. 4. To consider and approve the resolutions in relation to the election of Independent Directors: <ol style="list-style-type: none"> 4.01. THAT the election of Mr. Ng Kar Ling Johnny as an Independent Director of the Company be and is hereby considered and approved. 4.02. THAT the election of Mr. Chen Dongqi as an Independent Director of the Company be and is hereby considered and approved. |
| Annual General Meeting for the year 2022 | 2023-05-23 | www.hkexnews.hk www.chinatelecom-h.com | <ol style="list-style-type: none"> 1. THAT the financial reports of the Company for the year of 2022 audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers be considered and approved. 2. THAT the Annual Reports for the year of 2022 be considered and approved. 3. THAT the work report of the Board for the year of 2022 be considered and approved. 4. THAT the work report of the Supervisory Committee for the year of 2022 be considered and approved. 5. THAT the profit distribution and dividend declaration plan of the Company for the year of 2022 be considered and approved. 6. THAT the authorisation to the Board to decide on the interim profit distribution plan of the Company for year 2023 be considered and approved. 7. THAT the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year ending 31 December 2023 and the authorisation to the Board to fix the remuneration of the auditors be considered and approved. 8. THAT the purchase of liabilities insurance for the Company and its Directors, Supervisors and senior management be considered and approved. 9. THAT the Directors' remuneration proposal for the eighth session of the Board be considered and approved. |

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| Session | Date | Designated websites for publishing resolutions | Resolutions of the Meeting |
|---------|------|--|---|
| | | | 10. To consider and approve the resolutions in relation to the re-election or election of Directors of the eighth session of the Board (excluding the Independent Non-Executive Directors): |
| | | | 10.01. THAT the re-election of Mr. Ke Ruiwen as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.02. THAT the re-election of Mr. Shao Guanglu as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.03. THAT the re-election of Mr. Liu Guiqing as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.04. THAT the re-election of Mr. Tang Ke as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.05. THAT the re-election of Mr. Xia Bing as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.06. THAT the re-election of Mr. Li Yinghui as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.07. THAT the election of Mr. Li Jun as an Executive Director of the Company be and is hereby considered and approved. |
| | | | 10.08. THAT the re-election of Mr. Chen Shengguang as a Non-Executive Director of the Company be and is hereby considered and approved. |
| | | | 11. To consider and approve the resolutions in relation to the re-election or election of Independent Non-Executive Directors of the eighth session of the Board: |
| | | | 11.01. THAT the re-election of Mr. Ng Kar Ling Johnny as an Independent Non-Executive Director of the Company be and is hereby considered and approved. |
| | | | 11.02. THAT the re-election of Mr. Yeung Chi Wai, Jason as an Independent Non-Executive Director of the Company be and is hereby considered and approved. |
| | | | 11.03. THAT the re-election of Mr. Chen Dongqi as an Independent Non-Executive Director of the Company be and is hereby considered and approved. |
| | | | 11.04. THAT the election of Madam Lyu Wei as an Independent Non-Executive Director of the Company be and is hereby considered and approved. |
| | | | 12. To consider and approve the resolutions in relation to the re-election or election of Shareholder Representative Supervisors of the eighth session of the Supervisory Committee: |
| | | | 12.01. THAT the re-election of Madam Han Fang as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved. |
| | | | 12.02. THAT the election of Mr. Luo Zhendong as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved. |
| | | | 12.03. THAT the re-election of Madam Wang Yibing as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved. |

During the Reporting Period, the Company held 2 general meetings, with all resolutions approved. For details, please refer to the relevant announcements published by the Company on the websites of the Stock Exchange and the Company.

The convening, holding, voting and other relevant procedures of the general meetings of the Company were in compliance with the laws and regulations, the Articles of Association of the Company, the Rules of Procedures of the Shareholders' General Meeting and other relevant requirements to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights.

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4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period

| Name | Position | Gender | Age | Commencement date of term | End date of term | Number of shares held at the beginning of the year (unit: shares) | Number of shares held at the end of the year (unit: shares) | Changes in shares during the year (unit: shares) | Reason for change | Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousand) |
|----------------------------------|--|--------|-----|---------------------------|--|--|--|---|-------------------|--|
| Ke Ruiwen | Executive Director, Chairman and Chief Executive Officer | Male | 60 | 2012-05-30 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 74.37 |
| Shao Guanglu | Executive Director | Male | 60 | 2020-05-26 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 73.60 |
| | President and Chief Operating Officer | | | 2022-08-16 | Annual General Meeting for the year 2025 | | | | | |
| Liu Guiqing | Executive Director and Executive Vice President | Male | 57 | 2019-08-19 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 67.50 |
| Tang Ke | Executive Vice President | Male | 49 | 2021-11-29 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 66.87 |
| | Executive Director | | | 2022-03-22 | Annual General Meeting for the year 2025 | | | | | |
| Xia Bing (resigned) | Executive Vice President | Male | 50 | 2022-04-26 | 2024-01-19 | 0 | 0 | 0 | / | 66.87 |
| | Executive Director | | | 2023-01-06 | 2024-01-19 | | | | | |
| Li Yinghui | Executive Vice President, Chief Financial Officer | Male | 53 | 2022-04-26 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 66.87 |
| | Secretary of the Board | | | 2022-09-05 | Annual General Meeting for the year 2025 | | | | | |
| | Executive Director | | | 2023-01-06 | Annual General Meeting for the year 2025 | | | | | |
| Li Jun | Executive Director | Male | 48 | 2023-05-23 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 45.24 |
| Chen Shengguang | Non-Executive Director | Male | 60 | 2017-05-23 | Annual General Meeting for the year 2025 | 1,000 | 1,000 | 0 | / | 0.00 |
| Tse Hau Yin, Aloysius (resigned) | Independent Non-Executive Director | Male | 76 | 2005-09-09 | 2023-01-06 | 0 | 0 | 0 | / | 0.83 |
| Xu Erming (resigned) | Independent Non-Executive Director | Male | 74 | 2005-09-09 | 2023-01-06 | 0 | 0 | 0 | / | 0.42 |
| Wang Hsuehming (resigned) | Independent Non-Executive Director | Female | 74 | 2014-05-29 | 2023-05-23 | 0 | 0 | 0 | / | 10.80 |
| Ng Kar Ling Johnny | Independent Non-Executive Director | Male | 63 | 2023-01-06 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 49.15 |
| Yeung Chi Wai, Jason | Independent Non-Executive Director | Male | 69 | 2018-10-26 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 31.65 |

SECTION IV CORPORATE GOVERNANCE REPORT

| Name | Position | Gender | Age | Commencement date of term | End date of term | Number of shares held at the beginning of the year (unit: shares) | Number of shares held at the end of the year (unit: shares) | Changes in shares during the year (unit: shares) | Reason for change | Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousand) |
|-----------------------|--|--------|-----|---------------------------|--|---|---|--|-------------------|---|
| Chen Dongqi | Independent Non-Executive Director | Male | 67 | 2023-01-06 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 0.00 |
| Lyu Wei | Independent Non-Executive Director | Female | 67 | 2023-05-23 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 0.00 |
| Han Fang | Chairlady of the Supervisory Committee and Shareholder Representative Supervisor | Female | 50 | 2022-03-22 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 148.70 |
| Zhang Jianbin | Employee Representative Supervisor | Male | 58 | 2012-10-16 | Annual General Meeting for the year 2025 | 1 | 1 | 0 | / | 118.43 |
| Dai Bin (retired) | Employee Representative Supervisor | Male | 55 | 2020-05-26 | 2023-05-23 | 0 | 0 | 0 | / | 45.33 |
| Xu Shiguang (retired) | Shareholder Representative Supervisor | Male | 44 | 2018-10-26 | 2023-05-23 | 0 | 0 | 0 | / | 19.58 |
| Guan Lixin | Employee Representative Supervisor | Female | 52 | 2023-05-23 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 105.18 |
| Luo Zhendong | Shareholder Representative Supervisor | Male | 46 | 2023-05-23 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 78.00 |
| Wang Yibing | Shareholder Representative Supervisor | Female | 58 | 2022-03-22 | Annual General Meeting for the year 2025 | 0 | 0 | 0 | / | 0.00 |
| Total | / | / | / | / | / | 1,001 | 1,001 | 0 | / | 1,069.39 |

Notes:

- Mr. Ng Kar Ling Johnny and Mr. Chen Dongqi were elected as Independent Non-Executive Directors of the Company at the second Extraordinary General Meeting in 2022 held on 6 January 2023. Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming no longer served as Independent Non-Executive Directors of the Company with effect from 6 January 2023.
- At the Annual General Meeting for the year 2022 on 23 May 2023, Mr. Ke Ruiwen, Mr. Shao Guanglu, Mr. Liu Guiqing, Mr. Tang Ke, Mr. Xia Bing, Mr. Li Yinghui and Mr. Li Jun were re-elected or elected as Executive Directors of the eighth session of the Board of Directors of the Company, Mr. Chen Shengguang was re-elected as a Non-Executive Director of the eighth session of the Board of Directors of the Company, Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei were re-elected or elected as Independent Non-Executive Directors of the eighth session of the Board of Directors of the Company, and Madam Han Fang, Mr. Luo Zhendong and Madam Wang Yibing were re-elected or elected as Shareholder Representative Supervisors of the eighth session of the Supervisory Committee of the Company. Meanwhile, Mr. Zhang Jianbin and Madam Guan Lixin have been elected by the employees of the Company democratically as the Employee Representative Supervisors of the eighth session of the Supervisory Committee of the Company. Madam Wang Hsuehming no longer served as an Independent Non-Executive Director of the Company and Mr. Dai Bin and Mr. Xu Shiguang no longer served as Supervisors of the Company with effect from 23 May 2023.
- During the Reporting Period, the Company also settled the bonus for the year 2022, including RMB355,200 for Mr. Ke Ruiwen, RMB334,500 for Mr. Shao Guanglu, RMB319,500 for Mr. Liu Guiqing, RMB310,200 for Mr. Tang Ke, RMB310,200 for Mr. Xia Bing, RMB258,500 for Mr. Li Yinghui and RMB123,900 for Mr. Li Jun.
- During the Reporting Period, the Company also settled special incentives, including RMB500,000 for Mr. Zhang Jianbin and RMB130,000 for Madam Han Fang.

SECTION IV
CORPORATE GOVERNANCE REPORT

(2) Biographical Details of Current Directors, Senior Management and Supervisors



KE RUIWEN

Age 60, is an Executive Director, the Chairman of the Board of Directors and Chief Executive Officer of the Company. He joined the Board of Directors of the Company in May 2012. Mr. Ke is a senior engineer with a doctorate degree in business administration. Mr. Ke served as Deputy Director General of Jiangxi Posts and Telecommunications Administration, Deputy General Manager of Jiangxi Telecom, Managing Director of the Marketing Department of the Company and China Telecommunications Corporation*, General Manager of Jiangxi Telecom, Managing Director of the Human Resources Department of the Company and China Telecommunications Corporation, Executive Vice President, President and Chief Operating Officer of the Company, Vice President and President of China Telecommunications Corporation and the Chairman of Supervisory Committee of China Tower Corporation Limited. Mr. Ke is also the Chairman of China Telecommunications Corporation. Mr. Ke has extensive experience in management and the telecommunications industry.



SHAO GUANGLU

Age 60, is an Executive Director, the President and Chief Operating Officer of the Company. He joined the Board of Directors of the Company in May 2020. Mr. Shao is a professor level senior engineer with a doctorate degree in management. Mr. Shao served as a Deputy General Manager of China United Network Communications Group Company Limited, an Executive Director and Senior Vice President of China Unicom (Hong Kong) Limited which is listed on the Main Board of the HKSE, a Senior Vice President of China United Network Communications Limited which is listed on the Shanghai Stock Exchange, a Director and Senior Vice President of China United Network Communications Corporation Limited, a Non-Executive Director of China Communications Services Corporation Limited, China Tower Corporation Limited and PCCW Limited, all of which are listed on the Main Board of the HKSE, a member of the board of directors of Open Networking Foundation, a member of the strategy committee of GSM Association and a Vice President of China Information Technology Industry Federation. Mr. Shao is currently a Director and the President of China Telecommunications Corporation and a Deputy Director of Communications Science and Technology Committee of the Ministry of Industry and Information Technology of the People's Republic of China. Mr. Shao has extensive experience in management and the telecommunications industry.

* Now known as "中國電信集團有限公司", the controlling shareholder (within the meaning of the Listing Rules) and a substantial shareholder (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) of the Company, which held approximately 63.90% of the issued share capital of the Company at the end of the Reporting Period.

SECTION IV
CORPORATE GOVERNANCE REPORT**LIU GUIQING**

Age 57, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in August 2019. Mr. Liu is a professor level senior engineer with a doctorate degree in engineering science. Mr. Liu served as Deputy General Manager and General Manager of China Unicom Hunan branch, General Manager of China Unicom Jiangsu provincial branch, a Vice President and General Counsel of China Telecommunications Corporation, the Chairman and an Executive Director of China Communications Services Corporation Limited which is listed on the Main Board of the HKSE, a Deputy Director General of China Institute of Communications and a Director of Global System for Mobile communications Association (GSMA). Mr. Liu is currently a Director of China Telecommunications Corporation and a Non-Executive Director of China Tower Corporation Limited which is listed on the Main Board of the HKSE. Mr. Liu has extensive experience in management and the telecommunications industry.

**TANG KE**

Age 49, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in March 2022. Mr. Tang is a senior accountant with a master's degree in economics. Mr. Tang previously served as the General Manager of the Finance Department of both China Telecommunications Corporation and the Company, the General Manager of China Telecom Anhui branch and Guangdong branch and a Deputy Executive Director General of Zhongguancun Digital Economic Industry Alliance. Mr. Tang is currently a Vice President of China Telecommunications Corporation, a Deputy Director General of Internet Society of China, a Vice President of China Netcasting Services Association, a Director General of Association of Communications Across the Taiwan Straits and an Executive Director of the UHD World Association. Mr. Tang has extensive experience in finance, management and the telecommunications industry.

SECTION IV
CORPORATE GOVERNANCE REPORT**LI YINGHUI**

Age 53, is an Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Li is a senior accountant, a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants with a master degree in accountancy. Mr. Li previously served as a Deputy Director of Financial Department of China Huaneng Group Co., Ltd. (formerly known as "China Huaneng Group"), a Director of Financial and Budget Department of Huaneng Power International, Inc. which is listed on the Main Board of Shanghai Stock Exchange and the Main Board of the HKSE respectively and a Director of Financial and Asset Management Department of China Huaneng Group Co., Ltd. He is currently the Chief Accountant of China Telecommunications Corporation and a Vice President of the members committee of China Association for Public Companies. Mr. Li has extensive experience in finance, management and the fundamental industry.

**LI JUN**

Age 48, is an Executive Director of the Company. He joined the Board of Directors of the Company in May 2023. Mr. Li is a senior engineer with a doctorate degree. Mr. Li previously served as the Deputy Chief Engineer of China Center for Information Industry Development, the Deputy Director of the Department of Planning, Science & Technology and the General Manager of the Department of Planning, Science & Technology (the Sci-tech Committee Office), the General Affairs Office and the General Management Department of China Electronics Corporation, a Non-Executive Director of Solomon Systech (International) Limited which is listed on the Main Board of the HKSE and a Director of TPV Technology Co., Ltd which is listed on Shenzhen Stock Exchange. He is currently a Vice President, Chief Network Security Officer, General Counsel and Chief Compliance Officer of China Telecommunications Corporation, a Deputy Director General of China Intellectual Property Society, China Institute of Communications and China Aerospace Information and Satellite Internet Innovation Alliance and a Director of Global System for Mobile communications Association (GSMA). Mr. Li has extensive experience in management and the information industry.

SECTION IV
CORPORATE GOVERNANCE REPORT



CHEN SHENGGUANG

Age 60, is a Non-Executive Director of the Company. He joined the Board of Directors of the Company in May 2017. Mr. Chen graduated from Zhongnan University of Economics with a major in finance and accounting, and obtained a postgraduate degree in economics from Guangdong Academy of Social Sciences and an executive master degree in business administration (EMBA) from Lingnan College of Sun Yat-sen University. He is a senior economist. Mr. Chen served as the Manager of Finance Department and Deputy General Manager of Guangdong Foreign Trade Import & Export Corporation, Head of Finance Department, Assistant to General Manager and Chief Accountant of Guangdong Guangxin Foreign Trade Group Co., Limited, a Director of FSPG Hi-Tech Co., Ltd. which is listed on the Shenzhen Stock Exchange, a Non-Executive Director of Xingfa Aluminium Holdings Limited which is listed on the Main Board of the HKSE, a Director of Guangdong Silk-Tex Group Co., Ltd., the Chief Accountant and Deputy General Manager of Guangdong Guangxin Holdings Group Ltd. Mr. Chen is currently the Director and General Manager of Guangdong Rising Holdings Group Co., Ltd.* (one of the shareholders of the Company). Mr. Chen has extensive experience in finance and corporate management.



NG KAR LING JOHNNY

Age 63, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Ng is currently a practising Certified Public Accountant in Hong Kong, a practising auditor and accountant in Macau, a Fellow of the Hong Kong Institute of Certified Public Accountants (FCPA), a Fellow of the Association of Chartered Certified Accountant (FCCA), and a Fellow of the Institute of Chartered Accountants in England and Wales (FCA). Mr. Ng obtained a bachelor's degree and a master's degree in business administration from the Chinese University of Hong Kong in 1984 and 1999, respectively. Mr. Ng joined KPMG (Hong Kong) in 1984 and became a Partner in 1996. He acted as a Managing Partner from June 2000 to September 2015 and a Vice Chairman of KPMG China from October 2015 to March 2016. Mr. Ng currently serves as an independent non-executive director of China Petroleum & Chemical Corporation which is listed on the HKSE and Shanghai Stock Exchange and an independent non-executive director of Metallurgical Corporation of China Ltd. which is listed on the HKSE and Shanghai Stock Exchange. He previously served as an independent non-executive director of China Vanke Co., Ltd. which is listed on the HKSE and Shenzhen Stock Exchange and an independent director of Fangdd Network Group Ltd. which is listed on Nasdaq.

* A substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

SECTION IV
CORPORATE GOVERNANCE REPORT**YEUNG CHI WAI, JASON**

Age 69, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in October 2018. Mr. Yeung is currently the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited and its listed companies in Hong Kong and an Independent Non-Executive Director of China Minsheng Banking Corp., Ltd. which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange. Mr. Yeung has extensive experience in handling legal, compliance and regulatory matters and previously worked in the Securities and Futures Commission of Hong Kong, law firms and enterprises practising corporate, commercial and securities laws. Mr. Yeung served as an Independent Non-Executive Director of Bank of Communications Co., Ltd. which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange, a Director and the General Counsel of China Everbright Limited, which is listed on the Main Board of the HKSE and was also a partner of Woo, Kwan, Lee, & Lo. He acted as the Board Secretary of BOC Hong Kong (Holdings) Limited which is listed on the Main Board of the HKSE, from 2001 to 2011 and concurrently acted as the Board Secretary of Bank of China Limited which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange, from 2005 to 2008. He also served as the Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited from April 2011 to February 2015. Mr. Yeung received a bachelor degree in social sciences from the University of Hong Kong. He then graduated from The College of Law, United Kingdom and received a bachelor degree in law and a master degree in business administration from the University of Western Ontario, Canada.

**CHEN DONGQI**

Age 67, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Chen is an economist, a young-to-middle-aged expert with outstanding contributions at Chinese Academy of Social Sciences (1997) and a member of Chinese Economists 50 Forum since 1998. Mr. Chen served as the director of Economics Research Institute of the State Planning Commission, an Executive Vice President of the Academy of Macroeconomics Research of the National Development and Reform Commission, an economics advisor for Beijing, Guangdong province and Shanxi province, a professor and Ph.D. tutor of the Graduate School at Chinese Academy of Social Sciences, a member of the Expert Team for Yangtze River Delta Integration and the Expert Committee of Sichuan Provincial Government. He is currently an executive council member of Sun YeFang Economic Science Foundation. Mr. Chen mainly focuses on the research of macroeconomics theory and policy.

SECTION IV
CORPORATE GOVERNANCE REPORT**LYU WEI**

Age 67, is an Independent Non-Executive Director of the Company. She joined the Board of Directors of the Company in May 2023. Madam Lyu is a researcher of the Innovation Development Research Department of the Development Research Center of the State Council and an expert who receives the State Council's special government allowances with a doctorate degree. She joined the Development Research Center of the State Council in 1984 and has been all along engaged in policy research and consulting work. Her main research areas include innovation systems and policies, high-tech industry policies, sci-tech system reform, intellectual property policies, etc. She has participated in the research and formulation of national medium and long-term sci-tech planning outlines, intellectual property strategy outlines, manufacturing power strategy, and implementation of innovation-driven development strategy outlines. She served as the Minister of the Technology and Economic Research Department and the Innovation Development Research Department of the Development Research Center of the State Council, a member of the Standing Committee and the Finance and Economic Committee of the 11th, 12th and 13th National People's Congress.

SECTION IV
CORPORATE GOVERNANCE REPORT**SUPERVISORS****HAN FANG**

Age 50, is a Shareholder Representative Supervisor and the Chairlady of the Supervisory Committee of the Company. She joined the Supervisory Committee of the Company in March 2022. Madam Han is an international internal auditor, a qualified accountant in PRC and a senior accountant with a master's degree in business administration. Madam Han served as a Supervisor of the third session of the Supervisory Committee of the Company, the Chief Financial Officer of China Telecom Global Limited, the Deputy Managing Director and Managing Director of Audit Department of both China Telecommunications Corporation and the Company and the Chairperson of the Supervisory Committee of China Communications Services Corporation Limited which is listed on the Main Board of the HKSE. She currently serves as the Managing Director of Capital Operation Department of China Telecommunications Corporation and the Company, the Chairlady of the board of China Telecom Group Investment Co., Ltd. and Tianyi Capital Holding Co., Ltd., a Supervisor of China Tower Corporation Limited which is listed on the Main Board of the HKSE and a Supervisor of Tianyi Telecom Terminals Company Limited. She has extensive experience in operation management and financial management in the telecommunications industry.

ZHANG JIANBIN

Age 58, is an Employee Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in October 2012. Mr. Zhang is a senior economist with a LL.M degree and an EMBA degree. He previously worked at the Department of Policy and Regulation of the Ministry of Posts and Telecommunications ("MPT") and the Directorate General of Telecommunications of the MPT and served as the Managing Director of the Legal Department (Compliance Management Department) of China Telecommunications Corporation and the Company. Mr. Zhang is currently the Deputy General Counsel of China Telecommunications Corporation. Mr. Zhang has extensive experience in corporate legal affairs.

GUAN LIXIN

Age 52, is an Employee Representative Supervisor of the Company. She joined the Supervisory Committee of the Company in May 2023. Madam Guan is a senior economist with a bachelor's degree in Chinese language and literature. She served as the Vice General Manager, the General Counsel and Chairlady of the Labour Union of China Telecom Cloud Technology Co., Ltd and a Director of Shanghai Ideal Information Industry (Group) Co., Ltd. Madam Guan is currently the Vice Chairlady of the China Telecom Labour Union. Madam Guan has extensive experience in operational management in the telecommunications industry.

SECTION IV CORPORATE GOVERNANCE REPORT

LUO ZHENDONG

Age 46, is a Shareholder Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in May 2023. Mr. Luo is a member of the Chinese Institute of Certified Public Accountants with a master's degree in management. Mr. Luo served at various positions in internal control and auditing at China Telecommunications Corporation and the Company for many years. Mr. Luo is currently the Director of General Office of Audit Department of China Telecommunications Corporation and the Company and the Chairman of the Supervisory Committee of China Telecom Group Finance Co., Ltd. Mr. Luo has extensive experience in auditing and internal control.

WANG YIBING

Age 58, is a Shareholder Representative Supervisor of the Company. She joined the Supervisory Committee of the Company in March 2022. Madam Wang is a senior accountant with a bachelor's degree in economics. She served as the Vice General Manager of Zhejiang Province Xingcai Real Estate Development Company, the General Manager of financial management department and investment management department of Zhejiang Provincial Financial Holdings Co., Ltd., a Director of China Zheshang Bank Co., Ltd. which is listed on the HKSE and the Shanghai Stock Exchange, a Director of Caitong Securities Co., Ltd, Yongan Futures Co., Ltd., Wuchan Zhongda Group Co., Ltd. and Zhejiang China Commodities City Group Co., Ltd., all of which are listed on the Shanghai Stock Exchange, etc. She currently serves as the Deputy General Manager of Zhejiang Provincial Financial Development Co., Ltd. (one of the shareholders of the Company), a Supervisor of Zhejiang Provincial Financial Holdings Co., Ltd and a Vice President of Council of Zhejiang Financial Holding Enterprises Alliance. Madam Wang has extensive experience in operation management of state-owned enterprises.

SECTION IV
CORPORATE GOVERNANCE REPORT**(3) Positions of current and resigned Directors, Supervisors and senior management during the Reporting Period****1. Positions held in shareholder entities**

| Name | Name of shareholders | Positions held in shareholders | Commencement date of term | End date of term |
|------------------------|---|--|--|--|
| Ke Ruiwen | China Telecommunications Corporation | Chairman | 2019-04-15 | Present |
| Shao Guanglu | China Telecommunications Corporation | Director President | 2020-01-27 2022-07-25 | Present Present |
| Liu Guiqing | China Telecommunications Corporation | Director General Counsel | 2022-10-01 2021-11-26 | Present 2023-01-28 |
| Tang Ke | China Telecommunications Corporation | Vice President | 2021-06-23 | Present |
| Xia Bing (resigned) | China Telecommunications Corporation | Vice President | 2021-11-09 | 2024-01-09 |
| Li Yinghui | China Telecommunications Corporation | Chief Accountant | 2022-02-22 | Present |
| Li Jun | China Telecommunications Corporation | Vice President Chief Network Security Officer General Counsel Chief Compliance Officer | 2022-07-20 2022-12-30 2023-01-28 2023-01-28 | Present Present Present Present |
| Chen Shengguang | Guangdong Rising Holdings Group Co., Ltd. | Director General Manager | 2016-11 2016-11 | Present Present |
| Han Fang | China Telecommunications Corporation | Managing Director of Audit Department Managing Director of Capital Operation Department | 2020-07-25 2022-12-29 | 2023-09-01 Present |
| Zhang Jianbin | China Telecommunications Corporation | Deputy General Counsel Managing Director of the Legal Department (Compliance Management Department) | 2015-02-06 2021-09-15 | Present 2023-08-15 |
| Dai Bin (retired) | China Telecommunications Corporation | Director of the Party Community Work Department | 2022-09-30 | Present |
| Guan Lixin | China Telecommunications Corporation | Vice Chairlady of the Labour Union | 2022-10-14 | Present |
| Luo Zhendong | China Telecommunications Corporation | Director of General Office of Audit Department | 2023-01-15 | Present |
| Wang Yibing | Zhejiang Provincial Financial Development Co., Ltd. | Deputy General Manager | 2021-01-30 | Present |

SECTION IV
CORPORATE GOVERNANCE REPORT

2. Positions held in other entities

| Name | Name of other entities | Positions held in other entities | Commencement date of term | End date of term |
|------------------------|--|---|---------------------------|------------------|
| Shao Guanglu | Communications Science and Technology Committee of the Ministry of Industry and Information Technology | Deputy Director | 2017-12 | Present |
| Liu Guiqing | China Institute of Communications | Deputy Director General | 2018-06 | 2023-09 |
| | Global System for Mobile communications Association | Director | 2018-09 | 2023-07 |
| | China Tower | Non-Executive Director | 2022-01-14 | Present |
| | China Comservice | Chairman of the board of directors and Executive Director | 2022-06-17 | 2024-01-30 |
| Tang Ke | Internet Society of China | Deputy Director General | 2021-09 | Present |
| | Zhongguancun Digital Economic Industry Alliance | Deputy Executive Director General | 2021-11 | 2023-03 |
| | China Netcasting Services Association | Vice President | 2021-12 | Present |
| | Association of Communications Across the Taiwan Straits | Director General | 2023-08 | Present |
| | UHD World Association | Executive Director | 2023-05 | Present |
| Xia Bing (resigned) | China Association of Communication Enterprises | Vice President | 2022-07 | 2024-02 |
| | Zhongguancun Digital Economic Industry Alliance | Deputy Executive Director General | 2023-03 | 2024-02 |
| Li Yinghui | China Association for Public Companies | Vice President of the members committee | 2022-07 | Present |
| Li Jun | China Intellectual Property Society | Deputy Director General | 2023-03 | Present |
| | China Institute of Communications | Deputy Director General | 2023-09 | Present |
| | China Aerospace Information and Satellite Internet Innovation Alliance | Deputy Director General | 2023-09 | Present |
| | Global System for Mobile communications Association (GSMA) | Director | 2023-07 | Present |

SECTION IV
CORPORATE GOVERNANCE REPORT

| Name | Name of other entities | Positions held in other entities | Commencement date of term | End date of term |
|----------------------------------|---|---------------------------------------|---------------------------|------------------|
| Chen Shengguang | Guangdong Rising Holdings Co., Ltd. | Director and General Manager | 2016-11 | Present |
| | China Nonferrous Metals Industry Association | Vice President of the Council | 2019-04 | Present |
| | Guangdong Nonferrous Metals Industry Association | President | 2017-07 | Present |
| Tse Hau Yin, Aloysius (resigned) | CNOOC Limited | Independent Non-Executive Director | 2005-06-08 | 2023-05-31 |
| | Sinofert Holdings Limited | Independent Non-Executive Director | 2007-06-28 | Present |
| | SJM Holdings Limited | Independent Non-Executive Director | 2007-10-15 | Present |
| | SJM Resorts, Limited | Chairman of the Supervisory Committee | 2014-12 | Present |
| | Grand Lisboa Property Investment Company Limited | Chairman of the Supervisory Committee | 2014-12 | Present |
| | Sociedade de Desenvolvimento Unido de Macau S.A.R.L. | Chairman of the Supervisory Committee | 2014-12 | Present |
| | Pier 16 Property Development Limited. | Chairman of the Supervisory Committee | 2014-12 | Present |
| | Cotai Magnific View Property Development Company Limited | Chairman of the Supervisory Committee | 2014-12 | Present |
| | China CITIC Financial Asset Management Co., Ltd. (Previously known as "China Huarong Asset Management Co., Ltd.") | Independent Non-Executive Director | 2015-03-23 | 2023-12-24 |
| | Bacchus Fine Wines (Hubei) Company Limited | Chairman | 2010-11-16 | Present |
| Xu Erming (resigned) | China Enterprise Management Research Association | Vice Chairman | 2004-09 | Present |
| Ng Kar Ling Johnny | China Petroleum & Chemical Corporation | Independent Non-Executive Director | 2018-05-15 | Present |
| | China Vanke Co., Ltd. | Independent Non-Executive Director | 2017-06-30 | 2023-06-30 |
| | Metallurgical Corporation of China Ltd. | Independent Non-Executive Director | 2020-04-29 | Present |

SECTION IV
CORPORATE GOVERNANCE REPORT

| Name | Name of other entities | Positions held in other entities | Commencement date of term | End date of term |
|--------------------------|--|--|---------------------------|------------------|
| Yeung Chi Wai, Jason | Fung Holdings (1937) Limited and its listed companies in Hong Kong | Group Chief Compliance and Risk Management Officer | 2015-07-01 | Present |
| | China Minsheng Banking Corp., Ltd. | Independent Non-Executive Director | 2023-10-16 | Present |
| | Enchanted Hills Limited | Director | 1997-05-14 | Present |
| Chen Dongqi | Sun YeFang Economic Science Foundation | Executive council member | 2021-12 | Present |
| Lyu Wei | Innovation Development Research Department of the Development Research Center of the State Council | Researcher | 2006-04 | Present |
| Han Fang | China Tower | Supervisor | 2022-01-14 | Present |
| | China Telecom Group Investment Co., Ltd. | Chairlady of the board | 2022-12-29 | Present |
| | Tianyi Capital Holding Co., Ltd. | Chairlady of the board | 2022-12-29 | Present |
| | Tianyi Telecom Terminals Company Limited | Supervisor | 2022-01-04 | Present |
| Xu Shiguang (retired) | China Communications Services Corporation Limited | Vice President | 2023-12-09 | Present |
| Luo Zhendong | China Telecom Group Finance Co., Ltd. | Chairman of the Supervisory Committee | 2021-03-23 | Present |
| Wang Yibing | Zhejiang Provincial Financial Holdings Co., Ltd | Supervisor | 2012-08-27 | Present |
| | Zhejiang Financial Holding Enterprises Alliance | Vice President of Council | 2022-03-07 | Present |

SECTION IV
CORPORATE GOVERNANCE REPORT

(4) Remuneration of Directors, Supervisors and senior management

| | |
|---|--|
| Decision-making procedures for remuneration of Directors, Supervisors and senior management | Decision-making procedures for remuneration of Directors and senior management: The Remuneration Committee makes recommendations to the Board in respect of the overall remuneration policy and structure for the Company's Directors and senior management and the establishment of a formal and transparent procedure for developing remuneration policy; The Board of Directors determines the remuneration plan for senior management and the remuneration plan for Directors is approved at shareholders' general meetings. |
| | Decision-making procedures for remuneration of Supervisors: Supervisors of the Company do not receive remuneration as Supervisors. |
| Whether directors abstain themselves from discussions on their remuneration at the board of directors | Yes |
| Details of recommendations of the Remuneration Committee or special meetings of independent directors on remuneration matters for Directors, Supervisors, and senior management | The remuneration matters of the Company's Directors, Supervisors and senior management are determined in accordance with relevant regulatory requirements and the management system of the Company, and are in line with relevant regulations and the actual conditions of the Company. |
| Basis for determining the remuneration of Directors, Supervisors and senior management | In accordance with the administrative requirements of the SASAC, the remuneration is determined based on the Remuneration Plan for Senior Management of the Company and factors such as the duties, responsibilities, experience of the Directors, Supervisors and senior management and the prevailing market conditions. |
| Actual payment of remuneration of Directors, Supervisors and senior management | For details, please refer to "(1) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period" in this section. |
| Total remuneration actually received by all Directors, Supervisors and senior management as at the end of the Reporting Period | For details, please refer to "(1) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period" in this section. |

SECTION IV
CORPORATE GOVERNANCE REPORT

(5) Changes in Directors, Supervisors and Senior Management of the Company

| Name | Position held | Type of changes | Reason for change |
|-----------------------|---|-----------------|---|
| Xia Bing | Executive Director and Executive Vice President | Resigned | Work adjustment |
| Li Jun | Executive Director | Elected | Work needs |
| Tse Hau Yin, Aloysius | Independent Non-Executive Director | Resigned | Served as an Independent Non-Executive Director for more than 6 years |
| Xu Erming | Independent Non-Executive Director | Resigned | Served as an Independent Non-Executive Director for more than 6 years |
| Ng Kar Ling Johnny | Independent Non-Executive Director | Elected | Work needs |
| Chen Dongqi | Independent Non-Executive Director | Elected | Work needs |
| Wang Hsuehming | Independent Non-Executive Director | Resigned | Served as an Independent Non-Executive Director for more than 6 years |
| Lyu Wei | Independent Non-Executive Director | Elected | Work needs |
| Dai Bin | Supervisor | Retired | Work adjustment |
| Guan Lixin | Supervisor | Elected | Work needs |
| Xu Shiguang | Supervisor | Retired | Work adjustment |
| Luo Zhendong | Supervisor | Elected | Work needs |

Notes:

- Due to change in work arrangement, Mr. Xia Bing has resigned from his positions as an Executive Director and Executive Vice President of the Company with effect from 19 January 2024.
- Mr. Ng Kar Ling Johnny and Mr. Chen Dongqi were elected as Independent Non-Executive Directors of the Company at the second Extraordinary General Meeting in 2022 held on 6 January 2023. Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming no longer served as Independent Non-Executive Directors of the Company with effect from 6 January 2023.
- At the Annual General Meeting for the year 2022 held on 23 May 2023, Mr. Ke Ruiwen, Mr. Shao Guanglu, Mr. Liu Guiqing, Mr. Tang Ke, Mr. Xia Bing, Mr. Li Yinghui and Mr. Li Jun were re-elected or elected as Executive Directors of the eighth session of the Board of Directors of the Company, Mr. Chen Shengguang was re-elected as a Non-Executive Director of the eighth session of the Board of Directors of the Company, Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei were re-elected or elected as Independent Non-Executive Directors of the eighth session of the Board of Directors of the Company, and Madam Han Fang, Mr. Luo Zhendong and Madam Wang Yibing were re-elected or elected as Shareholder Representative Supervisors of the eighth session of the Supervisory Committee of the Company. Meanwhile, Mr. Zhang Jianbin and Madam Guan Lixin have been elected by the employees of the Company democratically as the Employee Representative Supervisors of the eighth session of the Supervisory Committee of the Company. Madam Wang Hsuehming no longer served as an Independent Non-Executive Director of the Company and Mr. Dai Bin and Mr. Xu Shiguang no longer served as Supervisors of the Company with effect from 23 May 2023.

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Each Director who was appointed in 2023 has obtained relevant legal advice pursuant to the Listing Rules and confirmed that he understood his obligations as a Director of the Company. The Company will disclose relevant information pursuant to Rule 3.09D of the Listing Rules regarding Directors who were appointed after 31 December 2023.

(6) Composition of Board of Directors and Board Diversity Policy

As at 31 December 2023, the Board consisted of 12 Directors with 7 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. As at the date of this report, the Board consisted of 11 Directors with 6 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. There is no relationship (including financial, business, family or other material or relevant relationship) among the Board members. The Audit Committee, Remuneration Committee and Nomination Committee under the Board consist solely of Independent Non-Executive Directors, which ensures that the Committees are able to provide sufficient checks and balances and make independent judgements to protect the interests of the shareholders and the Company as a whole. The number of Independent Non-Executive Directors exceeds one-third of the members of the Board. Mr. Ng Kar Ling Johnny who served as the Chairman of the Audit Committee at present, is an internationally renowned financial expert with extensive expertise in accounting and financial management. The term of office for the eighth session of the Board (including the Non-Executive Directors) lasts for 3 years, starting from 23 May 2023 until the day of the Company's Annual General Meeting for the year 2025 to be held in 2026, upon which the ninth session of the Board will be elected.

In August 2013, the Company implemented the Board Diversity Policy. The Company strongly believes that board diversity will contribute significantly to the enhancement of the overall performance of the Company. The Company views board diversity as the key element for accomplishing its strategic goals and sustainable development. In determining the composition of the Board, the Company takes into account diversity of the Board from a number of perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge, duration of service and time commitment, etc. All appointments made or to be made by the Board are merit-based, and candidates are selected based on objective criteria taking full consideration of board diversity. Final decisions are comprehensively made based on each candidate's attributes and the consideration for his/her valuable contributions that can be made to the Board. The Nomination Committee oversees the implementation of Board Diversity Policy, reviews the existing policy as and when appropriate, and recommends proposals for revisions for the Board's approval.

There is currently one female Director on the Board which has met its target for gender diversity. The Company will continue to be committed to maintaining gender diversity in the composition of the Board. The Board currently comprises experts from diversified professions such as telecommunications, accounting, finance, law, banking, regulatory, compliance, management and economics with diversification in terms of gender, age (including 7 directors whose ages range from 45 to 60 years old and 4 directors whose ages range from 61 to 75 years old), duration of service (including 8 directors whose terms of service are 5 years or less, 2 directors whose terms of service range from 5 to 10 years and 1 director whose term of service is more than 10 years), etc., advancing the enhancement of management standard and the further standardisation of corporate governance practices, which results in a more comprehensive and balanced Board structure and decision-making process. Each Director brings to the Board different views and perspectives. Both the Nomination Committee and the Board believe that the gender, age, educational background, professional experience, skills, knowledge and the duration of service of the Board members are in alignment with the Board Diversity Policy.

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The Company strictly complies with the Corporate Governance Code to rigorously regulate the operating procedures of the Board and its Committees, and to ensure that the procedures of the Board meetings are in compliance with related rules in terms of organisation, regulations and personnel. The Board responsibly and earnestly supervises the preparation of financial statements for each financial period, so that such financial statements truly and fairly reflect the financial condition, the operating results and cash flows of the Company for such period. In preparing the financial statements for the year ended 31 December 2023, the Directors adopted appropriate accounting policies and made prudent, fair and reasonable judgements and estimates, and prepared the financial statements on a going concern basis.

The Articles of Association clearly defines the respective duties of the Board and the management. The Board is accountable to the shareholders' meetings, and its duties mainly include the execution of resolutions, formulation of major operational decisions, financial proposals and policies, formulation of the Company's basic management system and the appointment of senior management. The management is responsible for leading the production, operation and management of the Company, the implementation of Board resolutions and the annual operation plans and investment proposals of the Company, formulating the proposal of the Company's internal administrative organisations and suborganisations, and performing other duties as authorised by the Articles of Association and the Board. In order to maintain highly efficient operations, as well as flexibility and swiftness in operational decision-making, the Board may delegate its management and administrative powers to the management when necessary, and shall provide clear guidance regarding such delegation so as to avoid impeding or undermining the capabilities of the Board when exercising its powers as a whole.

The Board is committed to promoting corporate culture and ensuring the Company's development strategy and corporate culture are aligned. Details of the Company's development strategy and corporate culture are set out in the "Management's Discussion and Analysis (Report of the Directors)" and "Corporate Culture" of this annual report.

The Board formulates and reviews the Company's policies and practices on corporate governance; reviews and monitors the training and continuous professional development of Directors and senior management; reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements; formulates, reviews and monitors the code of conduct for employees; and reviews the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

(7) Directors' training and continuous professional development

The Company provides guidelines including on directors' duties, continuing obligations, relevant laws and regulations, operation and business of the Company to newly appointed Directors so that they are provided with tailored induction relating to their appointment. To ensure that the Directors are familiar with the Company's latest operations for decision-making, the Company arranges for key financial data and operational data to be provided to the Directors on a monthly basis. Meanwhile, through regular Board meetings and reports from management, the Directors are able to have clearer understanding of the operations, business strategy, and the latest development of the Company and the industry. In addition, the Company reminds the Directors of their functions and duties by continuously providing them with information regarding the latest development of the Dual Listing Rules and other applicable regulations, and arranging internal training on topics related to the latest development of the industry and operational focus of the Company for mutual exchange of ideas and discussion. The Directors actively participate in training and continuous professional development to develop and refresh their knowledge and skills in order to contribute to the Company.

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During the year, the Directors have participated in training and continuous professional development activities, and the summary is as follows:

| Directors | Types of training |
|--|-------------------|
| Executive Directors | |
| Ke Ruiwen | A, B |
| Shao Guanglu | A, B |
| Liu Guiqing | A, B |
| Tang Ke | A, B |
| Li Yinghui | A, B |
| Li Jun | A, B |
| Xia Bing* | A, B |
| Non-Executive Director | |
| Chen Shengguang | A, B |
| Independent Non-Executive Directors | |
| Ng Kar Ling Johnny | A, B |
| Yeung Chi Wai, Jason | A, B |
| Chen Dongqi | A, B |
| Lyu Wei | A, B |
| Tse Hau Yin, Aloysius* | A, B |
| Xu Erming* | A, B |
| Wang Hsuehming* | A, B |

A: attending relevant seminars and/or conferences and/or forums; or delivering speeches at relevant seminars and/or conferences and/or forums
 B: reading or writing relevant newspapers, journals and articles relating to economy, general business, telecommunications, corporate governance or directors' duties

* Due to change in work arrangement, Mr. Xia Bing has resigned from his positions as an Executive Director and Executive Vice President of the Company with effect from 19 January 2024. Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming and Madam Wang Hsuehming resigned from their position as Independent Non-Executive Directors of the Company on 16 August 2022. Resignation of Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming took effect on the date of election of new Independent Non-Executive Directors at the shareholders' meeting held on 6 January 2023, and resignation of Madam Wang Hsuehming took effect on the date of election of the new Independent Non-Executive Director at the Annual General Meeting for the year 2022 held on 23 May 2023.

(8) Compliance with the Model Code for Securities Transactions by Directors and Supervisors and confirmation of independence by the Independent Non-Executive Directors

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 the Directors and Supervisors. Based on

the written confirmation from the Directors and Supervisors, the Company's Directors and Supervisors have strictly complied with *the Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix C3 of the Listing Rules regarding the requirements in conducting securities transactions for the year 2023. Meanwhile, the Company has received annual independence confirmation from each of the Independent Non-Executive Directors and considered them to be independent.

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5. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

| Session | Date | Resolutions of the Meeting |
|--|------------|--|
| 26th meeting of the seventh session of the Board | 2023-02-03 | THAT the proposal on the completion of the exercise conditions of the 2018 share appreciation rights for the key personnel of the Company be considered. |
| 27th meeting of the seventh session of the Board | 2023-03-22 | <ol style="list-style-type: none"> 1. THAT the proposal on the financial reports of the Company for the year of 2022 prepared in accordance with IFRSs/Chinese Accounting Standard be considered; 2. THAT the proposal on the profit distribution and dividend declaration plan of the Company for the year of 2022 be considered; 3. THAT the proposal on the risk management and internal control report of the Company for the year of 2022 be considered; 4. THAT the proposal on the annual reports of the Company for the year of 2022 be considered; 5. THAT the proposal on the work report of the general manager of the Company for the year of 2022 be considered; 6. THAT the proposal on the Social Responsibility Report of the Company for the year of 2022 be considered; 7. THAT the proposal on the special report on the deposit and actual use of the proceeds raised of the Company for the year of 2022 be considered; 8. THAT the proposal on the budget of the Company for the year of 2023 be considered; 9. THAT the 2022 annual continuous risk assessment report on the related party transactions of China Telecom Group Finance Co., Ltd. be considered; 10. THAT the proposal on the evaluation of external auditor's audit performance in year 2022 and engagement of external auditor for the year of 2023 be considered; 11. THAT the proposal on the structure and operation review of the Board for the year of 2022 be considered; 12. THAT the report of duty performance by the independent directors for the year of 2022 be considered; 13. THAT the report of duty performance by the Audit Committee of the Board for the year of 2022 be considered; 14. THAT the proposal on the authorisation of the Board to determine the interim profit distribution of the Company for the year of 2023 be considered; 15. THAT the proposal on the convening of 2022 Annual General Meeting be considered. |

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| Session | Date | Resolutions of the Meeting |
|--|------------|---|
| 28th meeting of the seventh session of the Board | 2023-04-20 | <ol style="list-style-type: none">1. THAT the proposal on the 2023 First Quarterly Report be considered;2. THAT the proposal on the purchase of liabilities insurance for the Company and its Directors, Supervisors and senior management be considered. |
| 29th meeting of the seventh session of the Board | 2023-05-08 | <ol style="list-style-type: none">1. THAT the proposal on the change of term of the Board and election of directors of the eighth session of the Board of the Company be considered;2. THAT the proposal on the remuneration proposal of the Directors of the eighth session of the Board of the Company be considered. |
| 1st meeting of the eighth session of the Board | 2023-05-23 | <ol style="list-style-type: none">1. THAT the proposal on the composition arrangement of special committees of the Board of the Company be considered;2. THAT the proposal on the election of the Chairman and appointment of Chief Executive Officer of the Company be considered;3. THAT the proposal on the appointment of the President and Chief Operating Officer of the Company be considered;4. THAT the proposal on the appointment of the Executive Vice Presidents of the Company be considered;5. THAT the proposal on the appointment of the Chief Financial Officer and Secretary of the Board of the Company be considered;6. THAT the proposal on the appointment of Securities Affairs Representative of the Company be considered. |

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| Session | Date | Resolutions of the Meeting |
|--|-------------|--|
| 2nd meeting of the eighth session of the Board | 2023-08-08 | <ol style="list-style-type: none"> 1. THAT the proposal on the interim report of the Company for the year of 2023 be considered; 2. THAT the proposal on the interim profit distribution and dividend declaration plan of the Company for the year of 2023 be considered; 3. THAT the proposal on the special half-yearly report on the deposit and actual use of the proceeds raised of the Company for the year of 2023 be considered; 4. THAT the proposal on the 2023 half-yearly continuous risk assessment report on the related party transactions of China Telecom Group Finance Co., Ltd. be considered; 5. THAT the report on the progress of the Company's social responsibility work in 2023 be considered. |
| 3rd meeting of the eighth session of the Board | 2023-10-20 | <ol style="list-style-type: none"> 1. THAT the proposal on the Company's 2023 Third Quarterly Report be considered; 2. THAT the proposal on the adjustment of annual caps for the continuing related party (connected) transactions of the Company for 2023-2024 be considered. |
| 4th meeting of the eighth session of the Board | 2023-12-15 | <ol style="list-style-type: none"> 1. THAT the proposal on external auditor's audit fees for the year of 2023 be considered; 2. THAT the proposal on the expected annual caps in respect of related party transactions with China Tower Corporation Limited for the year of 2024 be considered. |

In 2023, the Company convened 8 Board meetings in total (including on-site meetings and meetings held by communication); the Chairman held a meeting to independently communicate with the Independent Non-Executive Directors without the presence of any other Directors to ensure their opinions can be fully expressed, which further facilitated the exchange of different views within the Board.

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CORPORATE GOVERNANCE REPORT**6. PERFORMANCE OF DUTIES BY DIRECTORS****Attendance of Directors at Board meetings and general meetings**

| Name of Director | Whether as an Independent Director | Required attendance during the year | Attendance at Board meetings | | | | Attendance at general meetings | |
|----------------------------------|------------------------------------|-------------------------------------|------------------------------|------------------------------------|----------------------|--------------|--|-------------------------------------|
| | | | Attendance in person | Attendance by way of communication | Attendance by proxy* | Absent Times | Failure to attend two consecutive meetings in person | Number of general meetings attended |
| Ke Ruiwen | No | 8 | 8 | 4 | 0 | 0 | No | 2 |
| Shao Guanglu | No | 8 | 7 | 4 | 1 | 0 | No | 2 |
| Liu Guiqing | No | 8 | 6 | 4 | 2 | 0 | No | 2 |
| Tang Ke | No | 8 | 8 | 4 | 0 | 0 | No | 2 |
| Xia Bing (resigned) | No | 8 | 6 | 4 | 2 | 0 | Yes | 2 |
| Li Yinghui | No | 8 | 8 | 4 | 0 | 0 | No | 2 |
| Li Jun | No | 4 | 4 | 1 | 0 | 0 | No | 0 |
| Chen Shengguang | No | 8 | 8 | 4 | 0 | 0 | No | 2 |
| Tse Hau Yin, Aloysius (resigned) | Yes | 0 | 0 | 0 | 0 | 0 | No | 1 |
| Xu Erming (resigned) | Yes | 0 | 0 | 0 | 0 | 0 | No | 1 |
| Wang Hsuehming (resigned) | Yes | 4 | 4 | 3 | 0 | 0 | No | 2 |
| Ng Kar Ling Johnny | Yes | 8 | 8 | 4 | 0 | 0 | No | 1 |
| Yeung Chi Wai, Jason | Yes | 8 | 8 | 4 | 0 | 0 | No | 2 |
| Chen Dongqi | Yes | 8 | 8 | 4 | 0 | 0 | No | 1 |
| Lyu Wei | Yes | 4 | 4 | 1 | 0 | 0 | No | 0 |

Explanation for failure to attend two consecutive board meetings in person

During the Reporting Period, Mr. Xia Bing, a Director of the Company, was unable to attend the second and third meetings of the eighth session of the Board of Directors

in person due to work reason, and authorised Mr. Shao Guanglu, a Director of the Company, and Mr. Ke Ruiwen, the Chairman of the Company, to attend and vote respectively.

| | |
|--|---|
| Number of Board meetings held during the year | 8 |
| Including: Number of on-site meetings | 4 |
| Number of meetings held by communication | 4 |
| Number of meetings held both on site and by means of communication | 0 |

* Certain Directors could not attend some of the Board meetings due to other arrangement. Such Directors have reviewed the relevant Board meeting proposals before the meetings and authorised other Directors in writing to vote on their behalf so as to ensure their views were fully reflected in the meetings.

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7. SPECIAL COMMITTEES UNDER THE BOARD

(1) Members of the special committees under the Board as at the end of the Reporting Period

| Category of special committees | Name of Members |
|--------------------------------|---|
| Audit Committee | Ng Kar Ling Johnny (Chairman), Yeung Chi Wai, Jason, Chen Dongqi, Lyu Wei |
| Remuneration Committee | Yeung Chi Wai, Jason (Chairman), Ng Kar Ling Johnny, Lyu Wei |
| Nomination Committee | Chen Dongqi (Chairman), Ng Kar Ling Johnny, Yeung Chi Wai, Jason |

(2) Audit Committee

As at 31 December 2023 and the date of this report, the Audit Committee comprised 4 Independent Non-Executive Directors, Mr. Ng Kar Ling Johnny as the Chairman and Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei as the members. The Audit Committee is responsible to the Board. The Rules of Procedures of the Audit Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Audit Committee. The Audit Committee's principal duties include the supervision of the truthfulness and completeness of the Company's financial statements, the effectiveness and completeness of the Company's internal control and risk management systems as well as the work of the Company's Internal Audit Department. It is also responsible for the supervision and review of the qualifications, selection and appointment, independence and services of external independent auditors. The Audit Committee ensures that the management has discharged its duty to establish and maintain an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff fulfilling the accounting, internal control and financial reporting functions of the Company together with the adequacy of the staff's training programmes and the related budget. The Audit Committee also has the authority to set up a reporting system on whistleblowing to receive and handle cases of complaints or complaints made on an anonymous basis regarding the Company's accounting, internal control and audit matters.

In 2023, pursuant to the requirements of the governing laws and regulations of the places of listing and the Rules of Procedures of the Audit Committee, the Audit Committee fully assumed its responsibilities within the scope of the clear mandate from the Board and communicated independently with the external auditors twice a year. The Audit Committee proposed a number of practical and professional recommendations for improvement based on the Company's actual circumstances in order to promote the continuous improvement and perfection of corporate management. The Audit Committee has provided important support to the Board and played a significant role in protecting the interests of the independent shareholders.

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The Audit Committee convened 6 meetings during the Reporting Period

| Date | Agenda of meeting | Important comments and suggestions | Other Performance of Duties |
|------------|---|------------------------------------|-----------------------------|
| 2023-03-21 | <ol style="list-style-type: none"> 1. To consider the proposal on the financial reports of the Company for the year of 2022 prepared in accordance with IFRSs/Chinese Accounting Standard; 2. To consider the report on the implementation of related party (connected) transactions of the Company for the year of 2022; 3. To consider the proposal on the special report on the deposit and actual use of the proceeds raised of the Company for the year of 2022; 4. To consider the proposal on the risk management and internal control report of the Company for the year of 2022; 5. To consider the proposal on the annual reports of the Company for the year of 2022; 6. To consider the proposal on the Social Responsibility Report of the Company for the year of 2022; 7. To consider the report on the internal audit of the Company in 2022 and the work plan for year 2023; 8. To consider the proposal on the evaluation of external auditor's audit performance in year 2022 and engagement of external auditor for the year of 2023; 9. To consider the report of duty performance by the Audit Committee for the year of 2022. | Nil | Nil |
| 2023-04-20 | To consider the proposal on the 2023 First Quarterly Report. | Nil | Nil |
| 2023-06-19 | <ol style="list-style-type: none"> 1. To consider the report on the implementation of related party (connected) transactions of the Company for the first quarter of 2023; 2. To consider the report on the internal audit of the Company for the first quarter of 2023; 3. To approve the review plan of PricewaterhouseCoopers on the 2023 interim results of the Company. | Nil | Nil |

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| Date | Agenda of meeting | Important comments and suggestions | Other Performance of Duties |
|------------|---|------------------------------------|-----------------------------|
| 2023-08-07 | <ol style="list-style-type: none"> 1. To consider the proposal on the interim report of the Company for the year of 2023; 2. To consider the report on the implementation of related party (connected) transactions of the Company for the first half of 2023; 3. To consider the proposal on the special half-yearly report on the deposit and actual use of the proceeds raised of the Company for the year of 2023; 4. To consider the report on the internal audit of the Company for the second quarter of 2023; 5. To consider the report on the progress of the Company's social responsibility work in 2023. | Nil | Nil |
| 2023-10-20 | <ol style="list-style-type: none"> 1. To consider the proposal on the Company's 2023 Third Quarterly Report; 2. To consider the proposal on the report on the implementation of related party (connected) transactions of the Company for the first three quarters of 2023; 3. To consider the proposal on the adjustment of annual caps for the continuing related party (connected) transactions of the Company for 2023-2024. | Nil | Nil |
| 2023-12-15 | <ol style="list-style-type: none"> 1. To consider the proposal on report of external auditor's audit work plan for the year of 2023; 2. To consider the proposal on report of external auditor's preliminary results on internal control assessment for the year of 2023; 3. To consider the proposal on external auditor's audit fees for the year of 2023; 4. To consider the proposal on the report on the internal audit for the third quarter of 2023; 5. To consider the proposal on the meeting plan of the Audit Committee for the year 2024; 6. To consider the proposal on the expected annual caps in respect of related party transactions with China Tower Corporation Limited for the year of 2024. | Nil | Nil |

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The attendance of each member is as follows:

| Name of Members | Actual attendance/Required attendance |
|------------------------|---------------------------------------|
| Ng Kar Ling Johnny | 6/6 |
| Yeung Chi Wai, Jason | 6/6 |
| Chen Dongqi | 6/6 |
| Lyu Wei | 4/4 |
| Tse Hau Yin, Aloysius* | 0/0 |
| Xu Erming* | 0/0 |
| Wang Hsuehming* | 2/2 |

* Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming and Madam Wang Hsuehming resigned from their position as Independent Non-Executive Directors of the Company on 16 August 2022. Resignation of Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming took effect on the date of election of new Independent Non-Executive Directors at the shareholders' meeting on 6 January 2023, and resignation of Madam Wang Hsuehming took effect on the date of election of the new Independent Non-Executive Director at the Annual General Meeting for the year 2022 on 23 May 2023.

(3) Remuneration Committee

As at 31 December 2023 and the date of this report, the Remuneration Committee comprised 3 Independent Non-Executive Directors, Mr. Yeung Chi Wai, Jason as the Chairman and Mr. Ng Kar Ling Johnny and Madam Lyu Wei as the members. The Remuneration Committee is responsible to the Board. The Rules of Procedures of the Remuneration Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Remuneration Committee. The Remuneration Committee assists the Board to formulate overall remuneration policy and structure for the Company's Directors and senior management, and to establish related procedures

that are standardised and transparent. The Remuneration Committee's principal duties include giving recommendations to the Board in respect of the overall remuneration policy and structure for the Company's Directors and senior management and the establishment of a formal and transparent procedure for developing remuneration policy, and determining, with delegated responsibility by the Board, the remuneration packages of individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). Its responsibilities comply with the requirements of the Corporate Governance Code.

The Remuneration Committee convened 1 meeting during the Reporting Period

| Date | Agenda of meeting | Important comments and suggestions | Other Performance of Duties |
|------------|---|------------------------------------|-----------------------------|
| 2023-05-08 | THAT the resolution in relation to remuneration proposal of the eighth session of the Board of the Company be considered. | Nil | Nil |

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The attendance of each member is as follows:

| Name of Members | Actual attendance/Required attendance |
|------------------------|--|
| Yeung Chi Wai, Jason | 1/1 |
| Ng Kar Ling Johnny | 1/1 |
| Lyu Wei | 0/0 |
| Xu Erming* | 0/0 |
| Tse Hau Yin, Aloysius* | 0/0 |
| Wang Hsuehming* | 1/1 |

* Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming and Madam Wang Hsuehming resigned from their position as Independent Non-Executive Directors of the Company on 16 August 2022. Resignation of Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming took effect on the date of election of new Independent Non-Executive Directors at the shareholders' meeting on 6 January 2023, and resignation of Madam Wang Hsuehming took effect on the date of election of the new Independent Non-Executive Director at the Annual General Meeting for the year 2022 on 23 May 2023.

(4) Nomination Committee

As at 31 December 2023 and the date of this report, the Nomination Committee comprised 3 Independent Non-Executive Directors, Mr. Chen Dongqi as the Chairman and Mr. Ng Kar Ling Johnny and Mr. Yeung Chi Wai, Jason as the members. The Nomination Committee is responsible to the Board. The Rules of Procedures of the Nomination Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Nomination Committee, and it specifically requires that the Nomination Committee members shall have no significant connection with the Company, and comply with the regulatory requirements related to

"independence". The Nomination Committee assists the Board to formulate standardised, prudent and transparent procedures for the appointment and succession plans of Directors, and to further optimise the composition of the Board. The principal duties of the Nomination Committee include regularly reviewing the structure, number of members, composition and diversity of the Board; identifying candidates with the appropriate qualifications for the position of Directors and senior management and advising the Board on the same; reviewing the Board Diversity Policy as appropriate to ensure its effectiveness; evaluating the independence of Independent Non-Executive Directors; advising the Board on matters regarding the appointment or re-appointment of Directors and succession plans for the Directors.

The Nomination Committee convened 3 meetings during the Reporting Period

| Date | Agenda of meeting | Important comments and suggestions | Other Performance of Duties |
|-------------|--|---|------------------------------------|
| 2023-03-21 | THAT the proposal on the structure and operation review of the Board for the year of 2022 be considered. | Nil | Nil |
| 2023-05-08 | THAT the proposal on the change of term of the Board and election of Directors of the eighth session of the Board. | Nil | Nil |
| 2023-05-23 | <ol style="list-style-type: none"> THAT the proposed election of Chairman and appointment of Chief Executive Officer of the Company be considered; THAT the proposed appointment of the President and Chief Operating Officer of the Company be considered; THAT the proposed appointment of Executive Vice Presidents of the Company be considered; THAT the proposed appointment of Chief Financial Officer and Secretary of the Board of the Company be considered. | Nil | Nil |

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The attendance of each member is as follows:

| Name of Members | Actual attendance/Required attendance |
|------------------------|---------------------------------------|
| Chen Dongqi | 3/3 |
| Ng Kar Ling Johnny | 3/3 |
| Yeung Chi Wai, Jason | 3/3 |
| Wang Hsuehming* | 0/0 |
| Tse Hau Yin, Aloysius* | 0/0 |
| Xu Erming* | 0/0 |

* Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming and Madam Wang Hsuehming resigned from their position as Independent Non-Executive Directors of the Company on 16 August 2022. Resignation of Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming took effect on the date of election of new Independent Non-Executive Directors at the shareholders' meeting on 6 January 2023, and resignation of Madam Wang Hsuehming took effect on the date of election of the new Independent Non-Executive Director at the Annual General Meeting for the year 2022 on 23 May 2023.

8. DESCRIPTION OF RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee had no objection to the matters under supervision during the Reporting Period.

9. INFORMATION ON EMPLOYEES AT THE END OF THE REPORTING PERIOD

(1) Employees

| | |
|---|-------------------------|
| Total number of employees | 278,539 |
| Composition of professions | |
| Categories of professions | Number of professionals |
| Management, Finance and Administration | 48,489 |
| Sales and Marketing | 113,461 |
| Operations and Maintenance | 83,742 |
| Sci-tech Research and Product Development | 32,847 |
| Total | 278,539 |
| Education level | |
| Categories of education level | Number (person) |
| Doctoral degree and above | 505 |
| Master's degree | 32,595 |
| Bachelor's degree | 164,396 |
| Vocational school | 63,036 |
| High school and below | 18,007 |
| Total | 278,539 |

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As at the end of the Reporting Period, the percentages of female employees, female managers and female among new employees were 31.47%, 21.94% and 31.76%, respectively. The Company offers equal opportunities to all the applicants in its recruitments without discrimination against ethnicity, race, gender, age, region, marital status or physical condition, adheres to principles of equal pay for equal work, and provides employees with promotion in their positions. For details, please refer to the *Sustainability Report 2023* of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

(2) Emolument policy

In accordance with the income distribution principle of enhancing efficiency and promoting fairness, while improving the market-oriented remuneration distribution mechanism with efficiency as the priority, the Company promotes the allocation of resources to tilt towards sci-tech talents who have made outstanding contributions and front-line positions and ensures that employees can share the benefits of the Company's reform and growth. The Company strongly promotes medium and long-term incentives mechanism such as equity incentives for listed companies and equity and dividend incentives for state-owned technology enterprises to further stimulate the enthusiasm, initiative and creativity of core talents.

(3) Training program

The Company continued to strengthen its employee training. Keeping up with the development trends of the digital economy, the Company comprehensively publicised and implemented its strategy of "Cloudification and Digital Transformation". Throughout the year, a total of 12 series of talks on "Cloudification and Digital Transformation Lecture" and "Way of Transformation" were conducted, with over 1.46 million participants. The Company carried out technical talent training on a hierarchical scale, and cultivated three engineer teams, namely Industrial Digitalisation, R&D and cloud-network on a large scale through "practise + certification". For the front-line employee team, the Company carried out skill certification exams across various professional lines that covered 41 professions and 364,000 person-times, promoting the transformation of skilled talents to become excellent engineers.

10. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE

(1) Formulation, implementation or adjustment of cash dividend policy

Pursuant to the Articles of Association, under the premise that the Company's profit distribution does not exceed the cumulative distributable profit and that the Company considers its continuous profitability, compliance with regulatory requirements, ability to operate normally and its long term developments, the Company will give priority to cash distribution of dividends. If the Company has no events such as major investment plans or significant cash expenditures, and the Company's risk control indicators can meet regulatory requirements and the normal operating capital requirements of the Company can be satisfied after the distribution of cash dividends, within any three consecutive years, the cumulative profit distributed by the Company in cash shall be no less than 30% of the annual average distributable profit realised in such three years.

Pursuant to the previous decision of the Board, within three years after the A Share Offering and Listing, the profit to be distributed by the Company in cash for each year will gradually increase to 70% or above of the profit attributable to equity holders of the Company for that year. After fully considering the Company's cash flow level, the cash return to shareholders, etc., the Board of Directors proposed a final dividend of RMB0.090 per share (pre-tax) in an aggregate amount of approximately RMB8,236 million calculated based on 91,507,138,699 shares, being the total number of issued share capital of the Company as at the end of 2023. The dividend distribution is derived from net profit realised in the current period. 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

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implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly. The Company attaches great importance to shareholder returns and fully considers the overall interests of shareholders, the Company's profitability, cash flow levels and future development needs. 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.

The profit distribution plan will be submitted to the Annual General Meeting of the Company for the year 2023 for consideration and approval.

(2) Specific description of cash dividend policy

| | |
|---|-----------------------------------|
| Compliance with the Articles of Association or the resolutions of the general meeting | ✓ Yes <input type="checkbox"/> No |
| Clear and definite standards and proportion of dividend distribution | ✓ Yes <input type="checkbox"/> No |
| Complete decision-making procedures and mechanisms | ✓ Yes <input type="checkbox"/> No |
| Independent Directors fulfilled their duties and played their role | ✓ Yes <input type="checkbox"/> No |
| Minority shareholders have the opportunity to fully express their opinions and appeals, and their legitimate rights and interests have been fully protected | ✓ Yes <input type="checkbox"/> No |

(3) Profit distribution and conversion of capital reserve into share capital during the Reporting Period

Unit: Yuan Currency: RMB

| | |
|---|----------------|
| Number of bonus shares for every 10 shares (share) | 0 |
| Dividend per 10 shares (RMB) (pre-tax) | 2.332 |
| Number of shares converted for every 10 shares (share) | 0 |
| Amount of cash dividend (pre-tax) | 21,339,464,745 |
| Profit attributable to equity holders of the Company in the consolidated financial statements for the year of dividend distribution | 30,445,686,139 |
| Percentage of profit attributable to equity holders of the Company in the consolidated financial statements (%) | 70.1 |
| Amount of shares repurchased in cash included in cash dividend | 0 |
| Total amount of dividend (pre-tax) | 21,339,464,745 |
| Percentage of total dividend to profit attributable to equity holders of the Company in the consolidated financial statements (%) | 70.1 |

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11. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPLICATIONS

(1) Share appreciation rights

The Company implemented two phases of share appreciation rights scheme in 2018 and 2021, respectively, to provide mid- to long-term incentives for key personnel (excluding the Executive Directors, Non-Executive Directors, Independent Directors, Supervisors and senior management of the Company).

The proposal in relation to completion of exercise conditions of the 2018 Share Appreciation Rights for key personnel of the Company was considered and approved at the 26th meeting of the seventh session of the Board on 3 February 2023. The Board confirmed that the exercise conditions of the 2018 Share Appreciation Rights have been met, and the Company would handle the matters in relation to the exercise of share appreciation rights and distribute benefits to incentive subjects according to established rules.

Firstly, share appreciation rights are distributed based on contribution, adhering to the value-oriented principle and tilting towards units with remarkable high-quality development. Secondly, share appreciation rights are distributed based on potential, which adheres to the development orientation and tilts to the key areas of "Cloudification and Digital Transformation" and high-end and high-quality talents. Thirdly, share appreciation rights are granted based on performances. The Company adheres to the performance-oriented principle and closely links the number of rights exercised with the Company's performance and employees' individual performance, and imposes penalties for failure to achieve performance targets.

The scheme does not involve the grant of shares or other securities of the Company or any of its principal subsidiaries (including the grant of options for the purchase of any of such shares or securities) and therefore, it does not fall within the scope of, and is not subject to, the requirements under Chapter 17 of the

Listing Rules. Further details of the share appreciation scheme are set out in note 46 of the audited consolidated financial statements.

(2) Establishment and implementation of the appraisal mechanism and incentive mechanism for senior management during the Reporting Period

During the Reporting Period, the incentives of senior management were closely linked to the overall operating results of the Company. The senior management are evaluated for work performance within their scope of duties, focusing on the financial performance, customer and market performance, compliance and risk control, completion of annual key tasks and cadre training in their areas of responsibilities.

12. ESTABLISHMENT AND IMPLEMENTATION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

The Board attaches great importance to the establishment and perfection of the risk management and internal control systems. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems, and the Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board takes effective approaches to supervise the implementation of related control measures, whilst enhancing operation efficiency and effectiveness, and optimising corporate governance, risk assessment, risk management and internal control so that the Company can achieve long-term development goals.

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The risk management and internal control systems of the Company is built on clear organisational structure and management duties, an effective delegation and accountability system, definite targets, policies and procedures, comprehensive risk assessment and management, a sound financial accounting system, and continuing analysis and supervision of operational performance, etc. which plays a pivotal role in the Company's overall operation. The Company has formulated a code of conduct for the senior management and employees which ensures their ethical value and competency. The Company attaches great importance to the prevention of fraud and has formulated its internal reporting system, which encourages anonymous reporting of situations where employees, especially Directors and senior management, breach the rules.

The internal control management system of the Company mainly includes internal control manual, implementation guidance, list of authority and relevant systems and measures. The Company continuously revises and improves the internal control system according to the changes in the internal control environment and the needs of business development. In accordance with the internal control management system of the Company and based on the management needs of the Company, each subsidiary has refined and improved its internal control manual, forming a complete, comprehensive and effective internal control system.

The Company views risk management as an important task within the Company's daily operation. Pursuant to regulatory requirements in capital markets where the shares of the Company are listed, the Company has achieved closed-loop management of risk identification, risk assessment, key risk analysis, risk response and tracking and monitoring of risk management based on risk management theory. In continuously strengthening the risk process control and management and focusing on significant risk which may be encountered, the Company follows, monitors and reports the status of risk management and control regularly to ensure risks are manageable and controllable. Following the efforts made over the years, the Company has established a structured and highly effective comprehensive risk management system and has gradually perfected its comprehensive risk monitoring and prevention mechanism.

In 2023, pursuant to the requirement of code provision D2 of the Corporate Governance Code promulgated by the Stock Exchange, the Company concentrated resources on the prevention of significant potential risks, and strived to reduce negative effect from significant risks. The Company was not confronted by any major risk event throughout the whole year.

The Company has identified, assessed and analysed potential major risks faced by the Company in 2024, including areas of economic and policy environment adaptation, sci-tech innovation, network and data security, emerging businesses in strategic emerging industries and future industries and international operation etc., determined major risk points and put forward detailed response plans. For details of the major risks that the Company may face and the response measures thereof, please refer to the section headed "Management's Discussion and Analysis (Report of the Directors)" in this annual report. Through strict and appropriate risk management procedures, the Company will ensure the potential impact from the above risks on the Company is limited and within an expected range.

The Company highly values the compliance with the laws and regulations of the PRC as well as the places of listing of the Company and where the Company's business operations are located, strictly complies with all laws and regulations and timely and proactively incorporates the laws and regulations into the Company's rules and regulations to protect the Company's legitimate business management, maintain the Company's legitimate rights and interests and support the Company to achieve long-term healthy development target. Please refer to the section headed "Management's Discussion and Analysis (Report of the Directors)" of this annual report for the newly published policies, laws and regulations relating to the industry in which the Company operated during the Reporting Period.

Since 2003, the Company has formulated manuals, implementation rules and related rules in relation to internal control, and has developed the Policies on Internal Control Management and Internal Control Accountability Management to ensure the effective implementation of the above systems. The Company has all along continuously revised and improved the manuals and implementation rules in view of the ever changing internal and external operation environment as well as the requirements of business development over the

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years. While continuing to improve the internal control related policies, the Company has also been strengthening its IT internal control capabilities, which has improved the efficiency and effectiveness of internal control and enhanced the safety of the Company's information system so that the integrity, timeliness and reliability of data and information are maintained. At the same time, the Company attaches great importance to the control and monitoring of network information safety. The Company persistently optimises the relevant rules and guidances, further defines the responsible entities and regularly commences the inspection of network safety and information safety in order to promote the enhancement of the awareness of network information safety and relevant skills and knowledge.

The Company attaches great importance to the construction of its internal control system. In 2023, the Company continued to strengthen the establishment of the internal control organisational system, constantly enhanced the construction of internal control in key areas and important components and reinforced the rigid constraints of internal control. The Company conducted annual revision on the internal control manual and authority list in terms of external regulatory environment, internal regulatory requirements and business development needs. The Company has established a relatively complete internal control system as a whole, and the implementation of internal control is effective in overall.

The Internal Audit Department plays a vital role in supporting the Board, the management and the risk management and internal control systems. The functions of the Internal Audit Department are independent of the Company's business operations, complementary with the functions of the external auditors and plays an important role in the monitoring of the Company's internal management. The Internal Audit Department is responsible for internal control assessment of the Company, and provides reasonable assurance to the Audit Committee and the Board that the risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards. The Internal Audit Department regularly reports the internal audit results to the Audit Committee on a quarterly basis, and reports the internal audit results to the Board through the Audit Committee.

Annual evaluation of risk management and internal control systems

The Company has been continuously improving the risk management and internal control systems to meet the regulatory requirements of the places where the Company's shares are listed and strengthening its internal control while guarding against operational risk.

With Specific Standards for Internal Audit No. 2201 issued by the China Institute of Internal Audit as guidance, the Company's internal control assessment system is composed of the self-assessment conducted by the persons responsible for internal control together with the independent assessment conducted by the Internal Audit Department. In order to evaluate the nature of internal control deficiencies, reach a conclusion as to the effectiveness of the internal control system and rectify any deficiencies found during the assessment, the Company mainly adopts the following 4 major steps of assessment: (1) analyse and identify areas which require assessment, (2) assess the effectiveness of the design of internal control, (3) assess the operating effectiveness of internal control, (4) analyse the impact of deficiencies in internal control. By formulating "Measures for the Internal Control Assessment", "Manual for the Self Assessment of Internal Control", "Manual for the Independent Assessment of Internal Control" and other systems, the Company has ensured the assessment procedures are standardised. In 2023, the Company's Internal Audit Department initiated and coordinated the assessment of internal control all over the Company, and reported the results to the Audit Committee and the Board. In response to the problems identified in the audit and evaluation, the Company carried out the rectification responsibility one by one, which effectively controlled and prevented risk and provided a strong guarantee for the healthy development of the Company.

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In 2023, in terms of internal control self-assessment, the Company continued to insist on 100% coverage of all units. Through internal control self-assessment, the Company continued to improve the construction of its internal control mechanism and system, further implemented the self-assessment responsibilities of management at all levels, strengthened the assessment mechanism, and enhanced the quality and effectiveness of self-assessment. The Company strengthened the scientificity of the self-assessment plan, focused on major risks, key areas, important processes and management weaknesses according to internal and external regulatory requirements, and formulated a basic plan for self-assessment. On this basis, each participating unit supplemented the self-assessment and inspection items according to the characteristics of the unit, so as to improve the pertinence and effectiveness of the self-assessment plan; The Company strengthened the process supervision, cleared the blockage of self-assessment work and shared advanced experience through on-site inspections and exchanges and discussions on self-assessment work; The Company improved the effect of rectification by taking a point-to-point approach, providing management suggestions, conveying identified issues, and offering risk alerts to the professional lines in the headquarters at multiple levels and frequencies. This strengthened the vertical management and supervision within the lines, so as to enable in-depth rectification of problems and consolidate the achievements of self-assessment. As one of the means to promote the continuous and effective internal control of the Company, the self-assessment has played an important role in improving the internal control awareness of all employees and effectively identifying risks.

In 2023, the Company carried out independent assessment of internal control for its 9 subordinate units. During the year, the independent assessment of internal control was carried out in accordance with the management requirements of the capital market for internal control supervision, while the basic plan for independent assessment of internal control was formulated and carried out with reference to major policies and strategies of the nation and the Group. Firstly, the Company strengthened the evaluation of professional companies to prevent risks in new business models and emerging business areas. The Company paid attention to the construction of internal control system for new companies and new businesses, checked whether there were any the gaps in the system, sorted

out specific risks, urged them to establish and improve their internal rules and regulations, and implemented internal control management requirements to specific positions and responsible personnel. Secondly, the Company optimised pre-audit analysis and improved the ability to identify problems through evaluation. Through the analysis of the fundamental data of the audited entity and the rectification of problems found in previous audits at the off-site stage, the Company grasped the key risk areas; Digital audit methods were used to scan various business data and strengthen data analysis and risk research and judgement. Thirdly, the Company carried out independent assessment of internal control in multiple forms to improve the assessment efficiency. The Company encouraged the combination of independent assessment with self-assessment, and incorporated high-risk issues found in the self-assessment into the independent assessment for review; The Company promoted the combination of independent assessment with the audit projects of responsibility and network and information security, achieving multiple results of one audit and multiple uses of one result. The independent assessment of internal control has improved the quality of supervision through various measures, safeguarding the reform and development of the Company and facilitating the high-quality development of the Company.

Furthermore, the Company organised the risk management and internal control assessment team and other relevant departments to closely coordinate with the external auditors' audit of internal control over financial reporting. The internal control audit performed by the external auditor covered the Company and all of its subsidiaries as well as the key processes and control points in relation to material financial statements items. The external auditors regularly communicated with the management in respect of the audit results.

The Company attaches great importance to rectifying internal control deficiencies, ensures the effectiveness of rectification through various means and strengthens the closed-loop management. The Company insisted on auditing, pointing out problems and urging rectification at the same time, so as to improve the timeliness of rectification; the Company insisted on taking problem tracing as the key step of rectification, classifying the problems in terms of the completeness of systems or regulations, implementation of management responsibilities and achievement of IT system control capabilities, so as to specify internal control

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requirements and risk response measures; the Company insisted on increasing the intensity of informatisation rectification and embedding internal control requirements into various business information systems in a timely manner to improve the automatic identification and control capabilities of the system. The internal control deficiencies identified by the Company during the year have been basically rectified and passed the year-end attestation undertaken by the external auditors.

The Board oversees the Company's risk management and internal control systems on an on-going basis and the Board, through the Audit Committee, conducted an annual review of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2023, which covered all material areas including financial controls, operational controls and compliance controls, as well as its risk management functions. After receiving the reports from the Internal Audit Department and other relevant department and the confirmation from the management to the Board on the effectiveness of the Company's risk management and internal control systems (including Environmental, Social and Governance risk management and internal control systems), the Board is of the view that these systems are solid, well established, effective and sufficient. The annual review also confirms the adequacy of resources relating to the Company's accounting, internal control and financial reporting functions and Environmental, Social and Governance performance and reporting, the sufficiency of the qualifications and experience of staff, together with the adequacy of the staff's training programmes and the relevant budget.

13. MANAGEMENT CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

In order to make every effort to build a more mature and established modern enterprise system with Chinese characteristics and promote the modernisation of governance system and capability, China Telecom improved its relevant systems. Taking the improvement of the quality of operations of the board of directors of subsidiaries as a starting point, the Company increased the power of authorisation and guided subsidiaries at all levels to standardise and strengthen corporate governance and improve the level of market-oriented operation. Firstly, the Company established and improved the system with the Articles of Association as the core, guided subsidiaries at all levels to revise and improve their Articles of Association in combination with their governance practises, and further clarified the boundaries of responsibilities and powers of the various governance bodies. The Company formulated and improved the relevant working systems for the operation of the board of directors, ensured that the board of directors exercises its powers in an accurate and clear manner to avoid misalignment, absence, and overreach of decision-making bodies, and ensured that the board of directors operates in a regulated manner and in accordance with the law. Secondly, the Company strengthened the establishment of the board of directors of subsidiaries to implement the terms of reference of the board of directors. The Company pushed forward its subsidiaries to strengthen the construction of the board of directors, standardise the operation of the board of directors, reasonably determine the size of the board of directors, scientifically allocate directors, and achieve a board composed of a majority of external directors. The Company guided various subsidiaries to improve the relevant systems of the board of directors, implement the terms of reference of the board of directors, and strengthen the support for directors to perform their duties through digital means. Thirdly, the Company actively promoted the reform of the three systems of labour, personnel and distribution, implemented a contractual term system for management members in various subsidiaries, continuously improved the market-oriented operation mechanism, and effectively enhanced the vitality and efficiency of the Company.

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PricewaterhouseCoopers Zhong Tian LLP engaged by the Company has issued an audit opinion on the effectiveness of the Company's internal control over financial reporting and issued *the Internal Control Audit Report*, and is of the view that the Company has maintained effective internal control over financial reporting in all material aspects in accordance with *the Basic Standards for Enterprise Internal Control and relevant regulations* as at 31 December 2023. There was no disagreement between the 2023 Internal Control Assessment Report of China Telecom Corporation Limited disclosed by the Company and *the Internal Control Audit Report*.

For details of the above reports, please refer to the relevant documents disclosed by the Company on the websites of the SSE (www.sse.com.cn) and the Company (www.chinatelecom-h.com).

15. DIRECTOR NOMINATION POLICY AND PROCEDURES

The Company will identify suitable Director candidates through multiple channels such as internal recruitment and recruiting from the labour market. The criteria of identifying candidates include (but are not limited to) gender, age, educational background, professional experience, skills, knowledge and length of service and capability to commit to the affairs of the Company and, in the case of the appointment of Independent Non-Executive Directors, the candidates should fulfill the independence requirements set out in the Dual Listing Rules from time to time. After the Nomination Committee and the Board have reviewed and resolved to appoint the appropriate candidate, the relevant proposal will be put forward in writing to the shareholders' meeting for approval.

Directors shall be elected at shareholders' general meeting for a term of three years. At the expiry of a director's term, the director may stand for re-election and reappointment for a further term. However, independent directors shall not serve for more than six consecutive years. Pursuant to the Articles of Association, before the Company convenes a shareholders' general meeting, the Board of Directors, the supervisory committee or shareholders, individually or jointly, holding 3% or more of the total voting shares of the Company shall have the right to propose new motions (such as election of directors) in writing, and the Company shall place such proposed motions on the agenda for such general meeting if they are matters falling within the functions and powers of shareholders in general meetings. Pursuant to the Articles of Association, shareholders can also request to convene an extraordinary general meeting. Shareholder(s) individually or collectively holding 10% or more of the Company's issued and outstanding voting shares may sign a written proposal requesting the Board of Directors to convene an extraordinary general meeting. If the Board of Directors decides to convene an extraordinary general meeting, a notice to convene such meeting shall be issued within five days after the resolution to convene an extraordinary general meeting is adopted by the Board of Directors. The Company shall convene an extraordinary general meeting for election of directors within two months. The minimum period during which written notice given to the Company of the intention to propose a person for election as a director, and during which written notice to the Company by such person of his/her willingness to be elected may be given, will be at least 7 days. Such period will commence no earlier than the day after the despatch of the notice of the meeting for the purpose of considering such election and shall end no later than 7 days prior to the date of such meeting. An ordinary resolution for election of directors must be passed by votes representing half or more of the voting rights represented by the shareholders (including proxies) present at the meeting.

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16. SUPERVISORY COMMITTEE

As at 31 December 2023, the Company's Supervisory Committee comprised 5 Supervisors, including 2 Employee Representative Supervisors. The principal duties of the Supervisory Committee include supervising, in accordance with the law, the Company's financials and performance of its Directors, managers and other senior management so as to prevent them from abusing their powers. The Supervisory Committee is a standing supervisory organisation within the Company, which is accountable to and reports to all shareholders. The

Supervisory Committee convened 7 meetings in 2023. The term of office for the eighth session of the Supervisory Committee lasts for 3 years, starting from 23 May 2023 until the day of the Annual General Meeting for the year 2025 to be held in year 2026, upon which the ninth session of the Supervisory Committee will be elected.

Number of Supervisory Committee Meetings Attended/Required Attendance in 2023

| Supervisors | Number of Meetings Attended/Required Attendance |
|---|---|
| Han Fang (Chairlady of the Supervisory Committee and Shareholder Representative Supervisor) | 7/7 |
| Zhang Jianbin (Employee Representative Supervisor) | 7/7 |
| Guan Lixin (Employee Representative Supervisor) | 4/4 |
| Luo Zhendong (Shareholder Representative Supervisor) | 4/4 |
| Wang Yibing (Shareholder Representative Supervisor) | 7/7 |
| Dai Bin (Employee Representative Supervisor)* | 2/3 |
| Xu Shiguang (Shareholder Representative Supervisor)* | 2/3 |

* Due to change in work arrangement, Mr. Dai Bin, an Employee Representative Supervisor of the seventh session of the Supervisory Committee and Mr. Xu Shiguang, a Shareholder Representative Supervisor of the seventh session of the Supervisory Committee retired from their positions as Supervisors of the Company upon the expiry of their term of service on 23 May 2023.

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17. EXTERNAL AUDITORS

The Company's external auditors are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP. A breakdown of the remuneration received by the external auditors for audit and non-audit services provided to the Company for the year ended 31 December 2023 is as follows:

| Service item | Fee (excluding value-added tax) (RMB million) |
|---|--|
| Audit services | 56 |
| Non-audit services (mainly tax and other advisory services) | 4 |
| Total | 60 |

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Directors were not aware of any material uncertainties relating to any events or conditions which may cast a serious impact upon the Group's ability to continue as a going concern. The statements by the external auditors of the Company, PricewaterhouseCoopers, regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 156 to 161 of this annual report.

The term of appointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the international and domestic auditors for the year 2020, expired on the date of the Annual General Meeting for the year 2020 (7 May 2021). The appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the years of 2021, 2022 and 2023 were approved at the Annual General Meetings for the years of 2020, 2021 and 2022, respectively. The Audit Committee and the Board of the Company had agreed on the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2024 and would propose the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP at the Annual General Meeting for the year of 2023 of the Company for consideration.

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18. INVESTOR RELATIONS AND TRANSPARENT INFORMATION DISCLOSURE MECHANISM

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services. It also maintains proactive communications with shareholders, investors and other capital market participants so as to allow them to timely and fully understand the operation and development of the Company. The Company formulated and published rules and measures such as *"Administrative Measures of Investor Relations of China Telecom Corporation Limited"* and performed investor relations duties in strict accordance with relevant requirements. The Company's management presents the annual results and interim results every year. Through various activities such as results briefings, investor presentations and investor road shows, management provides the media and capital market with important information and responds to key questions which are of prime concerns to investors. This has helped to reinforce the understanding of the Company's business and the overall development of the telecommunications industry in China. After the completion of A-share listing in 2021, the Company held annual general meetings through means such as online or hybrid to encourage its shareholders from both the mainland and Hong Kong, especially the retail shareholders, to actively participate in the annual general meetings. In 2023, as the society gradually resumed normalcy, the Company's management team immediately restarted travelling to Hong Kong and participated in activities such as results briefings and annual general meetings to communicate with the media, investors and shareholders in person. Meanwhile, the Company set up a dedicated investor relations enquiry line, for the purpose of providing a

direct channel to address enquiries from the investment community. This allows the Company to better serve its shareholders and investors.

In order to strengthen communications between the Company's management and shareholders as well as potential investors, and to further enhance the corporate transparency, after the 2023 interim results announcement, the Company organised its first global roadshow upon resumption of normalcy. Management travelled to Singapore and the United Arab Emirates in the Middle East to conduct in-depth exchanges with fund managers and analysts from a number of financial institutions and comprehensively introduced the Company's development strategy and recent operational performance to investors. In particular, management introduced China Telecom's transformation from a traditional communications operator to a sci-tech company through continuous promotion of sci-tech innovation in recent years, as well as its innovative achievements in fields such as 5G, cloud computing, AI and satellite. Management carried out in-depth discussions on emerging business segments which are of great interests to investors and answered questions that investors were concerned about. This has enhanced overseas investors' understanding and confidence in the Company's prospects.

With value operation as the starting point, the Company proactively creates diversified interactive channels to promote the knowledge and understanding of the Company's emerging business development to the capital market, and comprehensively presents the Company's development achievements in building a sci-tech company as well as the accompanying future investment potential to investors. In 2023, the Company organised a reverse roadshow dedicated to the theme of 5G customised network business and invited over 40

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domestic and international fund managers and analysts to Jiangsu and Anhui to visit the 5G smart manufacturing and 5G smart mine projects jointly developed by the Company with ZTE and Conch Cement respectively. In addition to visiting the production lines on site, investors also communicated face-to-face with the project-in-charges as well as the heads of Investor Relations of ZTE, Conch Cement and China Telecom to gain an in-depth understanding of how China Telecom's 5G solutions could enhance production efficiency and obtain first-hand information on the operation of the Company's 5G customised network and Industrial Digitalisation. Besides, the Company held its annual Digital Technology Ecosystem Conference in Guangzhou in November 2023 and proactively invited nearly 20 domestic and international investors to participate in the event. Investors visited exhibition halls showcasing China Telecom's cutting-edge technology businesses such as AI, digital life, satellite and quantum, and attended a series of themed seminars. Investors also had in-depth exchanges with relevant business leaders and technical experts, which facilitated their understanding of China Telecom's market position and future growth potential in these fields.

After the successful completion of A-share listing in 2021, the Company continued to strengthen communications with the capital market, especially domestic investors through different channels and means. After the successful launch and operation of "China Telecom Investor Relations" official WeChat account, the Company launched "China Telecom Investor Relations" WeChat mini programme in 2023, which further expanded channels of information disclosure and enabled investors to browse important information about the Company such as announcements, press releases

and key financial data more timely and conveniently. In addition, the Company continued to release "results-at-a-glance" during its results announcements, to allow investors to learn about results highlights in one single picture. The Company also provided live webcast of results briefings and answered to investors' questions in real time on the "e-Interaction" section of SSE. In 2023, the Company introduced innovative elements such as virtual digital intelligent host "Xinyi" during interim results briefing, demonstrating the Company's achievements in digital transformation. The above measures strengthened the Company's information disclosure from different channels and with different means, which continuously and effectively promoted investors' understanding of the Company and the communications between the Company and the capital market.

With an aim of strengthening communications with the capital market and enhancing transparency of information disclosure, the Company has provided quarterly disclosure of revenue, operating expenses, EBITDA, net profit figures and other key operational data, and monthly announcements of the number of access lines in service, mobile and wireline broadband subscribers. The Company attaches great importance to maintaining daily communications with shareholders, investors and analysts. In 2023, as the society gradually resumed normalcy, the Company proactively participated in a number of investor conferences held by a number of major international investment banks and domestic securities firms around the globe both in person and through online meetings, which facilitated communications with institutional investors.

SECTION IV

CORPORATE GOVERNANCE REPORT

In 2023, the Company attended the following investor conferences held by major international investment banks and domestic securities firms:

| Date | Name of Conference |
|----------------|--|
| January 2023 | DBS Pulse of Asia Conference 2023 |
| January 2023 | UBS Greater China Conference 2023 |
| January 2023 | ICBCI Corporate Pre-blackout NDR 2023 |
| January 2023 | Credit Suisse 9th Greater China Technology and Internet Conference |
| May 2023 | J.P. Morgan 19th Annual Global China Summit |
| May 2023 | HSBC 10th Annual China Conference |
| May 2023 | CICC Closed-door Meetings with Select Listed Companies 2023 |
| May 2023 | GF Securities Forum and Meetings with Listed Companies on the New Round of Central Enterprises and SOEs Reform and the Building of Valuation System with Chinese Characteristics |
| May 2023 | Industrial Securities "Digital China and Valuation System with Chinese Characteristics Strategy Conference" 2023 |
| June 2023 | CICC Investment Strategy Conference 2H2023 |
| June 2023 | UBS Future-Now APAC Conference 2023 |
| June 2023 | Nomura Investment Forum Asia 2023 |
| June 2023 | CITIC Securities Capital Market Forum 2023 |
| August 2023 | Zheshang Securities Autumn Summit on Stocks with High Institutional Ownership 2023 |
| August 2023 | GF Securities Autumn Capital Forum cum Meetings with Listed Companies 2023 |
| September 2023 | CLSA 30th Investors' Forum |
| September 2023 | Jefferies Asia Forum 2023 |
| September 2023 | Nomura China Investor Forum 2023 |
| November 2023 | CITIC Securities Capital Market Conference 2024 |
| November 2023 | CICC Annual Investment Strategy Conference 2023 |
| November 2023 | Daiwa Investment Conference Hong Kong 2023 |
| December 2023 | Tianfeng Securities Annual Strategy Conference 2024 |

The Company's investor relations website (www.chinatelecom-h.com) not only serves as an important channel for the Company to disseminate press releases and corporate information to investors, media and the capital market, but also plays a significant role in the Company's valuation and its compliance with regulatory requirements for information disclosure. The Company launched a responsive website with the latest technology, which allows automatic adjustment to fit for different screen resolution and user interface, assuring the best browsing experience of website content with desktop computers, laptops or mobile devices. This allows investors, shareholders, reporters and the general public to browse the latest information on the Company's website with any device more easily and

promptly anytime anywhere. The Company's website is equipped with a number of useful functions including interactive stock quote, interactive KPI, interactive FAQs, downloading to excel, html version annual report, financial highlights, historical stock quote, adding investor events to calendars and content sharing to social media, etc. In 2023, the Company conducted brand-new revamp and upgrade of its website, adopting cutting-edge design features such as video homepage banner, one-page scrolling and dark/light mode. This has further enhanced the appearance, interactivity and visual comfort of the website. Meanwhile, the underlying software system of the website was also timely upgraded, effectively enhancing the stability and security of the website.

**SECTION IV
CORPORATE GOVERNANCE REPORT**

The Company also strives to enhance the disclosure quality and format of its annual report. The Company further enhanced the transparency of disclosure in environmental, social and governance areas, by following the guidelines of *Environmental, Social and Governance Reporting Guide*, Appendix C2 of the Listing Rules as well as other relevant regulatory requirements of its places of listing, to report the Company's achievements and key performance indicators on environmental protection. For details, please refer to the *Sustainability Report 2023* which is published on HKEx website (www.hkexnews.hk) and the Company's website (www.chinatelecom-h.com). Relevant indicators and data were analysed and assessed by independent third party to ensure compliance with relevant requirements.

The Company also actively seeks recommendations on how to improve the Company's annual report from shareholders through surveys, and prepared and distributed the annual report in a more environmentally-friendly and cost-saving manner according to the recommendations received. Shareholders can ascertain their choice of receiving the annual reports and communications by electronic means, or receiving printed version in English and/or Chinese. The Company clearly and precisely delivered the messages about its strategies and goals in its 2022 Annual Report "Go For Smart Future, Grow with China Telecom Cloud", so that shareholders and investors can easily understand the Company's development directions and focus. The print and online versions of the 2022 Annual Report won a number of top accolades in international competitions. The online version annual report received one gold award in this year's "Galaxy Awards", and further stood out from a number of award-winning annual reports to claim a grand award, achieving outstanding award-winning results. In addition, the 2022 annual report received six gold awards in this year's "International ARC Awards" while also received in total four platinum and six gold awards, and ranked No.18 of "Top 100 Reports Worldwide" in this year's "LACP Vision Awards" by the League of American

Communications Professionals LLC (LACP). The 2022 annual report also won two gold awards in this year's "W³ Awards". The above prestigious accolades won by China Telecom reflect the market's recognition and commendation of the Company's tireless pursuit of excellence and globally leading outstanding performance in areas such as corporate governance, as well as disclosure of important information and development strategy of the Company through both conventional and digital channels.

The Company has always maintained a sound and effective information disclosure mechanism while keeping highly transparent communications with media, analysts and investors. Meanwhile, we attach great importance to the handling of inside information and have formulated rules on information disclosures and guidelines on inside information which encompass (including but not limited to) disclosure of sensitive information and rules on confidential information, identifying the scope of inside information, procedure and management guidelines on handling inside information. In general, the authorised speakers only clarify and explain information that is available on the market, and avoid providing or divulging any unpublished inside information either as an individual or as a team. Before conducting any external interview, if the authorised speaker has any doubt about the information to be disclosed, he/she would seek verification from the relevant person or the person-in-charge of the relevant department, so as to determine if such information is accurate. In addition, discussions on the Company's key financial data or other financial indicators are avoided during the blackout periods.

The Company formulated "*Shareholders Communication Policy of China Telecom Corporation Limited*" which is available on the Company's website (www.chinatelecom-h.com). The Company conducted review of the implementation of such shareholders communication policy during the Reporting Period and confirmed its effectiveness.

SECTION IV
CORPORATE GOVERNANCE REPORT

19. SHAREHOLDERS' RIGHTS

Procedures for convening of an extraordinary general meeting or a class meeting

According to the Articles of Association, shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

- (1) Shareholders who individually or jointly hold more than 10% of the Company's issued and outstanding shares with voting rights (the "Requesting Shareholders") may sign a written proposal requesting the Board of Directors to convene an extraordinary general meeting or a class meeting. The Board of Directors shall reply in writing agreeing or disagreeing to convene an extraordinary general meeting or a class meeting within ten days upon receipt of such proposal in accordance with laws, regulations and the Articles of Association.
- (2) If the Board of Directors decides to convene an extraordinary general meeting or a class meeting, a notice to convene such meeting shall be issued within five days after the resolution is adopted by the Board of Directors. Any changes to the original proposal in the notice require the consent of the Requesting Shareholders.
- (3) If the Board of Directors decides not to convene an extraordinary general meeting or a class meeting or does not reply within ten days upon receipt of such request, the Requesting Shareholders have the right to propose to the Supervisory Committee to convene an extraordinary general meeting or a class meeting by way of written request(s).
- (4) If the Supervisory Committee agrees to convene an extraordinary general meeting or a class meeting, a notice to convene such meeting shall be issued within five days upon receipt of such request. Any changes to the original proposal in the notice require the consent of the Requesting Shareholders.
- (5) If the Supervisory Committee does not issue the notice of the shareholders' general meeting within the required period, it will be deemed as having failed to convene and preside over the shareholders' general meeting, and shareholders individually or jointly holding 10% or more of the shares of the Company for 90 consecutive days or more (the "Convening Shareholders") have the right to convene and preside over the meeting on their own.
- (6) In the event where shareholders convene a shareholders' general meeting on their own initiative, the Convening Shareholders must hold no lower than 10% of shares in the Company immediately before the resolution of such meeting is announced.

Procedures for proposing resolutions at the Annual General Meeting

When the Company convenes an Annual General Meeting, shareholders who individually or jointly hold 3% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place such proposed motions on the agenda for such Annual General Meeting if they are matters falling within the functions and powers of shareholders' meetings.

SECTION IV
CORPORATE GOVERNANCE REPORT**Process of forwarding shareholders' enquiries to the Board or requesting for convening of an extraordinary general meeting or a class meeting or proposing new motions**

Shareholders may at any time send their enquiries, requests, proposals and concerns to the Board in writing through the Company Secretary and the Investor Relations Department.

The contact details of the Company Secretary are as follows:

The Company Secretary
China Telecom Corporation Limited
28th Floor, Everbright Centre,
108 Gloucester Road, Wanchai,
Hong Kong
Email: ir@chinatelecom-h.com
Tel No.: (852) 2877 9777
IR Enquiry: (852) 2582 0388
Fax No.: (852) 2877 0988

A dedicated "Investor" section is available on the Company's website (www.chinatelecom-h.com). There is a FAQ function in the "Investor" section designated to enable timely, effective and interactive communication between the Company, shareholders and investors. Company Secretary and the Investor Relations Department of the Company handle both telephone and written enquiries from shareholders of the Company from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or the relevant Board Committees of the Company, where appropriate, which will answer the shareholders' questions. Information on the Company's website is updated regularly.



TRANSCEND

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

1. ENVIRONMENTAL INFORMATION

| | |
|---|------------|
| Establishment of environmental protection-related mechanisms | Yes |
| Investment in environmental protection during the Reporting Period (Unit: RMB0'000) | 249,781.07 |

Note: During the Reporting Period, the investment in environmental protection included two parts: energy conservation investment and environmental protection investment.

(1) Description of environmental protection of the Company other than key pollutant discharging units

The Company and its subsidiaries are not the key pollutant discharging units announced by the environmental protection department. The Company and its subsidiaries earnestly implement the *Environmental Protection Law of the People's Republic of China*, the *Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes of the People's Republic of China*, the *Law on Prevention and Control of Water Pollution of the People's Republic of China*, the *Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China* and other environmental protection laws and regulations in their daily production and operation. The production and operation activities are in compliance with the relevant national environmental protection requirements. For details, please refer to the *Sustainability Report 2023* of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

(2) Relevant information conducive to protecting the ecology, preventing and controlling pollution, and fulfilling environmental responsibilities

The Company actively participated in ecosystem protection, created bird recognition algorithms, and assisted in the biodiversity protection and management of the Zhejiang Tiaozini Wetlands. For the ecological protection of the Yangtze River Basin, the Company used digital platform technology to create a biodiversity management system for the natural reserves in Hubei, and advanced the ecological protection of the Yangtze River Basin to an intelligent form of governance. The Company actively promoted the prevention and control of air pollution, used a new generation of digital intelligence technology, formulated air quality prediction and early alert models and built an environmental protection cloud platform to help Hebei, Gansu and other provinces to significantly improve the level of air pollution prevention and control.

SECTION V
ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

(3) Measures taken to reduce carbon emissions during the Reporting Period and their effects

| | |
|--|--|
| Any carbon reduction measures taken | Yes |
| Reduction on CO ₂ equivalent emissions (unit: tonnes) | 13 million |
| Types of carbon reduction measures (e.g. use of clean energy for power generation, use of carbon reduction technologies in the production process, R&D and production of new products that contribute to carbon reduction, etc.) | <ol style="list-style-type: none"> 1. In terms of cloud-network infrastructure construction: the Company promoted the construction and deployment of national green datacentres, new generation of Artificial Intelligence Datacentres (AIDC), ROADM all-fibre network, new metropolitan network comprehensive carrying capacity, Gigabit fibre network and ultra-low loss optical cable network, etc.; 2. In terms of cloud-network operation: the Company promoted the green upgrading and renovation of the facility rooms, AI energy-saving deployment, minimalist base station transformation and retirement of old equipment; 3. In terms of clean energy use: the Company continued to increase the proportion of green power use and expand the scale of green power trading and self-built distributed energy facilities; 4. In terms of green product R&D: the Company created a series of proprietary green and low-carbon products such as e Secure Energy, e Energy Saving, e Extreme Cooling and 5G Integrated Smart Power Supply Cabinet. |

For details, please refer to the *Sustainability Report 2023* of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

2. SOCIAL RESPONSIBILITIES

| External donation, public welfare projects | Quantity/content |
|--|------------------|
| Total investment (RMB0'000) | 26,052.70 |

For details, please refer to the *Sustainability Report 2023* of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

SECTION V
ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

3. CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND PROSPERITY OF RURAL VILLAGES

Poverty Alleviation and Rural Revitalisation Projects

Quantity/Content

| | |
|-----------------------------|-----------|
| Total investment (RMB0'000) | 21,153.72 |
|-----------------------------|-----------|

Forms of support (e.g. industrial poverty alleviation, employment poverty alleviation, education poverty alleviation, etc.)

Industrial assistance: China Telecom focused on industrial revitalisation and made use of the characteristic resources in the poverty alleviation counties. The Company assisted in the construction of 10 industrial benchmark projects, including the mushroom and rice prefecture-level agricultural parks in Yanyuan County; the biological fertilizer, canned food processing plant and herbal medicine planting base in Muli County; the edible fungi industrial park in Tianlin County; the 123 industrial integrated development demonstration park in Shufu County; the high-efficiency daylight greenhouse in Bianba County; and the smart farms in Jiuzhi County. The Company has built more than 50,000 smart agricultural projects, leading 42,000 people out of poverty and into prosperity.

Consumption assistance: China Telecom has always regarded consumption assistance as an important way to promote the quality, efficiency and sustainable development of characteristic industries in poverty alleviation areas. The Company took the lead in holding the China Telecom's New Consumption Platform Shopping Festival, the central enterprises' cohesion action on consumption support of the SASAC, carried out more than 120 live broadcasts and more than 500 e-commerce skills training sessions for the consumption assistance programme, and helped farmers open more than 1,300 online stores. Throughout the year, the Company directly purchased agricultural products of RMB185 million and assisted in selling agricultural products of RMB296 million.

Employment training: Gathering the advantages of training resources such as telecommunication colleges, postal academies, online universities, and external teachers, the Company launched a special zone for online universities for rural revitalisation, recorded 25 high-quality courses, and organised 14 open classes of famous teachers' lectures, with a total of 21,500 person-times of grass-roots cadres, 8,034 person-times of rural revitalisation leaders and 32,100 person-times of technicians trained. Throughout the year, the Company supported 19 leading enterprises and 22 rural cooperatives, assisted in setting up 6 assistance workshops, and helped 3,186 people to find employment.

Informatisation assistance: China Telecom gave full play to its corporate advantages and empowered rural revitalisation with informatisation. China Telecom Digital Village services covered more than 360,000 administrative villages and more than 100 million villagers. A total of 27 projects were built under the teaching video cloud platform. The Company provided medical informatised services to 198 counties across the country and the "medical alliances + AI" cloud medical service has been available in more than 2,200 medical institutions.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

In 2023, China Telecom learned and applied the experience of the "Ten Million Projects", gave full play to the advantages of enterprise informatisation capabilities, effectively integrated the poverty assistance resources, and followed the work idea of "1135" rural revitalisation action, i.e. focusing on consolidating and expanding the achievements of poverty alleviation, comprehensively promoting the 1 goal of rural revitalisation, guarding the 1 bottom line of no large-scale return to poverty, highlighting the 3 key points of rural development, rural construction and rural governance, and implementing 5 major projects of technology empowerment, industrial development, consumption assistance, talent training and brand building, to help yield new results in poverty alleviation and reach new heights in rural revitalisation.

China Telecom donated free assistance funds of RMB144 million (including material conversion) to 4 targeted poverty alleviation counties and 2 targeted support counties, invested RMB242 million of paid assistance funds, introduced RMB17.98 million of free assistance funds, and introduced RMB245 million of paid assistance funds; The Company trained 61,700 person-times in the three categories, directly recruited and transferred employment of 3,186 people, and directly purchased and assisted in selling agricultural products of RMB481 million, with all indicators hitting a record high.

At the same time, companies at all levels undertook poverty alleviation tasks in 10 counties, 4 towns and 1,248 villages across the country, and despatched a total of 3,687 full-time and part-time rural revitalisation cadres. Throughout the year, the Company donated free assistance funds of more than RMB250 million, subsidised more than RMB600 million for the 8th and 9th batch of universal service construction costs, completed the construction of more than 4,000 4G base stations and 1,000 5G base stations, and invested more than RMB5 billion in special funds for network construction in the original "three regions and three prefectures" regions. A total of RMB6.5 billion of communication expenses were reduced or exempted in poverty alleviation areas, benefiting 7.89 million households. The digital village services covered more than 360,000 administrative villages and served more than 100 million villagers.

Note: This section contains the environmental and social responsibilities work of China Telecommunications Corporation, the Company's controlling shareholder, in 2023.

SECTION VI SIGNIFICANT EVENTS

1. PERFORMANCE OF UNDERTAKINGS

(1) The ultimate controller, shareholders, related parties, acquirers of the Company, the Company, and other relevant parties of the undertakings during or subsisting to the Reporting Period

| Background of undertaking | Type of undertakings | Undertaking party | Content of undertakings | Time of undertaking | Whether there is a term for performance | Term for undertakings | Whether performed timely and strictly | Specific reasons for the failure to timely honor the undertaking | Further plans in the event of failing to timely honor the undertakings |
|---|--|---|--|---------------------|---|--|---------------------------------------|--|--|
| Undertakings related to the initial public offering | Restricted tradable shares | Controlling shareholder | Restrictions on the circulation of the shares and the shareholders' commitment to voluntary lock-up their shares | 2021-08-20 | Yes | 36 months from the date of A Share listing of the Company | Yes | N/A | N/A |
| | Restricted tradable shares | Controlling shareholder, Guangdong Rising | Undertakings on intention to hold shares and intention to sell shares | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Resolving peer competition | Controlling shareholder | Non-competition undertaking | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Resolving related party transactions | Controlling shareholder, Guangdong Rising | Undertakings to regulate and reduce related party transactions | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Resolution of defects in property rights of land | Controlling shareholder | Loss-bearing commitment for defects in property rights of land | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Others | Controlling shareholder | Commitment to long-term use of trademark license | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Others | Controlling shareholder, the Company, directors and senior management other than independent directors and directors who do not receive remuneration from the Company | Undertakings to stabilise the share price | 2021-08-20 | Yes | Within three years from the date of A Share listing of the Company | Yes | N/A | N/A |
| | Others | The Company, controlling shareholder, directors and senior management | Undertaking to adopt remedial measures for dilution of the immediate returns by the issuance of share | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Others | The Company, controlling shareholder, directors, supervisors and senior management | Undertaking that there is no false record, misleading statement, or material omission in the Prospectus | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Others | The Company, controlling shareholder, directors, supervisors and senior management | Undertaking on binding measures for the failure to perform the commitment | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| | Others | The Company | Undertaking on disclosure of shareholders' information | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |
| Others | Dividend | The Company | Undertaking on the profit distribution policy and the arrangement in relation to the accumulated profits | 2021-08-20 | Yes | Long-term | Yes | N/A | N/A |

2. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

| | Appointed |
|---|---|
| Name of the domestic accounting firm | PricewaterhouseCoopers Zhong Tian LLP |
| Remuneration of the domestic accounting firm | 5,900 |
| Duration of audit of the domestic accounting firm | 3 years |
| Names of certified public accountants of the domestic accounting firm | Song Shuang, Liu Yuanbo |
| Duration of audit services provided by certified public accountants of the domestic accounting firm | Song Shuang (3 years), Liu Yuanbo (3 years) |
| Name of overseas accounting firm | PricewaterhouseCoopers |
| Duration of audit of the overseas accounting firm | 3 years |

| | Name | Remuneration |
|---|---------------------------------------|---------------------|
| Accounting firm for internal control auditing | PricewaterhouseCoopers Zhong Tian LLP | 1,430 |

Note: The remuneration for internal control auditing is included in the remuneration of domestic and overseas accounting firms.

SECTION VI
SIGNIFICANT EVENTS

3. MATERIAL CONNECTED TRANSACTIONS

(1) Continuing connected transactions

The following table sets out the amounts of the Group's continuing connected transactions for the year ended 31 December 2023:

| TRANSACTIONS | Transaction amounts (RMB million) | Annual monetary cap for continuing connected transactions (RMB million) |
|--|---|--|
| (1) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE GROUP AND CHINA TELECOMMUNICATIONS¹ AND/OR ITS ASSOCIATES (EXCLUDING THE GROUP) | | |
| Engineering Framework Agreement | | |
| Provision of engineering services by China Telecommunications and/or its associates | 19,031 | 21,800 |
| Ancillary Telecommunications Services Framework Agreement | | |
| Provision of ancillary telecommunications services by China Telecommunications and/or its associates | 22,627 | 27,500 |
| Community Services Framework Agreement | | |
| Provision of community services by China Telecommunications and/or its associates | 4,526 | 5,500 |
| Centralised Services Agreement | | |
| Provision of centralised services by China Telecommunications and/or its associates | 806 | 2,000 |
| Provision of centralised services by the Group | 3,909 | 4,400 |
| Property and Land Use Right Leasing Framework Agreement | | |
| Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group | 702 | 800 |
| Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group | 779 | 1,000 |
| Amount payable for properties leased by China Telecommunications and/or its associates | 60 | 120 |
| IT Services Framework Agreement | | |
| Provision of IT services by China Telecommunications and/or its associates | 6,584 | 8,500 |
| Provision of IT services by the Group | 2,294 | 6,000 |

SECTION VI
SIGNIFICANT EVENTS

| TRANSACTIONS | Transaction amounts (RMB million) | Annual monetary cap for continuing connected transactions (RMB million) |
|---|--------------------------------------|--|
| Supplies Procurement Services Framework Agreement | | |
| Provision of supplies procurement services by China Telecommunications and/or its associates | 4,306 | 5,800 |
| Provision of supplies procurement services by the Group | 4,950 | 9,600 |
| Internet Applications Channel Services Framework Agreement | | |
| Provision of Internet applications channel services by the Group | 62 | 900 |
| Lease Financing Framework Agreement | | |
| Provision of lease financing services by China Telecommunications and/or its associates | 5,973 | 9,800 |
| Telecommunications Resources Leasing Agreement | | |
| Provision of telecommunications resources leasing services by China Telecommunications and/or its associates | 517 | 770 |
| (2) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN CHINA TELECOM FINANCE AND THE GROUP, THE PARENT GROUP², THE CCS GROUP³, NEW GUOMAI GROUP⁴ AND SAFETY TECHNOLOGY GROUP⁵ RESPECTIVELY | | |
| Maximum daily balance of deposits (including accrued interest) deposited by the Group with China Telecom Finance | 37,839 | 60,000 |
| Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to the Parent Group | 8,047 | 14,000 |
| Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to the CCS Group | — | 1,000 |
| Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to New Guomai Group | — | 1,500 |
| Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to Safety Technology Group | 161 | 600 |
| (3) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE GROUP AND E-SURFING PAY AND ITS SUBSIDIARIES | | |
| Payment and digital finance related services | 994 | 1,500 |

Notes:

1. China Telecommunications refers to China Telecommunications Corporation, the Company's controlling shareholder which held approximately 63.90% of the issued share capital of the Company as at 31 December 2023.
2. The Parent Group refers to China Telecommunications Corporation, its associates and its commonly held entity held with the Group, excluding the Group, the CCS Group, New Guomai Group and Safety Technology Group.
3. The CCS Group refers to China Communications Services Corporation Limited and its subsidiaries.
4. New Guomai Group refers to New Guomai Digital Culture Co., Ltd ("New Guomai") and its subsidiaries.
5. Safety Technology Group refers to Beijing Global Safety Technology Co., Ltd ("Safety Technology") and its subsidiaries.

SECTION VI SIGNIFICANT EVENTS

Continuing connected transactions entered into among the Group and China Telecommunications and/or its associates (excluding the Group)

On 22 October 2021, the Company and China Telecommunications have entered into the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Community Services Framework Agreement, the Interconnection Settlement Agreement, the Centralised Services Agreement, the Property and Land Use Right Leasing Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement, the Internet Applications Channel Services Framework Agreement, the Lease Financing Framework Agreement, the Telecommunications Resources Leasing Agreement, the Trademark License Agreement and the Intellectual Property License Framework Agreement (the "Agreements") with a term from 1 January 2022 to 31 December 2024. China Telecommunications is the controlling shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, China Telecommunications is a connected person of the Company and the transactions contemplated under each of the Agreements constitute continuing connected transactions of the Company.

As certain applicable percentage ratios (excluding the profits ratio) of the annual caps (before adjustment) for the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeded 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The independent shareholders of the Company considered and approved the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement and the annual caps applicable thereto at the extraordinary general meeting of the Company held on 30 November 2021.

As certain applicable percentage ratios (excluding the profits ratio) of the annual caps for the transactions contemplated under the Community Services Framework Agreement, the Centralised Services Agreement, the Property and Land Use Right Leasing Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement, the Internet Applications Channel Services Framework Agreement, the Lease Financing Framework Agreement and the Telecommunications Resources Leasing Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeds 0.1% but is less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (excluding the profits ratio) of the annual caps for the transactions contemplated under the Interconnection Settlement Agreement, the Trademark License Agreement and the Intellectual Property License Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 is less than 0.1%, such continuing connected transactions are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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On 20 October 2023, the Board passed resolutions to approve, among others, the revised annual caps in respect of continuing connected transactions contemplated under the Engineering Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement and the Property and Land Use Right Leasing Framework Agreement for the two years ended/ending 31 December 2023 and 2024 (the "Revised Annual Caps"). All other terms and conditions of such agreements shall remain unchanged and valid. As the applicable percentage ratios (excluding the profits ratio) of the Revised Annual Caps which are applicable to the transactions contemplated under these agreements exceed 0.1% but are less than 5%, the Revised Annual Caps are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Set out below are the Revised Annual Caps. Please refer to the announcement published by the Company on 20 October 2023 in relation to revision of annual caps for continuing connected transactions for details.

| Types of Continuing Connected Transactions | Original Annual Caps (RMB million) | | Revised Annual Caps (RMB million) | |
|--|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | For the year ended 31 December 2023 | For the year ending 31 December 2024 | For the year ended 31 December 2023 | For the year ending 31 December 2024 |
| The Engineering Framework Agreement | 19,000 | 19,000 | 21,800 | 23,500 |
| Amounts payable by the Group in respect of the IT services received under the IT Services Framework Agreement | 6,200 | 7,500 | 8,500 | 10,000 |
| Amounts payable by China Telecommunications and/or its associates in respect of the IT services provided by the Group under the IT Services Framework Agreement | 2,800 | 3,900 | 6,000 | 7,700 |
| Amount payable by the Group for the supplies procurement services provided by China Telecommunications and/or its associates under the Supplies Procurement Services Framework Agreement | 5,250 | 5,500 | 5,800 | 6,100 |
| Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group under the Property and Land Use Right Leasing Framework Agreement | 550 | 600 | 800 | 1,000 |
| Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group under the Property and Land Use Right Leasing Framework Agreement | 800 | 860 | 1,000 | 1,150 |

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Details of the Agreements are shown below:

Engineering Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Engineering Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Engineering Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Engineering Framework Agreement, China Telecommunications and/or its associates provide to the Group services such as engineering design, engineering construction and/or engineering supervision services. The charges payable for such engineering services shall be determined by reference to market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Engineering Framework Agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference. According to applicable laws, the charges payable for the design or supervision of engineering projects with a value of over RMB1,000,000 or engineering construction projects with a value of over RMB4,000,000 shall be the tender award price, which is determined in accordance with the "Bidding Law of the PRC" and the "Regulations on the Implementation of the Bidding Law of the PRC" or the final confirmed price in the relevant tender process. In the circumstances there are amended rules or regulations in respect of tender scope and scale of the engineering construction projects promulgated by PRC laws and regulations during the term of agreement, both parties agreed to apply such amended rules and regulations.

In terms of the same service provided under the Engineering Framework Agreement, the Group shall have the priority to use the services provided by China Telecommunications and/or its associates, if the terms and conditions offered by an independent third party to the Group are no better than those offered by China Telecommunications and/or its associates. China Telecommunications and/or its associates undertake to the Group that China Telecommunications and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications and/or its associates to a third party. China Telecommunications and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications and/or its associates fail to meet the Group's demand under the agreement or terms offered by an independent third party are more favourable than those offered by China Telecommunications and/or its associates, the Group is entitled to obtain such service from an independent third party.

Ancillary Telecommunications Services Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Ancillary Telecommunications Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Ancillary Telecommunications Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement. However, if the Group has to obtain the same type of services from a third party at a greater cost, China Telecommunications and/or its associates cannot terminate the provision of such services to the Group.

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Pursuant to the Ancillary Telecommunications Services Framework Agreement, China Telecommunications and/or its associates provide the Group with ancillary telecommunications services such as installation of telephones and residential telephone lines, repair of residential telephone lines, customer services, telecommunications terminal equipment, air conditioners and telephone booths, maintenance of fire equipment, production and consignment of sim cards and collection of telephone tariff on the Group's behalf. The charges payable for the services under the Ancillary Telecommunications Services Framework Agreement are calculated on the following basis:

- (1) market prices, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Ancillary Telecommunications Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the Ancillary Telecommunications Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference.

In terms of the same service provided under the Ancillary Telecommunications Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications and/or its associates to provide such service, if the terms and conditions offered by an independent third party to the Group are no better than those offered by China Telecommunications and/or its associates. China Telecommunications and/or its associates undertake to the Group that China Telecommunications and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications and/or its associates to a third party. China Telecommunications and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications and/or its associates fail to meet the Group's demand under the agreement or terms offered by an independent third party are more favourable than those offered by China Telecommunications and/or its associates, the Group is entitled to obtain such service from an independent third party.

Interconnection Settlement Agreement

On 22 October 2021, the Company and China Telecommunications Corporation have entered into the Interconnection Settlement Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Interconnection Settlement Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

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Pursuant to the Interconnection Settlement Agreement, both parties agree to achieve the interconnection between various types of telecommunications networks. The interconnection settlement charges will be calculated according to the "Notice Concerning the Issue of the Measures on Interconnection Settlement between Public Telecommunications Networks and Sharing of Relaying Fees" (Xin Bu Dian [2003] No. 454) promulgated by the Ministry of Information Industry of the PRC. The Ministry of Industry and Information Technology of the PRC may, from time to time, take into account the relevant regulatory rules and market conditions, amend or promulgate new rules or regulations in respect of interconnection settlement which will be announced on its official website at www.miit.gov.cn. If the Ministry of Industry and Information Technology of the PRC amends the existing, or promulgates new rules or regulations in respect of interconnection settlement, the parties shall apply such amended or new rules and regulations as acknowledged by both parties. The settlement regions include Tianjin Municipality, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Shanxi Province, Henan Province, Shandong Province, Inner Mongolia Autonomous Region and Xizang Autonomous Region.

Community Services Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Community Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Community Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement. However, if the Group has to obtain the same type of services from a third party at a greater cost, China Telecommunications and/or its associates cannot terminate the provision of such services to the Group.

Pursuant to the Community Services Framework Agreement, China Telecommunications and/or its associates provide the Group with community services such as culture, education, property management, vehicle service, medical care, hotel and conference service, community and sanitary service. The community services under the Community Services Framework Agreement are provided at:

- (1) the prices and/or the fees standards under the agreement shall refer to market prices, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Community Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the Community Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference.

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In terms of the same service under the Community Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications and/or its associates to provide such service, if the terms and conditions offered by an independent third party to the Group are no better than those offered by China Telecommunications and/or its associates. China Telecommunications and/or its associates undertake to the Group that China Telecommunications and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications and/or its associates to a third party. China Telecommunications and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications and/or its associates fail to meet the Group's demand under the agreement or terms offered by an independent third party are more favourable than those offered by China Telecommunications and/or its associates, the Group is entitled to obtain such service from an independent third party.

Centralised Services Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Centralised Services Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Centralised Services Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to Centralised Services Agreement, centralised services include services provided by the Group to China Telecommunications and/or its associates in relation to key corporate customers, management and operational services such as network management and business support services, and the common use of international facilities by both parties.

In accordance with the Centralised Services Agreement, the aggregate costs incurred by the Group and China Telecommunications and/or its associates for the provision of management and operation services such as services in relation to key corporate customers, network management and business support services will be apportioned between the Group and China Telecommunications on a pro rata basis according to the revenues generated by each party. Associated costs, such as restoration maintenance costs when both parties use international facilities provided by third parties and accept services by such third parties and usage costs when both parties use the international facilities of China Telecommunications and/or its associates, shall be shared on a pro rata basis according to volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from each party divided by the proportion of the aggregate volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from both parties. When the two parties use international facilities provided by a third party and accept restoration maintenance costs, such fees shall be determined according to the actual utilisation fee of each year. The utilisation fee associated with the shared use of the international facilities provided by China Telecommunications and/or its associates shall be determined through negotiation between the two parties based on market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Centralised Services Agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference.

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Property and Land Use Right Leasing Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Property and Land Use Right Leasing Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Property and Land Use Right Leasing Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Property and Land Use Right Leasing Framework Agreement, the Group and China Telecommunications and/or its associates can lease properties and/or land use right (the "Leased Properties") from the other party for conducting business activities according to the laws. The rental charges for the Leased Properties under the Property and Land Use Right Leasing Framework Agreement shall be agreed by both parties according to comparable market rates. Market rates shall mean the rental charges at which the same or similar type of the Leased Properties or adjacent Leased Properties are leased by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the rental charges for any Leased Property under the Property and Land Use Right Leasing Framework Agreement represents market rates, to the extent practicable, management of the Company shall take into account at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference.

IT Services Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the IT Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new IT Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the IT Services Framework Agreement, China Telecommunications and/or its associates and the Group can provide the other party with IT services, such as office automation, software testing, network upgrade, research and development on new businesses and development and upgrade of support systems. Each of the Group and China Telecommunications and/or its associates is entitled to provide services to the other party in accordance with the IT Services Framework Agreement. The charges payable for such services shall be determined by reference to market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the IT Services Framework Agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference. In the circumstances where the relevant laws or regulations in the PRC specify that the prices and/or the fee standards for particular services to be provided pursuant to such agreement are to be determined by a tender process, the charges payable for such services shall be finally determined in accordance with the "Bidding Law of the PRC" and the "Regulations on the Implementation of the Bidding Law of the PRC" or the relevant tender procedures.

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In terms of the same service under the IT Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications and/or its associates to provide such service, if the terms and conditions offered by an independent third party to the Group are no better than those offered by China Telecommunications and/or its associates. China Telecommunications and/or its associates undertake to the Group that China Telecommunications and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications and/or its associates to a third party. China Telecommunications and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. If China Telecommunications and/or its associates fail to meet the Group's demand under the agreement or terms offered by an independent third party are more favourable than those offered by China Telecommunications and/or its associates, the Group is entitled to obtain such service from an independent third party. Where the above tender process is applicable, the Group does not accord any priority to China Telecommunications and/or its associates to provide such services, and the tender may be awarded to an independent third party. However, if the terms of an offer from China Telecommunications and/or its associates are at least as favourable as those offered by other tenderers, the Group is entitled to award the tender to China Telecommunications and/or its associates.

Supplies Procurement Services Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Supplies Procurement Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Supplies Procurement Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Supplies Procurement Services Framework Agreement, China Telecommunications and/or its associates and the Group provide each other with supplies procurement services, including procurement services for imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies, the sale of proprietary telecommunications equipment, resale of third-party equipment, management of tenders, verification of technical specifications, storage and transportation and installation services.

Where the procurement services are provided on an agency basis, the fees shall be paid in commission which shall be calculated at:

- (1) not more than 1% of the contract value for the procurement of imported telecommunications supplies; or
- (2) not more than 3% of the contract value for the procurement of domestic telecommunications supplies and domestic non-telecommunications supplies.

The services for the provision of supplies procurement other than on an agency basis under the Supplies Procurement Services Framework Agreement are provided at:

- (1) market prices, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Supplies Procurement Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference;

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- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the Supplies Procurement Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference.

In terms of the same service under the Supplies Procurement Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications and/or its associates to provide such service, if the terms and conditions of services offered by China Telecommunications and/or its associates are at least as favourable as those offered by an independent third party to the Group. China Telecommunications and/or its associates undertake to the Group that China Telecommunications and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications and/or its associates to a third party. China Telecommunications and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. If China Telecommunications and/or its associates fail to meet the Group's demand under the agreement or terms offered by an independent third party are more favourable than those offered by China Telecommunications and/or its associates, the Group is entitled to obtain such service from an independent third party.

Internet Applications Channel Services Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Internet Applications Channel Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Internet Applications Channel Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Internet Applications Channel Services Framework Agreement, the Group provides Internet applications channel services to China Telecommunications and/or its associates. The channel services mainly include the provision of telecommunications channel and applications support platform, provision of billing and deduction services, coordination of sales promotion and development of customers services, etc.

The charges payable for the services under the Internet Applications Channel Services Framework Agreement are calculated on the following basis:

- (1) the prices and/or the fees standards under the agreement shall refer to market prices, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Internet Applications Channel Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference;

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- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the Internet Applications Channel Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference.

In terms of the same service under the Internet Applications Channel Services Framework Agreement, China Telecommunications and/or its associates is entitled to accord priority to the Group to provide such service, if the terms and conditions offered by an independent third party to China Telecommunications are no better than those offered by the Group. The Group undertake to China Telecommunications and/or its associates that the Group will not provide services to China Telecommunications and/or its associates which are less favourable than the terms offered by the Group to a third party. The Group is entitled to provide relevant services to a third party only if the services provided to China Telecommunications and/or its associates under the agreement are not affected. However, if the Group fails to meet the demand of China Telecommunications and/or its associates under the agreement or terms offered by an independent third party are more favourable than those offered by the Group, China Telecommunications and/or its associates is entitled to obtain such service from an independent third party.

Lease Financing Framework Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Lease Financing Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Lease Financing Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Lease Financing Framework Agreement, China Telecommunications and/or its associates provides the Group with lease financing services including sale and leaseback, direct lease, etc. and the associated lease financing consulting services.

The pricing policies of the lease financing services under the Lease Financing Framework Agreement are set out below:

The fees charged by China Telecommunications and/or its associates shall comply with the relevant standards promulgated by the People's Bank of China or China Banking and Insurance Regulatory Commission ("CBIRC") (if applicable) with reference to the standards of fees charged by major lease financing companies in cooperation with the Group for the same type of services provided to the Group on normal commercial terms or better. Such fees shall be equal to or lower than those of other major lease financing companies in cooperation with the Group.

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In terms of the same service under the Lease Financing Framework Agreement, the Group is entitled to accord priority to China Telecommunications and/or its associates to provide such service, if the terms and conditions of services offered by China Telecommunications and/or its associates are at least as favourable as those offered by an independent third party to the Group. China Telecommunications and/or its associates undertake to the Group that China Telecommunications and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications and/or its associates to a third party. China Telecommunications and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications and/or its associates fail to meet the Group's demand under the agreement or terms offered by an independent third party are more favourable than those offered by China Telecommunications and/or its associates, the Group is entitled to obtain such service from an independent third party.

Telecommunications Resources Leasing Agreement

On 22 October 2021, the Company and China Telecommunications have entered into the Telecommunications Resources Leasing Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Telecommunications Resources Leasing Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Telecommunications Resources Leasing Agreement, the Group leases telecommunications resources including transmission network telecommunications resources, wireless network telecommunications resources, wireline access network telecommunications resources, etc. from China Telecommunications and/or its associates.

The rental charges for the leasing of telecommunications resources from China Telecommunications and/or its associates are based on the annual depreciation charges and determined with reference to market prices as agreed by both parties. When determining the fee standard or reasonable profit margin, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference. The Group carries out maintenance of the leased telecommunications resources in accordance with the relevant procedures and standards as confirmed by both parties. Such maintenance fees shall be borne by the Group.

Trademark License Agreement

On 22 October 2021, the Company and China Telecommunications Corporation have entered into the Trademark License Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Trademark License Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Trademark License Agreement, China Telecommunications Corporation and/or its associates grants the Group the license for the use of the trademarks with trademark registration certificates as registered by China Telecommunications Corporation and/or its associates at China National Intellectual Property Administration of the State Administration for Market Supervision and the trademarks for which China Telecommunications Corporation and/or its associates is applying to China National Intellectual Property Administration of the State Administration for Market Supervision for registration and has not obtained trademark registration certificates yet. During the term of the agreement, China Telecommunications Corporation and/or its associates will not charge the Group any royalty fee for the grant of trademark license.

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On 22 October 2021, the Company and China Telecommunications Corporation have entered into the Intellectual Property License Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Intellectual Property License Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the Intellectual Property License Framework Agreement, each of the Group or China Telecommunications Corporation and/or its associates is entitled to grant to the other party the license for the use of intellectual property (excluding trademarks). Royalty fee for such license shall be determined by both parties based on market prices, which shall mean the prices to be determined on normal commercial terms and by the following mechanism: the royalty fee at which the same or similar type of intellectual property licenses are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Intellectual Property License Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business in the corresponding period for reference. Where there is no or it is not possible to determine the market prices according to the pricing and/or fee standards under the agreement in the course of performing the agreement, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

Continuing connected transactions entered into between China Telecom Finance and the Group, the Parent Group, the CCS Group, New Guomai Group and Safety Technology Group respectively

On 22 October 2021, China Telecom Finance entered into the financial services framework agreement with each of the Company, China Telecommunications (together with its associates and its commonly held entity held with the Group, excluding the Group, the CCS Group, New Guomai Group and Safety Technology Group, the "Parent Group"), CCS (together with its subsidiaries, "CCS Group"), New Guomai (together with its subsidiaries, "New Guomai Group") and Safety Technology (together with its subsidiaries, "Safety Technology Group"). As China Telecommunications is the Company's controlling shareholder, and CCS, New Guomai and Safety Technology are subsidiaries of China Telecommunications, pursuant to Chapter 14A of the Listing Rules, China Telecommunications, CCS, New Guomai and Safety Technology and/or their associates are connected persons of the Company. As the Company holds 70% of the issued share capital of China Telecom Finance, China Telecom Finance is a subsidiary of the Company. Meanwhile, China Telecommunications and CCS each respectively holds 15% of the issued share capital of China Telecom Finance. Pursuant to Chapter 14A of the Listing Rules, China Telecom Finance is a connected subsidiary of the Company and an associate of China Telecommunications, CCS, New Guomai and Safety Technology, which is also a connected person of the Company. Accordingly, the transactions under the respective Financial Services Framework Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

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China Telecom Financial Services Framework Agreement entered into between the Company and China Telecom Finance

On 22 October 2021, the Company and China Telecom Finance entered into the financial services framework agreement ("China Telecom Financial Services Framework Agreement"). Pursuant to the agreement, China Telecom Finance agreed to provide financial services to the Group, including deposit services, loan and bill discounting services and other financial services.

As each of the applicable percentage ratios of the annual caps for the deposit services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeds 5% but is less than 25%, such continuing connected transaction is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapters 14A of the Listing Rules. The independent shareholders of the Company considered and approved the deposit services and the applicable annual caps under the China Telecom Financial Services Framework Agreement at the extraordinary general meeting of the Company held on 30 November 2021.

As the loan and bill discounting services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant loan and bill discounting services will not be secured by the assets of the Group, such loan and bill discounting services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pricing Policy

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan and Bill Discounting Services

The loan interest rates and the bill discounting interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by China Telecom Finance to the Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by China Telecom Finance to other member units.

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SIGNIFICANT EVENTS**

The above loan and bill discounting services provided by China Telecom Finance to the Group do not require the Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit, loan and bill discounting services) including financial and financing advice, credit authentication, guarantees, acceptance of bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Group under the China Telecom Financial Services Framework Agreement.

The fees charged for other financial services provided by China Telecom Finance to the Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the Group. Under the same conditions, the fees standard charged to the Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the China Telecom Financial Services Framework Agreement entered into between the Company and China Telecom Finance, under the same conditions, the Group should, in principle, choose the services provided by China Telecom Finance. If the Group considers it is appropriate and beneficial to the Group, the Group has the discretion to engage one or more major cooperative commercial banks of the Group as its financial services providers.

The China Telecom Financial Services Framework Agreement became effective from 1 January 2022 and will expire on 31 December 2024. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

China Telecommunications Corporation Financial Services Framework Agreement entered into between China Telecom Finance and China Telecommunications

On 22 October 2021, China Telecom Finance and China Telecommunications have entered into the financial services framework agreement ("China Telecommunications Corporation Financial Services Framework Agreement"). Pursuant to the agreement, China Telecom Finance agreed to provide financial services to the Parent Group, including deposit services, loan and bill discounting services and other financial services.

As the deposit services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the loan and bill discounting services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeds 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pricing Policy

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Parent Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Parent Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the Parent Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan and Bill Discounting Services

The loan interest rates and the bill discounting interest rates offered by China Telecom Finance to the Parent Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Parent Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by China Telecom Finance to the Parent Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by China Telecom Finance to other member units.

The above loan and bill discounting services provided by China Telecom Finance to the Parent Group do not require the Parent Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit, loan and bill discounting services) including financial and financing advice, credit authentication, acceptance of bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement.

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The fees charged for other financial services provided by China Telecom Finance to the Parent Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the Parent Group. Under the same conditions, the fees standard charged to the Parent Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the China Telecommunications Corporation Financial Services Framework Agreement entered into between China Telecommunications and China Telecom Finance, under the same conditions, the Parent Group should, in principle, choose the services provided by China Telecom Finance. If the Parent Group considers it is appropriate and beneficial to the Parent Group, the Parent Group has the discretion to engage one or more major cooperative commercial banks of the Parent Group as its financial services providers.

The China Telecommunications Corporation Financial Services Framework Agreement became effective from 1 January 2022 and will expire on 31 December 2024. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

CCS Financial Services Framework Agreement entered into between China Telecom Finance and CCS

On 22 October 2021, China Telecom Finance and CCS have entered into the financial services framework agreement ("CCS Financial Services Framework Agreement"). Pursuant to the agreement, China Telecom Finance agreed to provide financial services to the CCS Group, including deposit services, loan and bill discounting services and other financial services.

As the deposit services provided by China Telecom Finance to the CCS Group under the CCS Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for loan and bill discounting services provided by China Telecom Finance to the CCS Group under the CCS Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeds 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the CCS Group under the CCS Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Pricing Policy

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the CCS Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the CCS Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the CCS Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan and Bill Discounting Services

The loan interest rates and the bill discounting interest rates offered by China Telecom Finance to the CCS Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the CCS Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by China Telecom Finance to the CCS Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by China Telecom Finance to other member units.

The above loan and bill discounting services provided by China Telecom Finance to the CCS Group do not require the CCS Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit, loan or bill discounting services) including financial and financing advice, credit authentication, acceptance of bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the CCS Group under the CCS Financial Services Framework Agreement.

The fees charged for other financial services provided by China Telecom Finance to the CCS Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the CCS Group. Under the same conditions, the fees standard charged to the CCS Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

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For the respective specific transactions under the CCS Financial Services Framework Agreement entered into between CCS and China Telecom Finance, provided that it is in compliance with the terms and conditions of the CCS Financial Services Framework Agreement, China Telecom Finance will be appointed as one of the financial institutions providing financial services to the CCS Group. Prior to the signing of any specific agreement with China Telecom Finance in respect of respective transactions under the CCS Financial Services Framework Agreement, the CCS Group will compare the interest rates and terms or fees charged and other relevant transactions terms offered by China Telecom Finance with those interest rates and terms of the same type of deposit or loan services for the same period or fees charged and other relevant transaction terms for the same type of financial services offered by the major cooperative commercial banks of the CCS Group. Only when the interest rates and terms or fees charged or other relevant transactions terms offered by China Telecom Finance are equivalent to or better than those interest rates and terms offered or fees charged or other relevant transactions terms (e.g. transaction approval terms, procedures or time limit, etc) offered by the major cooperative commercial banks of the CCS Group, the CCS Group has the discretion to enter into the transactions with China Telecom Finance. Under the circumstances which the CCS Group considers appropriate, the CCS Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.

The CCS Financial Services Framework Agreement became effective from 1 January 2022 and will expire on 31 December 2024. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

New Guomai Financial Services Framework Agreement entered into between China Telecom Finance and New Guomai

On 22 October 2021, China Telecom Finance and New Guomai have entered into the financial services framework agreement ("New Guomai Financial Services Framework Agreement"). Pursuant to the agreement, China Telecom Finance agreed to provide financial services to New Guomai Group, including deposit services, loan and bill discounting services and other financial services.

As the deposit services provided by China Telecom Finance to New Guomai Group under the New Guomai Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the loan and bill discounting services provided by China Telecom Finance to New Guomai Group under the New Guomai Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeds 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to New Guomai Group under the New Guomai Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pricing Policy

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the New Guomai Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the New Guomai Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the New Guomai Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the New Guomai Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan and Bill Discounting Services

The loan interest rates and the bill discounting interest rates offered by China Telecom Finance to the New Guomai Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the New Guomai Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the New Guomai Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by China Telecom Finance to the New Guomai Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by China Telecom Finance to other member units.

The above loan and bill discounting services provided by China Telecom Finance to the New Guomai Group do not require the New Guomai Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit, loan or bill discounting services) including financial and financing advice, credit authentication, acceptance of bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the New Guomai Group under the New Guomai Financial Services Framework Agreement.

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The fees charged for other financial services provided by China Telecom Finance to the New Guomai Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the New Guomai Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the New Guomai Group. Under the same conditions, the fees standard charged to the New Guomai Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

The New Guomai has the discretion to choose other financial institutions to provide financial services. For the respective specific transactions under the New Guomai Financial Services Framework Agreement entered into between New Guomai and China Telecom Finance and under the same conditions, the New Guomai Group shall, in principle, take the financial services provided by China Telecom Finance as priority. Under the circumstances which the New Guomai Group considers appropriate and beneficial to the New Guomai Group, the New Guomai Group may engage one or more financial institutions which are the major cooperative commercial banks of the New Guomai Group to provide financial services.

The New Guomai Financial Services Framework Agreement became effective from 1 January 2022 and will expire on 31 December 2024. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

Safety Technology Financial Services Framework Agreement entered into between China Telecom Finance and Safety Technology

On 22 October 2021, China Telecom Finance and Safety Technology have entered into the financial services framework agreement ("Safety Technology Financial Services Framework Agreement"). Pursuant to the agreement, China Telecom Finance agreed to provide financial services to Safety Technology Group, including deposit services, loan and bill discounting services and other financial services.

As the deposit services provided by China Telecom Finance to Safety Technology Group under the Safety Technology Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the loan and bill discounting services provided by China Telecom Finance to Safety Technology Group under the Safety Technology Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 exceeds 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to Safety Technology Group under the Safety Technology Financial Services Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Pricing Policy

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Safety Technology Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Safety Technology Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Safety Technology Group. During the term of the agreement, the maximum daily balance of deposits (including accrued interest) to be deposited by Safety Technology Group with China Telecom Finance shall not exceed the maximum caps (including accrued interest) reviewed by the shareholders' meeting of Safety Technology. In the event that Safety Technology Group's deposits with China Telecom Finance exceeds the maximum caps due to settlement and other reasons, Safety Technology Group shall confirm the remittance of funds on deposits that exceed the maximum caps to the designated bank account by issuing a legally valid written notice to China Telecom Finance within three working days. China Telecom Finance shall complete the remittance of the due amount in accordance with the confirmation on such written notice by the Safety Technology Group within three working days.

(ii) Loan and Bill Discounting Services

The loan interest rates and the bill discounting interest rates offered by China Telecom Finance to the Safety Technology Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates of the same type of loan services for the same period and bill discounting services for the same period offered by the major cooperative commercial banks of the Safety Technology Group, and are conducted on normal commercial terms or better. During the term of the agreement, the maximum daily balance of loan and bill discounting (including accrued interest) provided by China Telecom Finance to Safety Technology shall not exceed the maximum caps reviewed by the shareholders' meeting of Safety Technology. The terms for loan and bill discounting services offered by China Telecom Finance to the Safety Technology Group shall be equivalent to or better than those offered on normal commercial terms or better.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit, loan and bill discounting services) including financial and financing advice, credit authentication, acceptance of bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement.

The fees charged for other financial services provided by China Telecom Finance to the Safety Technology Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Safety Technology Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the Safety Technology Group.

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The Safety Technology has the discretion to choose financial services provided by other financial institutions. For the respective specific transactions under the Safety Technology Financial Services Framework Agreement entered into between Safety Technology Group and China Telecom Finance and under the same conditions, the Safety Technology Group shall, in principle, take the financial services provided by China Telecom Finance as priority. Under the circumstances which the Safety Technology Group considers appropriate and beneficial to the Safety Technology Group, the Safety Technology Group may engage one or more financial institutions which are the major cooperative commercial banks of the Safety Technology Group to provide financial services.

The Safety Technology Financial Services Framework Agreement became effective from 1 January 2022 and will expire on 31 December 2024. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

Continuing connected transactions entered into between the Group and E-surfing Pay and its subsidiaries**Payment and Digital Finance Related Services Framework Agreement**

On 22 October 2021, the Company and E-surfing Pay have entered into the Payment and Digital Finance Related Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Payment and Digital Finance Related Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement. However, if the Group has to obtain the same type of services from a third party at a greater cost, E-surfing Pay and its subsidiaries cannot terminate the provision of such services to the Group.

Pursuant to the Payment and Digital Finance Related Services Framework Agreement, E-surfing Pay and its subsidiaries provides payment and digital finance related services to the Group. The service scope includes the recharged payment services as well as the issuance and operation and settlement services for rechargeable payment cards such as 11888 card; internet payment services and mobile phone payment services; bank card payment and barcode payment services; issuance and handling services for prepaid cards; bill payment and other integrated payment enabled services; establishment and maintenance services of the payment system of the Group's subscribers; other related payment and digital finance services within the scope of businesses permitted by or as filed with the relevant regulatory authorities; and the establishment, operation, expansion and maintenance services for fundamental capabilities and systems in fulfilment of the aforesaid services.

In term of the same service provided under the Payment and Digital Finance Related Services Framework Agreement, if the terms and conditions offered by an independent third party to the Group are no better than those offered by the E-surfing Pay and its subsidiaries, E-surfing Pay and its subsidiaries shall have the priority to provide such services to the Group under the same conditions. E-surfing Pay and its subsidiaries undertake to the Group that E-surfing Pay and its subsidiaries will not provide services to the Group which are less favourable than the terms offered by E-surfing Pay and its subsidiaries to a third party. E-surfing Pay and its subsidiaries are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. If E-surfing Pay and its subsidiaries fail to meet the Group's demand under the agreement, or if an independent third party offers more favourable terms than E-surfing Pay and its subsidiaries do, the Group may obtain such services from an independent third party.

SECTION VI SIGNIFICANT EVENTS

Pursuant to Chapter 14A of the Listing Rules, as China Telecommunications is the Company's controlling shareholder, holding approximately 64.53% of the issued share capital of E-surfing Pay as of the date on which the Payment and Digital Finance Related Services Framework Agreement was entered into, China Telecommunications and E-surfing Pay are connected persons of the Company and the transactions contemplated under the Payment and Digital Finance Related Services Framework Agreement constitute continuing connected transactions of the Company.

As each of the applicable percentage ratios (except for the profit ratio) of the annual cap for each of the years ended 31 December 2022, 2023 and 2024 for the transactions contemplated under the Payment and Digital Finance Related Services Framework Agreement is expected to exceed 0.1% but is less than 5%, the continuing connected transactions of the payment and digital finance related services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The services fees under the Payment and Digital Finance Related Services Framework Agreement shall be calculated on the following basis:

(1) market price, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Payment and Digital Finance Related Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference;

(2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the Payment and Digital Finance Related Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference;

(3) where there are government-prescribed prices, the prices and/or pricing standards shall be determined in accordance with the government-prescribed prices; where there are government-guided prices, the prices and/or pricing standards shall be determined with reference to the government-guided prices. Government-prescribed prices means the prices prescribed by the government department in charge of pricing or other relevant departments within the pricing authority and scope in accordance with the Price Law of the PRC. Government-guided prices means the prices determined by the operators as guided by the government department in charge of pricing or other relevant departments which regulate the base price and floating range within the pricing authority and scope in accordance with the Price Law of the PRC.

**SECTION VI
SIGNIFICANT EVENTS****(2) Review of continuing connected transactions**

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions the Company conducted in the year 2023.

The Company's external auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2023 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

(3) Confirmation from the auditors

The auditors of the Group have reviewed the continuing connected transactions of the Group for the year ended 31 December 2023 and have confirmed to the Board that nothing has come to their attention that causes them to believe that the relevant continuing connected transactions:

- (1) have not been approved by the Board;
- (2) (for transactions involving the provision of goods or services by the Group) were not entered into, in all material respects, in accordance with the pricing policies of the Group;
- (3) were not entered into, in all material respects, in accordance with the terms of the agreements governing such transactions; and
- (4) have exceeded the annual caps as set by the Company.

(4) Confirmation from independent non-executive directors

The Independent Non-Executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2023 to which the Group was a party:

- (1) had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business;
- (2) had been entered into either:
 - (i) on normal commercial terms or better; or
 - (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or (if applicable) from independent third parties; and
- (3) had been entered into in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-Executive Directors have further confirmed that: the continuing connected transactions for the year ended 31 December 2023 entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

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4. MATERIAL CONTRACTS AND PERFORMANCE

Guarantees

Unit: yuan Currency: Renminbi

| External guarantees provided by the Company (excluding guarantees provided for its subsidiaries) | |
|--|--|
| Total amount of guarantees incurred during the Reporting Period (excluding those provided to subsidiaries) | 0 |
| Total balance of guarantees as at the end of the Reporting Period (A) (excluding those provided to subsidiaries) | 0 |
| Guarantees provided by the Company and its subsidiaries to its subsidiaries | |
| Total amount of guarantees provided to subsidiaries incurred during the Reporting Period | 137,376,096.18 |
| Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B) | 120,528,507.75 |
| Aggregate guarantees of the Company (including those guarantees provided to its subsidiaries) | |
| Aggregate amount of guarantees (A + B) | 120,528,507.75 |
| Percentage of total aggregate amount of guarantee to net assets of the Company (%) | 0.0270 |
| Representing: | |
| Amount of guarantees provided for shareholders, ultimate controller and their related parties (C) | 0 |
| Amount of debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D) | 0 |
| Amount of total guarantee exceeding 50% of net assets (E) | 0 |
| Aggregate amount of the above three guarantees (C + D + E) | 0 |
| Explanation on the potential joint and several liability for outstanding guarantees | Nil |
| Clarification of guarantee | The external guarantees provided by the Company were non-financing guarantees provided by China Telecom Finance and China Telecom Global, all being subsidiaries of the Company, to wholly-owned subsidiaries of the Company. If the amount of the above-mentioned external guarantees involves foreign currency, it would be converted at the median rate for the exchange rate of RMB announced by the People's Bank of China on 29 December 2023. |

SECTION VI
SIGNIFICANT EVENTS**(1) Description of guarantees in 2023**

According to the needs of daily production and operation, China Telecom Finance and China Telecom Global, both being subsidiaries of the Company (hereinafter referred to as the Company's wholly-owned and holding subsidiaries), contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2022, in an aggregate amount of not exceeding RMB205.80 million (or equivalent foreign currency). The guarantee limit is valid until 31 March 2023. The guaranteed entities are all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, China Telecom Finance and China Telecom Global have separately performed relevant internal decision-making procedures for the above guarantees. For details, please refer to the "Announcement on the Plan for External Guarantee for 2022 of China Telecom Corporation Limited" disclosed by the Company on 30 March 2022. Within the scope of the above guarantee limits, China Telecom Finance, a subsidiary of the Company, entered into an agreement of guarantee with China Telecom Digital Intelligence Technology on 29 December 2022, pursuant to which China Telecom Finance agreed to provide guarantee to China Telecom Digital Intelligence Technology with a limit of not more than RMB150 million.

According to the needs of daily production and operation, China Telecom Finance, China Telecom Global and China Telecom Middle East FZ-LLC, all being subsidiaries of the Company, contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2023, in an aggregate amount of not exceeding RMB393.50 million (or equivalent foreign currency). The guarantee limit is valid until 31 March 2024. The guaranteed entities are all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, the guarantors have separately performed relevant internal decision-making procedures for the above guarantees. For details, please refer to the "Announcement on the Plan for External Guarantee for 2023 of China Telecom Corporation Limited" disclosed by the Company on 30 March 2023.

SECTION VI SIGNIFICANT EVENTS

(2) The progress of guarantees during the fourth quarter of 2023

During the fourth quarter of 2023 and within the scope of the above guarantee limits, pursuant to the application by China Telecom Digital Intelligence Technology, China Telecom Finance provided 12 guarantees to China Telecom Digital Intelligence Technology in the amount of RMB94.0589 million. There was no new guarantee provided by China Telecom Global. The aggregate amount of the above guarantees was RMB94.0589 million. Details of guarantees are as follows:

| Guarantor | Guaranteed Party | Amount of guarantee (RMB) | Guarantee period | Type of guarantee | Method of guarantee |
|---------------------------------------|--|------------------------------|--------------------------------------|-------------------------|---------------------------|
| China Telecom Group Finance Co., Ltd. | China Telecom Digital Intelligence Technology Co., Ltd. | 165,000.00 | 23 October 2023 to 15 November 2023 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. | 7,120,000.00 | 23 October 2023 to 10 December 2023 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Anhui Branch | 68,592,160.00 | 3 November 2023 to 31 January 2024 | Non-financing guarantee | Advance Payment Guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Anhui Branch | 11,371,800.00 | 3 November 2023 to 18 March 2024 | Non-financing guarantee | Advance Payment Guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. | 23,550.00 | 3 November 2023 to 31 December 2024 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. | 180,000.00 | 14 November 2023 to 6 August 2026 | Non-financing guarantee | Quality guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Qinghai Branch | 62,000.00 | 24 November 2023 to 31 December 2024 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Jiangxi Branch | 1,000,000.00 | 24 November 2023 to 30 April 2024 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Anhui Branch | 1,068,002.28 | 24 November 2023 to 31 January 2024 | Non-financing guarantee | Advance Payment Guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Shaanxi Branch | 490,000.00 | 4 December 2023 to 15 May 2025 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Shaanxi Branch | 3,430,000.00 | 4 December 2023 to 15 May 2024 | Non-financing guarantee | Performance guarantee |
| | China Telecom Digital Intelligence Technology Co., Ltd. Qinghai Branch | 556,399.90 | 4 December 2023 to 8 May 2024 | Non-financing guarantee | Performance guarantee |

**SECTION VI
SIGNIFICANT EVENTS****(3) The progress of guarantees during the first to the third quarters of 2023**

For details of guarantee progress in 2023, please refer to the 2023 First Quarter Report of China Telecom Corporation Limited, the 2023 Interim Report of China Telecom Corporation Limited and the 2023 Third Quarter Report of China Telecom Corporation Limited.

(4) The cumulative amount of guarantees and the amount of overdue guarantees

As at the end of the Reporting Period, the balance of external guarantees provided by the Company and its

subsidiaries was RMB120.5285 million, accounting for 0.0270% of the Company's latest audited net assets (as of 31 December 2023), all of which were guarantees provided by subsidiaries of the Company to other wholly-owned subsidiaries of the Company. The Company did not provide guarantees to its subsidiaries or third parties, and there was no overdue guarantee.

Any amount of the above-mentioned external guarantees involving foreign currency is converted at the median rate of the exchange rate of RMB announced by the People's Bank of China on 29 December 2023.

TRANSFUSE



SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL

The total number of shares and share capital structure of the Company remained unchanged during the Reporting Period.

2. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(1) Total number of shareholders

| | |
|---|---------|
| Total number of ordinary shareholders as at the end of the Reporting Period | 337,216 |
| Total number of ordinary shareholders as at the end of February 2024 | 310,603 |

(2) Shareholdings of the top ten shareholders and the top ten shareholders of tradable shares (or shareholders of unrestricted shares) as at the end of the Reporting Period

Unit: shares

Shareholdings of the top ten shareholders (excluding shares loaned through refinancing)

| Name of shareholder (Full name) | Changes during the Reporting Period | Number of shares held at the end of the Reporting Period | Percentage (%) | Number of shares held with lock-up restrictions | Pledge, marking or freezing conditions Status of shares | Quantity | Nature of shareholder |
|--|-------------------------------------|--|----------------|---|--|-------------|--------------------------|
| China Telecommunications Corporation | 111,932,400 | 58,476,519,174 | 63.90 | 57,377,053,317 | Nil | 0 | State-owned legal person |
| HKSCC Nominees Limited | -843,860 | 13,845,981,478 | 15.13 | 0 | Nil | 0 | Foreign legal person |
| Guangdong Rising Holdings Group Co., Ltd. | -400,000,000 | 5,214,082,653 | 5.70 | 0 | Nil | 0 | State-owned legal person |
| Zhejiang Provincial Financial Development Co., Ltd. | 0 | 2,137,473,626 | 2.34 | 0 | Nil | 0 | State-owned legal person |
| Jiangsu Guoxin Group Limited | 0 | 957,031,543 | 1.05 | 0 | Nil | 0 | State-owned legal person |
| Fujian Investment & Development Group Co., Ltd. | -48,000,000 | 920,294,182 | 1.01 | 0 | Nil | 0 | State-owned legal person |
| China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Shanghai | 755,451,747 | 766,614,728 | 0.84 | 0 | Nil | 0 | Unknown |
| State Grid Yingda International Holdings Group Co., Ltd. | 0 | 441,501,000 | 0.48 | 0 | Nil | 0 | State-owned legal person |
| Guangdong Rising Holdings Group Co., Ltd. — Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023 | 400,000,000 | 400,000,000 | 0.44 | 0 | Pledge | 400,000,000 | Unknown |
| Hong Kong Securities Clearing Company Limited | 161,877,123 | 395,027,677 | 0.43 | 0 | Nil | 0 | Unknown |

SECTION VII

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders without lock-up restriction

| Name of shareholder | Number of tradable shares held without lock-up restriction | Class and number of shares | |
|---|--|--|----------------|
| | | Class | Quantity |
| HKSCC Nominees Limited | 13,845,981,478 | Overseas-listed foreign-invested shares | 13,845,981,478 |
| Guangdong Rising Holdings Group Co., Ltd. | 5,214,082,653 | RMB ordinary shares | 5,214,082,653 |
| Zhejiang Provincial Financial Development Co., Ltd. | 2,137,473,626 | RMB ordinary shares | 2,137,473,626 |
| China Telecommunications Corporation | 1,099,465,857 | RMB ordinary shares | 1,099,465,857 |
| Jiangsu Guoxin Group Limited | 957,031,543 | RMB ordinary shares | 957,031,543 |
| Fujian Investment & Development Group Co., Ltd. | 920,294,182 | RMB ordinary shares | 920,294,182 |
| China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Shanghai | 766,614,728 | RMB ordinary shares | 766,614,728 |
| State Grid Yingda International Holdings Group Co., Ltd. | 441,501,000 | RMB ordinary shares | 441,501,000 |
| Guangdong Rising Holdings Group Co., Ltd. — Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023 | 400,000,000 | RMB ordinary shares | 400,000,000 |
| Hong Kong Securities Clearing Company Limited | 395,027,677 | RMB ordinary shares | 395,027,677 |
| Explanation on the securities account designated for share repurchase of the top ten shareholders | | N/A | |
| Explanation on the voting rights entrusted by or waived by the above shareholders | | N/A | |
| Description of connected relationship or acting in concert among the aforementioned shareholders | | The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert. | |
| Description of the holders of preference shares with restored voting rights and their shareholding | | N/A | |

SECTION VII
CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Unit: shares

Changes in the top ten shareholders compared with the end of the previous period

| Name of shareholder (full name) | Add/Exit during this reporting period | Number of shares lent through refinancing at the end of the period that have not yet been returned | | Number of shares held by shareholders in ordinary accounts, credit accounts and shares lent through refinancing that have not been returned at the end of the period | |
|--|---------------------------------------|--|----------------|--|----------------|
| | | Total | Proportion (%) | Total | Proportion (%) |
| China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Shanghai | Add | 0 | 0 | 766,614,728 | 0.84 |
| Guangdong Rising Holdings Group Co., Ltd. — Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023 | Add | 0 | 0 | 400,000,000 | 0.44 |
| Hong Kong Securities Clearing Company Limited | Add | 0 | 0 | 395,027,677 | 0.43 |
| Chengdu Vanguard Capital Management Limited — Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited | Exit | 0 | 0 | 97,137,900 | 0.11 |
| China State-owned Enterprises Structural Adjustment Fund Co., Ltd | Exit | 0 | 0 | — | — |
| Suzhou High Speed Rail New Town Economic Development Co., Ltd | Exit | 0 | 0 | — | — |

Note : China State-owned Enterprises Structural Adjustment Fund Co., Ltd and Suzhou High Speed Rail New Town Economic Development Co., Ltd are not included in the shareholding list provided by the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for inquiry.

SECTION VII
CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Unit: shares

| Shareholdings of the top ten shareholders with lock-up restrictions | | | | | |
|--|--|---|--|--|--|
| Listing and trading of shares with lock-up restrictions | | | | | |
| No. | Name of shareholders with lock-up restrictions | Number of shares held with lock-up restrictions | Date of listing and trading | Number of new shares available for listing and trading | Lock-up restrictions |
| 1 | China Telecommunications Corporation | 57,377,053,317 | 2024-08-20 | 0 | Lock-up for 36 months from the date of listing |
| 2 | Huawei Technologies Co., Ltd | 220,750,000 | 2024-08-20 | 0 | Lock-up for 36 months from the date of listing |
| 3 | Oriental Pearl Group Co., Ltd. | 110,375,000 | 2024-08-20 | 0 | Lock-up for 36 months from the date of listing |
| 4 | Sangfor Technologies Inc. | 110,375,000 | 2024-08-20 | 0 | Lock-up for 36 months from the date of listing |
| 5 | Shanghai Bilibili Technology Co., Ltd. | 110,375,000 | 2024-08-20 | 0 | Lock-up for 36 months from the date of listing |
| 6 | DBAPP Security Co., Ltd. | 110,375,000 | 2024-08-20 | 0 | Lock-up for 36 months from the date of listing |
| Description of connected relationship or acting in concert among the aforementioned shareholders | | | The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert. | | |

(3) Strategic investors or other legal persons who became top ten shareholders due to allotment of new shares

| Names of strategic investors or other legal persons | Agreed shareholding start date | Agreed shareholding end date |
|--|--|------------------------------|
| State Grid Yingda International Holdings Group Co., Ltd. | 20 August 2021 | — |
| Description of agreed term of shareholding in respect of strategic investors and general legal persons' participation in placing of new shares | Lock-up for 12 months from the date of listing, and the lock-up was released on 22 August 2022 | |

SECTION VII
CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

3. INFORMATION ON CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(1) Information on controlling shareholder

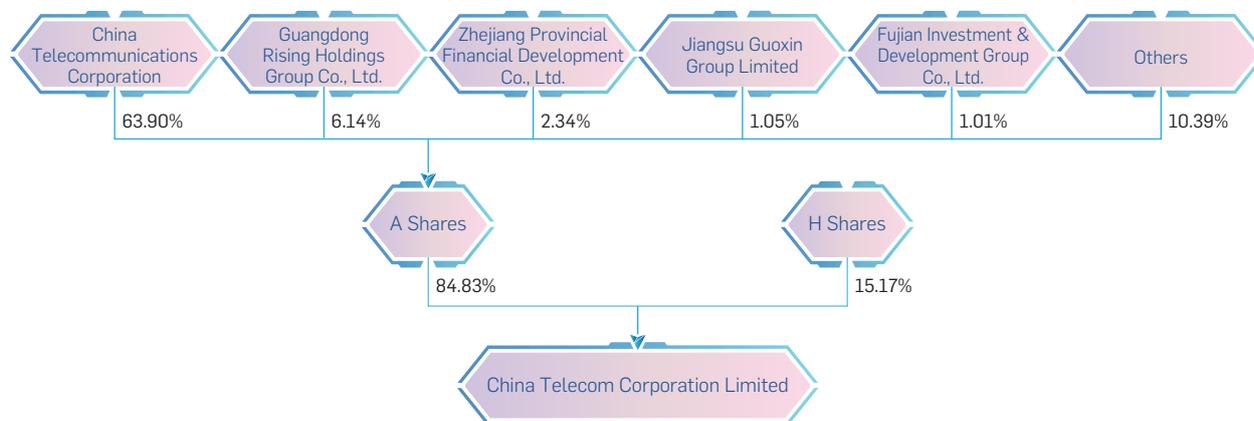
1. Legal person

| | |
|--|---|
| Name | China Telecommunications Corporation |
| Person in charge or legal representative | Ke Ruiwen |
| Date of incorporation | 27 April 1995 |
| Principal business | Basic telecommunications services (see license for specific business scope); value-added telecommunications services (see license for specific business scope); chain operation of national internet service premises; operating its group companies and all state-owned assets and state-owned equity interests formed by state investment in the invested enterprises; contracting overseas telecommunications projects and domestic international bidding projects; operation of system integration, technology development, technical services, design and construction, equipment production and sales, advertising and information consultation related to communication and information business; import and export business; hosting exhibitions. (Market entities shall independently select business projects and carry out business activities in accordance with the law; for projects subject to approval in accordance with the law, business activities shall be carried out in accordance with the approved scope after approval by relevant authorities; business activities prohibited and restricted by the industrial policies of the State and the city shall not be carried out.) |
| Shareholdings in other domestic and overseas listed companies controlled or invested during the Reporting Period | China Telecommunications directly holds 51.16% equity interest in New Guomai Digital Culture Co., Ltd. and indirectly holds 18.23% equity interest in New Guomai Digital Culture Co., Ltd. through China Telecom Group Sideline Industrial Asset Management Co., Ltd and China Telecom Corporation Limited; It also directly holds 48.99% equity interest in CCS, directly holds 22.50% equity interest in China Broadcasting and Television Guangzhou Network Co., Ltd., and directly holds shares in Postal Savings Bank of China Co., Ltd., People.cn Co., Ltd., Xinhuanet Co., Ltd., China Publishing & Media Corporation Limited, Jiangsu Expressway Company Limited and Fiberhome Telecommunication Technologies Co., Ltd. |
| Other information | N/A |

SECTION VII

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

2. Ownership and controlling relationship between the Company and the controlling shareholder



Notes:

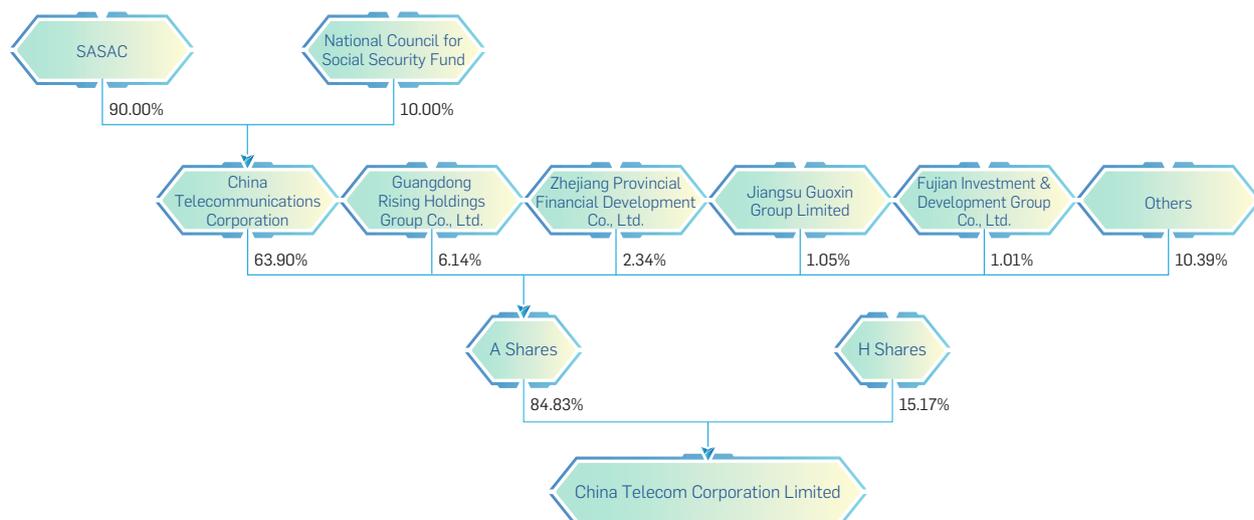
1. Data as at 31 December 2023.
2. Guangdong Rising holds 5,614,082,653 unrestricted shares of the Company, accounting for 6.14% of the Company's total share capital. Among them, 5,214,082,653 shares are held through its own ordinary securities account, accounting for 5.70% of the Company's total share capital; 400,000,000 shares are held through Guangdong Rising Holdings Group Co., Ltd. – Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023, accounting for 0.44% of the Company's total share capital.

(2) Ultimate controller

1. Legal person

| | |
|------|---|
| Name | State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") |
|------|---|

2. Ownership and controlling relationship between the Company and the ultimate controller



Notes:

1. Data as at 31 December 2023.
2. Guangdong Rising holds 5,614,082,653 unrestricted shares of the Company, accounting for 6.14% of the Company's total share capital. Among them, 5,214,082,653 shares are held through its own ordinary securities account, accounting for 5.70% of the Company's total share capital; 400,000,000 shares are held through Guangdong Rising Holdings Group Co., Ltd. – Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023, accounting for 0.44% of the Company's total share capital.

SECTION VII

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

4. MATTERS REGARDING THE RESTRICTIONS ON THE REDUCTION OF SHAREHOLDING

(1) Restrictions on the circulation of shares and undertakings by shareholders to voluntarily lock-up their shares

The Company's controlling shareholder, China Telecommunications, undertakes that:

Within 36 months from the date on which the A Shares of the Company are listed and traded on the SSE, it shall not transfer or entrust others to manage the shares held by China Telecommunications prior to the initial public offering of A Shares of the Company, nor shall the Company repurchase such shares. China Telecommunications undertakes to strictly comply with the Company Law, the Securities Law, the SSE Listing Rules and other laws and regulations, policy requirements and the relevant requirements of the CSRC for prudent supervision, and to determine the lock-up period by adopting a longer applicable period; In the event of future changes in the above laws and regulations and policies, China Telecommunications undertakes to determine the lock-up period in strict accordance with the requirements after the changes. If the shares held by China Telecommunications are reduced within two years after the expiration of the above-mentioned shareholding period, the price of such reduction shall not be lower than the issue price of the Company's initial public offering of A Shares; if the

closing price of the Company's shares is lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing of the Company (if such date is not a trading day, the first trading day thereafter) is lower than the issue price, the shareholding period of China Telecommunications shall be automatically extended for at least 6 months.

(2) Undertaking on the intention of shareholding and the intention of shareholding reduction by shareholders holding more than 5% of the shares before the initial public offering of A shares

Each of China Telecommunications, being the controlling shareholder of the Company, and Guangdong Rising, the shareholder holding more than 5% of the shares of the Company, undertakes that:

1. After the initial public offering and listing of A Shares of the Company, it will strictly comply with its undertakings on the lock-up period of its shares. After the expiration of the committed lock-up period, in compliance with the relevant laws and regulations, regulatory documents and the business rules of the stock exchange, it will determine whether to reduce its shareholding in the Company based on factors such as the overall conditions of the securities market, the Company's operating results and stock trends, and its business development needs.

SECTION VII

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

2. After the initial public offering and listing of A Shares of the Company and the expiration of the committed lock-up period, if it decides to reduce its shareholding in the Company, it will be processed through the block trading system of the stock exchange, the centralised bidding trading system or by agreement as permitted by laws and regulations.

Provisions on Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies and the Implementation Rules for Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies of the Shanghai Stock Exchange. If there are changes in the relevant laws and regulations, regulatory documents and the business rules of the stock exchange, the then effective provisions shall prevail.
3. If it intends to reduce its shareholding, it shall notify the Company in writing in advance on the information such as the number of shares to be reduced and the reasons for such reduction, and the Company shall perform the information disclosure obligations in accordance with the relevant laws and regulations and regulatory rules. It may implement the reduction after three trading days from the date on which the Company discloses its intention to reduce its shareholding.
5. Reduction of shares of the Company acquired through the secondary market after the initial public offering and listing of A Shares of the Company shall not be subject to the above undertakings.
4. Reduction of shareholding in the Company will be implemented in accordance with the requirements of laws, administrative regulations, *the Several*

In the event of failure to perform the above undertakings, it shall take the relevant liabilities in accordance with the relevant laws and regulations, regulatory documents, business rules of stock exchanges and requirements of regulatory authorities.

TRANSFORM



SECTION VIII FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of China Telecom Corporation Limited*(incorporated in the People's Republic of China with limited liability)***OPINION****What we have audited**

The consolidated financial statements of China Telecom Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 162 to 252, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of goodwill

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p><i>Revenue recognition</i></p> <p>Refer to Note 3 — Material accounting policy information (h) and Note 27 — Operating revenues to the consolidated financial statements.</p> <p>The Group's operating revenues are mainly generated from the provision of Mobile communications, Wireline and Smart Family, Industrial Digitalisation services and from sales of goods.</p> <p>Revenue recognition is subject to an inherent risk. We focused on this area as significant efforts were spent on auditing revenue recognition due to the significant volume of the transactions, the complexity of the related information technology systems, the variety of tariff and package structures relating to the services and the complexity of multiple-element arrangements. This also involved a number of judgements and estimates on the identification of distinct performance obligations and the determination of the stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations.</p> | <p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of, evaluated and tested the design and operating effectiveness of internal controls over the capture and measurement of revenue transactions, including the key internal controls over in-scope IT systems such as billing systems; • Evaluated the appropriateness of management's identification and evaluation of the terms and conditions by examining contracts with customers and evaluating management's determination of the impact of those terms and conditions on revenue recognition; • Evaluated the appropriateness of management's identification of distinct performance obligations and the determination of the stand-alone selling price for each performance obligation; and • Performed substantive testing on revenue by examining supporting documents such as end-user contracts, customer bills and billing reports using sampling techniques and by examining the reconciliation between the billing systems and financial records by using computer assisted audit techniques. <p>Based on our work, we found that the revenue recognised was supported by the evidence we obtained.</p> |

SECTION VIII FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p data-bbox="167 504 558 537"><i>Impairment assessment of goodwill</i></p> <p data-bbox="167 548 758 672">Refer to Note 3 — Material accounting policy information (f), Note 7 — Goodwill and Note 47 — Accounting estimates and judgments to the consolidated financial statements.</p> <p data-bbox="167 705 758 1064">The Group had recorded goodwill arising from acquisition of its mobile communications business. In accordance with International Accounting Standards ("IAS") 36 "Impairment of Assets", the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired. When performing the impairment assessment, management has determined the recoverable amounts of the CGU based on value in use calculations using discounted cash flow model.</p> <p data-bbox="167 1097 758 1444">We focused on auditing the impairment assessment of goodwill due to the magnitude of the carrying amount of goodwill and the estimation of recoverable amount was subject to a high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered high due to the complexity of the impairment model deployed, subjectivity of significant assumptions used, and significant judgements involved in selecting the underlying data, such as revenue growth rate, terminal growth rate and pre-tax discount rate.</p> | <p data-bbox="798 548 1380 616">In response to this key audit matter, we performed the following procedures:</p> <ul data-bbox="798 649 1380 1870" style="list-style-type: none"> <li data-bbox="798 649 1380 929">• Obtained an understanding of the management's internal controls over the impairment assessment of goodwill and determination of the recoverable amounts of goodwill; and assessed the inherent risks of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; <li data-bbox="798 974 1380 1131">• Evaluated and tested the key internal controls over the impairment assessment of goodwill including controls over the development of the model and significant assumptions used in the impairment test; <li data-bbox="798 1164 1380 1288">• Assessed the reasonableness of management's allocation of goodwill to CGUs or groups of CGUs based on our understanding of the Group's business; <li data-bbox="798 1321 1380 1444">• Involved our valuation specialists to evaluate the appropriateness of the model and certain significant assumptions such as the pre-tax discount rate and terminal growth rate; <li data-bbox="798 1489 1380 1713">• Evaluated the reasonableness of other key assumptions adopted in the model such as revenue growth rate with consideration of our industry knowledge and independent research performed by us and the degree of historical accuracy of the management's assumptions and projections in achieving the forecasts; and <li data-bbox="798 1747 1380 1870">• Tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the model. <p data-bbox="798 1904 1380 1993">Based on our work, we found that the result of management's impairment assessment of goodwill was supported by the evidence we obtained.</p> |

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

SECTION VIII FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2024

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023 (Amounts in million)

| | Notes | 31 December 2023 RMB | 31 December 2022 RMB |
|--|-------|----------------------------|----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 4 | 409,943 | 413,963 |
| Construction in progress | 5 | 72,238 | 58,443 |
| Right-of-use assets | 6 | 76,908 | 87,055 |
| Goodwill | 7 | 29,923 | 29,922 |
| Intangible assets | 8 | 22,702 | 20,780 |
| Interests in associates and joint ventures | 10 | 43,158 | 42,220 |
| Financial assets at fair value through profit or loss | | 397 | 402 |
| Equity instruments at fair value through other comprehensive income | 11 | 1,426 | 885 |
| Deferred tax assets | 12 | 1,347 | 3,821 |
| Other assets | 13 | 9,909 | 9,135 |
| Total non-current assets | | 667,951 | 666,626 |
| Current assets | | | |
| Inventories | 15 | 3,417 | 3,513 |
| Income tax recoverable | | 140 | 154 |
| Accounts receivable, net | 16 | 32,210 | 24,312 |
| Contract assets | 17 | 4,665 | 3,042 |
| Prepayments and other current assets | 18 | 35,580 | 33,751 |
| Short-term bank deposits and restricted cash | | 10,805 | 3,835 |
| Cash and cash equivalents | 19 | 81,046 | 72,465 |
| Total current assets | | 167,863 | 141,072 |
| Total assets | | 835,814 | 807,698 |

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023 (Amounts in million)

| | Notes | 31 December 2023 RMB | 31 December 2022 RMB |
|---|-------|----------------------------|----------------------------|
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Short-term debts | 20 | 2,867 | 2,840 |
| Current portion of long-term debts | 20 | 1,133 | 3,160 |
| Accounts payable | 21 | 145,872 | 127,260 |
| Accrued expenses and other payables | 22 | 74,260 | 65,229 |
| Contract liabilities | 23 | 65,417 | 67,841 |
| Income tax payable | | 488 | 919 |
| Current portion of lease liabilities | 24 | 13,399 | 14,488 |
| Total current liabilities | | 303,436 | 281,737 |
| Net current liabilities | | (135,573) | (140,665) |
| Total assets less current liabilities | | 532,378 | 525,961 |
| Non-current liabilities | | | |
| Long-term debts | 20 | 5,142 | 4,484 |
| Lease liabilities | 24 | 42,650 | 52,408 |
| Deferred tax liabilities | 12 | 31,025 | 27,945 |
| Other non-current liabilities | | 6,394 | 4,697 |
| Total non-current liabilities | | 85,211 | 89,534 |
| Total liabilities | | 388,647 | 371,271 |
| Equity | | | |
| Share capital | 25 | 91,507 | 91,507 |
| Reserves | 26 | 351,419 | 340,582 |
| Total equity attributable to equity holders of the Company | | 442,926 | 432,089 |
| Non-controlling interests | | 4,241 | 4,338 |
| Total equity | | 447,167 | 436,427 |
| Total liabilities and equity | | 835,814 | 807,698 |

Approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Ke Ruiwen
Executive Director,
Chairman and Chief Executive Officer

Li Yinghui
Executive Director, Executive Vice President,
Chief Financial Officer and Secretary of the Board

The notes on pages 170 to 252 form part of these consolidated financial statements.

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023 (Amounts in million except for per share data)

| | Notes | 2023 RMB | 2022 RMB |
|--|-------|------------------|-------------|
| Operating revenues | 27 | 513,551 | 481,448 |
| Operating expenses | | | |
| Depreciation and amortisation | | (99,702) | (96,932) |
| Network operations and support | 28 | (160,411) | (147,589) |
| Selling, general and administrative | 29 | (66,804) | (64,277) |
| Personnel expenses | 30 | (92,805) | (84,772) |
| Other operating expenses | 31 | (56,701) | (54,451) |
| Total operating expenses | | (476,423) | (448,021) |
| Operating profit | | 37,128 | 33,427 |
| Net finance costs | 32 | (332) | (7) |
| Investment income and others | | 292 | 243 |
| Share of profits of associates and joint ventures | | 2,116 | 2,051 |
| Profit before taxation | | 39,204 | 35,714 |
| Income tax | 33 | (8,776) | (8,038) |
| Profit for the year | | 30,428 | 27,676 |
| Other comprehensive income for the year | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Change in fair value of investments in equity instruments at fair value through other comprehensive income | | 511 | (222) |
| Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income | | (135) | 50 |
| | | 376 | (172) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference on translation of financial statements of subsidiaries outside mainland China | | 63 | 712 |
| Share of other comprehensive income of associates and joint ventures | | 2 | — |
| | | 65 | 712 |
| Other comprehensive income for the year, net of tax | | 441 | 540 |
| Total comprehensive income for the year | | 30,869 | 28,216 |

SECTION VIII FINANCIAL REPORTS

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

for the year ended 31 December 2023 (Amounts in million except for per share data)

| | Notes | 2023 RMB | 2022 RMB |
|---|-------|---------------|-------------|
| Profit attributable to | | | |
| Equity holders of the Company | | 30,446 | 27,593 |
| Non-controlling interests | | (18) | 83 |
| Profit for the year | | 30,428 | 27,676 |
| Total comprehensive income attributable to | | | |
| Equity holders of the Company | | 30,887 | 28,133 |
| Non-controlling interests | | (18) | 83 |
| Total comprehensive income for the year | | 30,869 | 28,216 |
| Basic earnings per share (RMB) | 38 | 0.33 | 0.30 |
| Diluted earnings per share (RMB) | 38 | 0.33 | 0.30 |
| Number of shares (in million) | 25 | 91,507 | 91,507 |

The notes on pages 170 to 252 form part of these consolidated financial statements.

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023 (Amounts in million)

| Notes | Attributable to equity holders of the Company | | | | | | | | | Non-Controlling interests RMB | Total equity RMB |
|--|---|---------------------|-------------------|----------------------|--------------------------|--------------------|----------------------|-----------------------|-----------|-------------------------------|------------------|
| | Share capital RMB | Capital reserve RMB | Share premium RMB | Surplus reserves RMB | General risk reserve RMB | Other reserves RMB | Exchange reserve RMB | Retained earnings RMB | Total RMB | | |
| Balance as at 1 January 2022 | 91,507 | 17,892 | 47,687 | 82,277 | 97 | 298 | (1,170) | 190,090 | 428,678 | 2,495 | 431,173 |
| Profit for the year | — | — | — | — | — | — | — | 27,593 | 27,593 | 83 | 27,676 |
| Other comprehensive income for the year | — | — | — | — | — | (172) | 712 | — | 540 | — | 540 |
| Total comprehensive income for the year | — | — | — | — | — | (172) | 712 | 27,593 | 28,133 | 83 | 28,216 |
| Consideration for entity combination under common control | — | (3) | — | — | — | — | — | — | (3) | — | (3) |
| Acquisition of non-controlling interests | — | (1) | — | — | — | — | — | — | (1) | — | (1) |
| Contribution from non-controlling interests | — | 1,824 | — | — | — | — | — | — | 1,824 | 1,851 | 3,675 |
| Distribution to non-controlling interests | — | — | — | — | — | — | — | — | — | (89) | (89) |
| Share of associates and joint ventures' other changes in reserves and others | — | (2) | — | — | — | — | — | (3) | (5) | (2) | (7) |
| Dividends | 37 | — | — | — | — | — | — | (26,537) | (26,537) | — | (26,537) |
| Appropriations to statutory surplus reserve | 26 | — | — | 2,624 | — | — | — | (2,624) | — | — | — |
| Appropriations to general risk reserve | 26 | — | — | — | 86 | — | — | (86) | — | — | — |
| Balance as at 31 December 2022 | 91,507 | 19,710 | 47,687 | 84,901 | 183 | 126 | (458) | 188,433 | 432,089 | 4,338 | 436,427 |
| Profit for the year | — | — | — | — | — | — | — | 30,446 | 30,446 | (18) | 30,428 |
| Other comprehensive income for the year | — | — | — | — | — | 378 | 63 | — | 441 | — | 441 |
| Total comprehensive income for the year | — | — | — | — | — | 378 | 63 | 30,446 | 30,887 | (18) | 30,869 |
| Distribution to non-controlling interests | — | — | — | — | — | — | — | — | — | (78) | (78) |
| Share of associates and joint ventures' other changes in reserves and others | — | 12 | — | — | — | — | — | (3) | 9 | (1) | 8 |
| Dividends | 37 | — | — | — | — | — | — | (20,059) | (20,059) | — | (20,059) |
| Appropriations to statutory surplus reserve | 26 | — | — | 2,860 | — | — | — | (2,860) | — | — | — |
| Appropriations to general risk reserve | 26 | — | — | — | 204 | — | — | (204) | — | — | — |
| Balance as at 31 December 2023 | 91,507 | 19,722 | 47,687 | 87,761 | 387 | 504 | (395) | 195,753 | 442,926 | 4,241 | 447,167 |

The notes on pages 170 to 252 form part of these consolidated financial statements.

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023 (Amounts in million)

| | Notes | 2023 RMB | 2022 RMB |
|--|-------|-----------------|-------------|
| Net cash from operating activities | (a) | 137,508 | 136,432 |
| Cash flows used in investing activities | | | |
| Capital expenditure | | (89,866) | (89,705) |
| Purchase of investments | | (109) | (175) |
| Payments for right-of-use assets | | (307) | (1,807) |
| Proceeds from disposal of property, plant and equipment | | 1,223 | 1,422 |
| Proceeds from disposal of right-of-use assets | | 89 | 142 |
| Proceeds from disposal of investments | | 124 | 200 |
| Payments for equity instruments at fair value through other comprehensive income | | (30) | (15) |
| Purchase of short-term bank deposits | | (13,349) | (2,537) |
| Maturity of short-term bank deposits | | 6,742 | 1,750 |
| Short-term loans granted to China Telecom Group by Finance Company | (b) | (8,100) | (8,105) |
| China Telecom Group's repayments of short-term loans granted by Finance Company | (b) | 8,091 | 2,034 |
| Net cash used in investing activities | | (95,492) | (96,796) |
| Cash flows used in financing activities | | | |
| Repayments of principal of lease liabilities | | (14,647) | (15,897) |
| Proceeds from bank and other loans | | 5,988 | 3,692 |
| Repayments of bank and other loans | | (11,239) | (9,615) |
| Payments of dividends | | (20,059) | (26,537) |
| Distribution to non-controlling interests | | (79) | (90) |
| Payment for the acquisition of non-controlling interests | | — | (1) |
| Contribution from non-controlling interests | | — | 3,675 |
| Net deposits with Finance Company | (b) | 6,680 | 4,411 |
| Increase in statutory deposit reserves placed by Finance Company | (b) | (121) | (541) |
| Consideration paid for entity combination under common control | | — | (3) |
| Net cash used in financing activities | | (33,477) | (40,906) |
| Net increase/(decrease) in cash and cash equivalents | | 8,539 | (1,270) |
| Cash and cash equivalents as at 1 January | | 72,465 | 73,284 |
| Effect of changes in foreign exchange rate | | 42 | 451 |
| Cash and cash equivalents as at 31 December | | 81,046 | 72,465 |

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023 (Amounts in million)

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FROM OPERATING ACTIVITIES

| | 2023 RMB | 2022 RMB |
|--|-----------------|-------------|
| Profit before taxation | 39,204 | 35,714 |
| Adjustment for: | | |
| Depreciation and amortisation | 99,702 | 96,932 |
| Impairment losses for financial assets and contract assets, net of reversal | 3,419 | 2,340 |
| Write-down of inventories, net of reversal | 7 | (61) |
| Investment income and others | (295) | (243) |
| Share of profits of associates and joint ventures | (2,116) | (2,051) |
| Interest income | (2,368) | (1,808) |
| Net interest expense | 2,545 | 1,881 |
| Net foreign exchange gain or loss and others | 155 | (66) |
| Net loss on retirement and disposal of long-lived assets and others | 4,046 | 6,158 |
| | 144,299 | 138,796 |
| Increase in accounts receivable | (11,067) | (3,842) |
| Increase in contract assets | (1,813) | (2,185) |
| Decrease in inventories | 90 | 370 |
| Decrease/(Increase) in prepayments and other current assets | 130 | (4,302) |
| Increase in restricted cash | (182) | (496) |
| Increase in other assets | (683) | (449) |
| Increase in accounts payable | 10,176 | 9,683 |
| Increase in accrued expenses and other payables | 1,657 | 4,293 |
| Decrease in contract liabilities | (2,432) | (3,165) |
| Cash generated from operations | 140,175 | 138,703 |
| Interest received | 2,225 | 1,754 |
| Interest paid | (2,646) | (1,993) |
| Investment income received | 1,530 | 1,208 |
| Income tax paid | (3,776) | (3,240) |
| Net cash from operating activities | 137,508 | 136,432 |

SECTION VIII FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023 (Amounts in million)

- (b)** "Finance Company" refers to China Telecom Group Finance Co., Ltd., a subsidiary of the Company established on 8 January 2019, which provides capital and financial management services to the member units of China Telecommunications Corporation, the parent and ultimate holding company of the Company. These transactions are conducted on normal commercial terms or better.

(c) SIGNIFICANT NON-CASH TRANSACTIONS

For the years ended 31 December 2023 and 2022, the Group did not have significant non-cash investing and financing activities, except for the additions of right-of-use assets and lease liabilities, and the additions of equipment in instalment purchase of equipment.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. PRINCIPAL ACTIVITIES AND ORGANISATION

China Telecom Corporation Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 10 September 2002. The Company and its subsidiaries (hereinafter, collectively referred to as the "Group") is a leading and large-scale full-service and integrated intelligent information services provider, providing its individual, household, government and enterprise customers with integrated intelligent information services.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements 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

For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. The 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 ("Listing Rules").

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.

The consolidated financial statements are prepared on the historical cost basis as modified by the revaluation of certain financial instruments measured at fair value (Note 3(g)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on historical experience and various other factors that management believes are reasonable under certain circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 47.

2.2 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.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.3 Possible impact of new standards and amendments to standards issued but not yet effective for the annual accounting period ended 31 December 2023

Up to the date of issue of the consolidated financial statements, the IASB has issued the following new standards and amendments to standards which are not yet effective and not early adopted by the Group for the annual accounting period ended 31 December 2023:

| | Effective for accounting periods beginning on or after |
|--|--|
| Amendments to IAS 1 " <i>Presentation of Financial Statement</i> " — Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to IAS 1 " <i>Presentation of Financial Statement</i> " — Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to IFRS 16 " <i>Leases</i> " — Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to IAS 7 " <i>Statement of Cash Flows</i> " and IFRS 7 " <i>Financial Instruments: Disclosures</i> " — Supplier finance arrangements | 1 January 2024 |
| Amendments to IAS 21 " <i>The effects of changes in foreign exchange rates</i> " — Lack of exchangeability | 1 January 2025 |
| Amendments to IFRS 10 " <i>Consolidated Financial Statements</i> " and IAS 28 " <i>Investments in Associates and Joint ventures</i> " — Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment of the impact that will result from adopting the new standards and amendments to standards issued by the IASB which are not yet effective for the accounting period ended 31 December 2023. So far, the Group believes that the adoption of these new standards and amendments to standards is unlikely to have a significant impact on its financial position and the results of operations.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of consolidation and equity accounting

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

A subsidiary is an entity controlled by the Company. When fulfilling the following conditions, the Company has control over an entity: (a) has power over the investee, (b) has exposure, or rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power over the investee to affect the amount of the investor's returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) Basis of consolidation and equity accounting (continued)

When assessing whether the Company has power over that entity, only substantive rights (held by the Company and other parties) are considered.

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, and the profit attributable to non-controlling interests is separately presented on the face of the consolidated statement of comprehensive income as an allocation of the profit or loss for the year between the non-controlling interests and the equity holders of the Company. Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Company. For each business combination, other than business combination under common control, the Group measures the non-controlling interests at the proportionate share, of the acquisition date, of fair value of the subsidiary's net identifiable assets. Non-controlling interests at the end of the reporting period are presented in the consolidated statement of financial position within equity and consolidated statement of changes in equity, separately from the equity of the Company's equity holders. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence, but not control, over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's net identifiable assets over the cost of the investment (if any) after reassessment. Thereafter, the investment is adjusted for the Group's equity share of the post-acquisition changes in the associate's net assets and any impairment loss relating to the investment. When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

All significant intercompany balances and transactions and unrealised gains arising from intercompany transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(b) Property, plant and equipment**

Property, plant and equipment are initially recorded at cost, less subsequent accumulated depreciation and impairment losses (Note 3(f)). The cost of an asset comprises its purchase price, any costs directly attributable to bringing the asset to working condition and location for its intended use and the cost of borrowed funds used during the periods of construction. Expenditure incurred after the asset has been put into operation, including cost of replacing part of such an item, is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and the cost can be measured reliably. All other expenditure is expensed as it is incurred.

Gains or losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the respective asset and are recognised as income or expense in the profit or loss on the date of retirement or disposal.

Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

| | Depreciable lives primarily range from | Residual rate |
|--|---|----------------------|
| Buildings and improvements | 8 to 30 years | 3% |
| Communications network plant and equipment | 5 to 10 years | 0%–3% |
| Furniture, fixture, motor vehicles and other equipment | 5 to 10 years | 0%–3% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value are reviewed annually and any change will be accounted for as change in accounting estimate.

(c) Construction in progress

Construction in progress represents buildings, communications network plant and equipment and other equipment and intangible assets under construction and pending installation, and is stated at cost less impairment losses (Note 3(f)). The cost of an item comprises direct costs of construction, capitalisation of interest charge, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment and intangible assets when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Goodwill

Goodwill represents the excess of the investment cost over the Group's interest in the fair value of the net assets acquired in the mobile communications business acquisition (as defined in Note 7).

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (Note 3(f)). On disposal of a cash-generating unit during the year, any attributable amount of the goodwill is included in the calculation of the profit or loss on disposal.

(e) Intangible assets

The Group's intangible assets are primarily software.

Software that is not an integral part of any tangible assets, is recorded at cost less subsequent accumulated amortisation and impairment losses (Note 3(f)). Amortisation of software is mainly calculated on a straight-line basis over the estimated useful lives, which mainly range from 3 to 5 years.

(f) Impairment of goodwill and long-lived assets

The carrying amounts of the Group's long-lived assets, including property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and construction in progress, etc., are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at each year end, or more frequently if events or changes in circumstances indicate that they might be impaired.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15 "*Revenue from Contracts with Customers*" ("IFRS 15"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value in use. The recoverable amount of a tangible and an intangible asset is estimated individually. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The goodwill arising from a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

SECTION VIII FINANCIAL REPORTS

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(f) Impairment of goodwill and long-lived assets (continued)**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised as an expense in profit or loss. Impairment loss recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised for an asset in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down cease to exist, is recognised as an income in profit or loss. The reversal is reduced by the amount that would have been recognised as depreciation and amortisation had the write-down not occurred. An impairment loss in respect of goodwill is not reversed. For the years presented, no reversal of impairment loss was recognised in profit or loss.

(g) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular-way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

- (i) Financial assets measured subsequently at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

- (ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income, and accumulate in other reserves, if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3, "*Business Combinations*" applies. These equity instruments are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividend from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income and others" line item in profit or loss.

SECTION VIII FINANCIAL REPORTS

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(g) Financial instruments (continued)****Financial assets (continued)****Classification and subsequent measurement of financial assets (continued)**

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "investment income and others" line item in profit or loss.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, financial assets included in prepayments and other current assets, short-term bank deposits and restricted cash, cash and cash equivalents) and other item (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets (excluding long-term receivables arising from instalment sale). The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired debtors, and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics, including nature of services provided as well as type of customers, such as receivable from telephone and Internet subscribers and from enterprise customers.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

At the balance sheet date, if the Group considers that the financial instruments has only lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(g) Financial instruments (continued)****Financial assets (continued)****Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)**

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on the historical data and forward-looking information. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Lifetime ECL for accounts receivable and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments measured at amortised cost by adjusting their carrying amount, with the exception of accounts receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(g) Financial instruments (continued)****Financial liabilities and equity****Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities including short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Revenue from contract with customers

The Group recognises revenue when (or as) a performance obligation is satisfied. i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Groups performs; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Revenue from contract with customers (continued)

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

As such, revenues from contracts with customers of telecommunications services are generally recognised over time during which the services are provided to customers.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenues from sales of equipment are recognised at a point in time when the equipment is delivered to the customers and when the control over the equipment have been transferred to the customers.

Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer but the right is conditioned on the Group's future performance. A contract asset is transferred to accounts receivable when the right becomes unconditional. A contract asset is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. When the Group receives an advance payment before the performance obligation is satisfied, this will give rise to a contract liability, until the operating revenues recognised on the relevant contract exceed the amount of the advance payment.

The Group provides subscriber points reward program, which rewards customers based on their consumption amounts and loyalty. Under the reward program, the Group allocates part of the transaction price to subscriber points according to the stand-alone selling prices of subscriber points and relevant goods or services. The stand-alone selling price of each point in the customer point rewards is based on its fair value. The allocated portion of transaction price for the subscriber points reward is recorded as contract liability when the rewards are granted and recognised as revenue when the goods or services of points redemption are delivered or the points are expired.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(h) Revenue from contract with customers (continued)****Contracts with multiple performance obligations (including allocation of transaction price)**

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is generally measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

SECTION VIII FINANCIAL REPORTS

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(h) Revenue from contract with customers (continued)****Consideration payable to a customer**

Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer, and also includes credit or other items that can be applied against amounts owed to the Group. The Group accounted for such consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group and the fair value of the good or service received from the customer can be reasonably estimated. Accordingly, if consideration payable to a customer is accounted for as a reduction of the transaction price, the Group recognises the reduction of revenue when (or as) the later of either of the following events occurs: (i) the Group recognises revenue for the transfer of the related goods or services to the customer; and (ii) the Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

Certain subsidies payable to third party agent incurred by the Group in respect of customer contracts, which will be ultimately enjoyed by end customers, and other subsidies incurred by the Group directly payable to its customers, are qualified as consideration payable to a customer and accounted for as a reduction of operating revenues.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Certain commissions incurred by the Group paid or payable to third party agents, whose selling activities resulted in customers entering into telecommunications service agreements with the Group, are qualified as incremental costs. The Group recognises such costs as an asset, included in other assets, if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

When the Group incurs costs to fulfil a contract, it first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(h) Revenue from contract with customers (continued)****Costs to fulfil a contract (continued)**

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

(i) Leases**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(i) Leases (continued)****The Group as a lessee (continued)****Lease liabilities (continued)**

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

Except for rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor**Classification and measurement of leases**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

The Group as a lessor (continued)

Classification and measurement of leases (continued)

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease components on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modifications

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(j) Income tax**

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax is calculated on the basis of the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged or credited to profit or loss, except for the effect of a change in tax rate on the carrying amount of deferred tax assets and liabilities which were previously recognised in other comprehensive income, in such case the effect of a change in tax rate is also recognised in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) The entity is an associate or joint venture of the Group (or an associate or joint venture of a member of a group of which the Group is a member); or the Group is an associate or joint venture of the entity (or an associate or joint venture of a member of a group of which the entity is a member);
 - (iii) The entity and the Group are joint ventures of the same third party;
 - (iv) The entity is a joint venture of a third entity and the Group is an associate of the third entity; or the Group is a joint venture of a third entity and the entity is an associate of the third entity;
 - (v) The entity is controlled or jointly controlled by a person identified in (a);
 - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(l) 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.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(m) Foreign currencies translation**

The accompanying consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of the Company and its subsidiaries in mainland China is RMB. The functional currency of the Group's foreign operations is the currency of the primary economic environment in which the foreign operations operate. Transactions denominated in currencies other than the functional currency during the year are translated into the functional currency at the applicable rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency using the applicable exchange rates at the end of the reporting period. The resulting exchange differences, other than those capitalised as construction in progress (Note 3(c)), are recognised as income or expense in profit or loss. For the years presented, no exchange differences were capitalised.

When preparing the Group's consolidated financial statements, the results of operations of the Group's foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Assets and liabilities of the Group's foreign operations are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(n) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets, and obligation for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(o) Inventories

Inventories consist of materials and supplies used in maintaining the telecommunications network and goods for resale. Inventories are valued at cost using the specific identification method or the weighted average cost method, less a provision for obsolescence.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs to make the sale and the related tax expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and time deposits with original maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates fair value.

(q) Net finance costs

Net finance costs comprise interest income on bank deposits, interest costs on borrowings, interest expense on lease liabilities and foreign exchange gains and losses. Interest income from bank deposits is recognised as it accrues using the effective interest method.

Interest costs incurred in connection with borrowings are calculated using the effective interest method and are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

(r) Research and development expense

Research and development expenditure is expensed as incurred if the criteria of recognition as intangible assets were not met. For the year ended 31 December 2023, research and development expense, other than those related personnel expenses and depreciation was RMB4,203 million (2022: RMB4,199 million). Research and development related personnel expenses and depreciation for the year ended 31 December 2023 amounted to RMB8,713 million (2022: RMB6,237 million) and RMB136 million (2022: RMB124 million), respectively.

(s) Employee benefits

The Group's contributions to defined contribution retirement plans administered by the PRC government and defined contribution retirement plans administered by independent external parties are recognised in profit or loss as incurred. Further information is set out in Note 45.

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the profit or loss over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is re-measured to fair value at the end of each reporting period with the effect of changes in the fair value of the liability charged or credited to profit or loss. Further details of the Group's share appreciation rights scheme are set out in Note 46.

(t) Government grants

Government grants shall only be recognised until there is reasonable assurance that:

- the Group will comply with all the conditions attaching to them; and
- the grants will be received.

Government grants that compensate expenses incurred are recognised in the consolidated statement of comprehensive income in the same periods in which the expenses are incurred.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**(t) Government grants (continued)**

Government grants relating to assets are recognised in accrued expenses and other payables and other non-current liabilities and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(u) Provisions and contingent liabilities

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Value-added tax ("VAT")

Output VAT rate for basic telecommunications services (including voice communication, lease or sale of network resources) is 9% since 1 April 2019, while the output VAT rate for value-added telecommunications services (including Internet access services, short and multimedia messaging services, transmission and application service of electronic data and information) is 6%, and the output VAT for sales of telecommunications terminals and equipment is 13% since 1 April 2019. Input VAT rate depends on the type of services received and the assets purchased as well as the VAT rate applicable to a specific industry, and ranges from 3% to 13% since 1 April 2019.

Output VAT is excluded from operating revenues while input VAT is excluded from operating expenses or the original cost of equipment purchased and can be netted against the output VAT, arriving at the net amount of VAT recoverable or payable. As the VAT obligations are borne by branches and subsidiaries of the Company, input and output VAT are set off at branches and subsidiaries levels which are not offset at the consolidation level. Such net amount of VAT recoverable or payable is recorded in the financial statement line items of prepayments and other current assets and accrued expenses and other payables, respectively, in the consolidated statement of financial position.

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

4. PROPERTY, PLANT AND EQUIPMENT, NET

| | Buildings and improvements RMB million | Communications network plant and equipment RMB million | Furniture, fixture, motor vehicles and other equipment RMB million | Total RMB million |
|---|--|---|--|----------------------|
| Cost/Deemed cost: | | | | |
| Balance as at 1 January 2022 | 107,198 | 894,314 | 30,152 | 1,031,664 |
| Additions | 1,054 | 528 | 365 | 1,947 |
| Transferred from construction in progress | 2,303 | 72,836 | 1,890 | 77,029 |
| Retirement and disposal | (1,541) | (85,846) | (2,688) | (90,075) |
| Balance as at 31 December 2022 | 109,014 | 881,832 | 29,719 | 1,020,565 |
| Additions | 586 | 293 | 296 | 1,175 |
| Transferred from construction in progress | 2,780 | 71,442 | 2,039 | 76,261 |
| Retirement and disposal | (1,139) | (62,783) | (2,310) | (66,232) |
| Balance as at 31 December 2023 | 111,241 | 890,784 | 29,744 | 1,031,769 |
| Accumulated depreciation and impairment: | | | | |
| Balance as at 1 January 2022 | (67,624) | (525,237) | (22,822) | (615,683) |
| Depreciation charge for the year | (3,777) | (66,975) | (1,978) | (72,730) |
| Provision for impairment loss | — | (68) | (2) | (70) |
| Written back on retirement and disposal | 1,392 | 77,958 | 2,531 | 81,881 |
| Balance as at 31 December 2022 | (70,009) | (514,322) | (22,271) | (606,602) |
| Depreciation charge for the year | (3,760) | (69,537) | (1,937) | (75,234) |
| Written back on retirement and disposal | 1,037 | 56,773 | 2,200 | 60,010 |
| Balance as at 31 December 2023 | (72,732) | (527,086) | (22,008) | (621,826) |
| Net book value as at 31 December 2023 | 38,509 | 363,698 | 7,736 | 409,943 |
| Net book value as at 31 December 2022 | 39,005 | 367,510 | 7,448 | 413,963 |

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

5. CONSTRUCTION IN PROGRESS

| | RMB million |
|--|-----------------|
| Balance as at 1 January 2022 | 51,457 |
| Additions | 89,736 |
| Transferred to property, plant and equipment | (77,029) |
| Transferred to intangible assets | (5,721) |
| Balance as at 31 December 2022 | 58,443 |
| Additions | 96,000 |
| Transferred to property, plant and equipment | (76,261) |
| Transferred to intangible assets | (5,944) |
| Balance as at 31 December 2023 | 72,238 |

6. RIGHT-OF-USE ASSETS

| | Leasehold land | Buildings | Communications towers and related assets | Equipment | Others | Total |
|--|----------------|-------------|--|-------------|-------------|-------------|
| | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million |
| As at 31 December 2023 | | | | | | |
| Carrying amount | 22,693 | 14,496 | 30,938 | 8,312 | 469 | 76,908 |
| As at 31 December 2022 | | | | | | |
| Carrying amount | 21,499 | 15,895 | 40,013 | 9,302 | 346 | 87,055 |
| For the year ended 31 December 2023 | | | | | | |
| Depreciation charge | (829) | (5,518) | (7,744) | (2,823) | (143) | (17,057) |
| For the year ended 31 December 2022 | | | | | | |
| Depreciation charge | (769) | (5,309) | (8,237) | (2,879) | (119) | (17,313) |
| For the year ended 31 December 2023 | | | | | | |
| Provision for impairment loss | — | (3) | — | — | — | (3) |
| For the year ended 31 December 2022 | | | | | | |
| Provision for impairment loss | — | — | — | — | — | — |

The Group leases communications towers and related assets, land and buildings, equipment and other assets for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings and other assets. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

6. RIGHT-OF-USE ASSETS (continued)

For the year ended 31 December 2023, expenses relating to short-term leases amounting to RMB966 million (2022: RMB863 million), expenses relating to leases of low value assets (excluding short-term leases of low value assets) amounting to RMB100 million (2022: RMB112 million) and variable lease payments not included in the measurement of lease liabilities amounting to RMB5,057 million (2022: RMB4,950 million), are recognised in profit or loss.

For the year ended 31 December 2023, total cash outflow for leases was RMB23,068 million (2022: RMB24,748 million), and additions to right-of-use assets were RMB13,286 million (2022: RMB47,154 million).

7. GOODWILL

| | 31 December 2023 | 2022 |
|---|-----------------------------|-------------|
| | RMB million | RMB million |
| Cost: | | |
| Goodwill arising from acquisition of mobile communications business | 29,923 | 29,922 |

On 1 October 2008, the Group acquired the mobile communications business and related assets and liabilities (collectively "mobile communications business"), which also included the entire equity interests of China Unicom (Macau) Company Limited (currently known as China Telecom (Macau) Company Limited) and 99.5% equity interests of Unicom Huasheng Telecommunications Technology Company Limited (currently known as Tianyi Telecom Terminals Company Limited) from China Unicom Corporation Limited and China Unicom Limited (collectively "Unicom Group"). The purchase price of the business combination was RMB43,800 million, which was fully settled as at 31 December 2010. In addition, pursuant to the acquisition agreement, the Group acquired the customer-related assets and assumed the customer-related liabilities of mobile communications business for a net settlement amount of RMB3,471 million due from Unicom Group. This amount was subsequently settled by Unicom Group in 2009. The business combination was accounted for using the purchase method.

The goodwill recognised in the business combination is attributable to the skills and technical talent of the acquired business's workforce, and the synergies expected to be achieved from integrating and combining the mobile communications business into the Group's telecommunications business.

For the purpose of goodwill impairment testing, the goodwill arising from the acquisition of mobile communications business was allocated to the appropriate cash-generating unit of the Group, which is the Group's integrated telecommunications business. The recoverable amount of the Group's integrated telecommunications business is estimated based on the value in use model, which considers the Group's financial budgets covering a five-year period, revenue growth rate between 2.7% to 3.6% (2022: 3.6% to 4.5%) and a pre-tax discount rate of 9.8% (2022: 9.8%). Cash flows beyond the five-year period are extrapolated using a steady 1.5% growth rate (2022: 1.5%). The Group performed impairment tests for the goodwill at the end of the reporting period and determined that goodwill was not impaired. The Group believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its recoverable amount to be less than carrying amount.

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**NOTES TO THE CONSOLIDATED
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for the year ended 31 December 2023

8. INTANGIBLE ASSETS

| | Software RMB million |
|---|---------------------------------|
| Cost: | |
| Balance as at 1 January 2022 | 55,740 |
| Additions | 2,462 |
| Transferred from construction in progress | 5,721 |
| Retirement and disposal | (3,144) |
| Balance as at 31 December 2022 | 60,779 |
| Additions | 3,486 |
| Transferred from construction in progress | 5,944 |
| Retirement and disposal | (2,029) |
| Balance as at 31 December 2023 | 68,180 |
| Accumulated amortisation and impairment: | |
| Balance as at 1 January 2022 | (35,987) |
| Amortisation charge for the year | (6,889) |
| Written back on retirement and disposal | 2,877 |
| Balance as at 31 December 2022 | (39,999) |
| Amortisation charge for the year | (7,411) |
| Written back on retirement and disposal | 1,932 |
| Balance as at 31 December 2023 | (45,478) |
| Net book value as at 31 December 2023 | 22,702 |
| Net book value as at 31 December 2022 | 20,780 |

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

9. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries which principally affected the operating results, assets and liabilities of the Group as at 31 December 2023 are as follows:

| Name of company | Type of legal entity | Date of incorporation | Place of incorporation and operation | Registered/issued capital (in RMB million unless otherwise stated) | Principal activity |
|---|----------------------|-----------------------|--|--|--|
| China Telecom Digital Intelligence Technology Co., Ltd. | Limited Company | 13 September 2001 | PRC | 3,000 | Provision of system integration and consulting services |
| China Telecom Global Limited | Limited Company | 25 February 2000 | Hong Kong Special Administrative Region of the PRC | HK\$168 million | Provision of telecommunications services |
| China Telecom Best Tone Information Service Co., Ltd. | Limited Company | 15 August 2007 | PRC | 350 | Provision of Best Tone information services |
| Tianyi Telecom Terminals Company Limited | Limited Company | 1 July 2005 | PRC | 500 | Sales of telecommunications terminals |
| iMUSIC Culture & Technology Co., Ltd. | Limited Company | 9 June 2013 | PRC | 250 | Provision of music production and related information services |
| Tianyi Capital Holding Co., Ltd. | Limited Company | 30 November 2017 | PRC | 5,000 | Capital investment and provision of consulting services |
| China Telecom Group Finance Co., Ltd. ("Finance Company") | Limited Company | 8 January 2019 | PRC | 5,000 | Provision of capital and financial management services |
| China Telecom Cloud Technology Co., Ltd. | Limited Company | 1 July 2021 | PRC | 4,764 | Provision of cloud products and services |
| E-surfing Digital Life Technology Co., Ltd. | Limited Company | 6 July 2021 | PRC | 900 | Provision of comprehensive solutions related to the digital life |
| Lingang Suanli (Shanghai) Technology Co., Ltd. | Limited Company | 29 April 2021 | PRC | 900 | Provision of computing power services |
| Shanghai Information Industry (Group) Co., Ltd. | Limited Company | 14 December 1994 | PRC | 297 | Provision of communication engineering design and system terminal development services |
| Tianyi IoT Technology Co., Ltd. | Limited Company | 2 February 2019 | PRC | 1,000 | Provision of IoT services |
| China Telecom Intelligent Network Technology Co., Ltd. | Limited Company | 26 January 2022 | PRC | 900 | Provision of operation and support technical services |
| Tianyi Safety Technology Co., Ltd. | Limited Company | 9 September 2021 | PRC | 500 | Provision of network information security services |

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

9. INVESTMENTS IN SUBSIDIARIES (continued)

Except Finance Company which is 70% owned by the Company, and China Telecom Cloud Technology Co., Ltd. which is 89% owned by the Company, all of the above subsidiaries are directly or indirectly wholly-owned by the Company. No subsidiaries of the Group have material non-controlling interests. None of the subsidiaries had issued any debt securities at the end of the year.

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES

| | 31 December 2023 | 2022 |
|---|---------------------|-------------|
| | RMB million | RMB million |
| Cost of investment in associates and joint ventures | 36,986 | 36,964 |
| Share of post-acquisition changes in net assets | 6,172 | 5,256 |
| | 43,158 | 42,220 |

The Group's interests in associates and joint ventures are accounted for under the equity method. Details of the Group's principal associates are as follows:

| Name of company | Attributable equity interest | Principal activities |
|---|---------------------------------|--|
| China Tower Corporation Limited (Note (i)) | 20.5% | Construction, maintenance and operation of communications towers as well as ancillary facilities |
| Shanghai Information Investment Incorporation (Note (ii)) | 24.0% | Information technology consulting services |

Notes:

- (i) China Tower Corporation Limited ("China Tower") is established and operated in the PRC, and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 August 2018.
- (ii) Shanghai Information Investment Incorporation ("Shanghai Info-investment") is established and operated in the PRC and is not traded on any stock exchange.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's principal associates and reconciliation to the carrying amounts of interests in associates in the Group's consolidated financial statements are disclosed below:

China Tower

| | 31 December 2023 | 2022 |
|-------------------------|-----------------------------|-------------|
| | RMB million | RMB million |
| Current assets | 78,083 | 49,706 |
| Non-current assets | 247,924 | 255,854 |
| Current liabilities | 63,934 | 65,158 |
| Non-current liabilities | 64,379 | 46,811 |

| | 2023 | 2022 |
|---|--------------------|-------------|
| | RMB million | RMB million |
| Operating revenues | 94,009 | 92,170 |
| Profit for the year | 9,750 | 8,787 |
| Other comprehensive income for the year | 6 | — |
| Total comprehensive income for the year | 9,756 | 8,787 |
| Dividend received from China Tower | 1,166 | 947 |

Reconcile to the Group's interests in the associate:

| | 31 December 2023 | 2022 |
|--|-----------------------------|-------------|
| | RMB million | RMB million |
| Net assets of China Tower | 197,694 | 193,591 |
| Non-controlling interests of China Tower | — | — |
| The Group's effective interest in China Tower | 20.5% | 20.5% |
| The Group's share of net assets of China Tower | 40,527 | 39,686 |
| Adjustment for the remaining balance of the deferred gain from the Tower Assets Disposal | (317) | (415) |
| Carrying amount of the interest in China Tower in the consolidated financial statements of the Group | 40,210 | 39,271 |
| Fair value of China Tower calculated based on quoted price | 26,816 | 27,078 |

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for the year ended 31 December 2023

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

China Tower (continued)

As at 31 December 2023, the fair value of investment in China Tower was RMB26,816 million (31 December 2022: RMB27,078 million) based on its quoted market price, which was below its carrying amount by 33.3% (31 December 2022: 31.0%). The management of the Group performed an impairment assessment and determined the recoverable amount of the investment based on the present value of expected future cash flows. The calculation has considered pre-tax cash flow projections of China Tower in five years with an extrapolation made to perpetuity. The discount rate used in projecting present value of future cash flows was based on cost of capital used to evaluate investments of similar nature in mainland China. Management judgement is required in estimating the future cash flows of China Tower. The key assumptions above are determined with reference to external sources of information. Based on the management's assessment result, there was no impairment of the investment as at 31 December 2023.

Shanghai Info-investment

| | 31 December | |
|-------------------------|--------------------|-------------|
| | 2023 | 2022 |
| | RMB million | RMB million |
| Current assets | 5,127 | 5,769 |
| Non-current assets | 7,622 | 6,556 |
| Current liabilities | 2,019 | 1,857 |
| Non-current liabilities | 2,424 | 2,559 |

| | 2023 | 2022 |
|---|-------------|-------------|
| | RMB million | RMB million |
| Operating revenues | 1,368 | 1,403 |
| Profit for the year | 454 | 739 |
| Other comprehensive income for the year | 7 | (2) |
| Total comprehensive income for the year | 461 | 737 |
| Dividend received from Shanghai Info-investment | 36 | 18 |

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10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Shanghai Info-investment (continued)

Reconcile to the Group's interests in the associate:

| | 31 December 2023 | 2022 |
|---|-----------------------------|-------------|
| | RMB million | RMB million |
| Net assets of Shanghai Info-investment | 8,306 | 7,909 |
| Non-controlling interests of Shanghai Info-investment | (46) | (17) |
| The Group's effective interest in Shanghai Info-investment | 24.0% | 24.0% |
| The Group's share of net assets of Shanghai Info-investment | 1,982 | 1,894 |
| Carrying amount of the interest in Shanghai Info-investment in the consolidated financial statements of the Group | 1,982 | 1,894 |

Aggregate financial information of the Group's associates and joint ventures that are not individually material is disclosed below:

| | 2023 | 2022 |
|--|--------------------|-------------|
| | RMB million | RMB million |
| The Group's share of profit of these associates and joint ventures | (101) | (86) |
| The Group's share of total comprehensive income of these associates and joint ventures | (101) | (86) |

| | 31 December 2023 | 2022 |
|---|-----------------------------|-------------|
| | RMB million | RMB million |
| Aggregate carrying amount of interests in these associates and joint ventures in the consolidated financial statements of the Group | 966 | 1,055 |

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11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Notes | 31 December 2023 RMB million | 2022 RMB million |
|---------------------------------------|-------|------------------------------------|---------------------|
| Equity securities of listed companies | (i) | 1,371 | 759 |
| Unlisted equity securities | (ii) | 55 | 126 |
| | | 1,426 | 885 |

Notes:

- (i) The above listed equity instruments represent ordinary shares of listed entities. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- (ii) The above unlisted equity securities represent the Group's equity interests in various private entities. The directors of the Company have elected to designate these investments in equity instruments as FVTOCI as they believe that the Group will hold these investments for long-term strategic purposes.

12. DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and deferred tax liabilities before offsetting are as follows:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 31 December 2023 RMB million | 31 December 2022 RMB million | 31 December 2023 RMB million | 31 December 2022 RMB million |
| Accrued salaries, wages and other benefits | 2,264 | 2,115 | — | — |
| Temporary receipts of demolition and modification and deferred revenues | 2,745 | 2,627 | — | — |
| Depreciation, write-off and impairment of property, plant and equipment, etc. | 2,809 | 2,536 | (41,932) | (35,479) |
| Allowance for expected credit loss of accounts receivable | 1,889 | 1,404 | — | — |
| Subscriber points reward program | 997 | 1,064 | — | — |
| Right-of-use assets | — | — | (11,714) | (14,323) |
| Lease liabilities | 12,550 | 15,054 | — | — |
| Equity instruments at fair value through other comprehensive income | 30 | 9 | (266) | (110) |
| Others | 950 | 979 | — | — |
| Deferred tax assets/(liabilities) | 24,234 | 25,788 | (53,912) | (49,912) |

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for the year ended 31 December 2023

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

As at 31 December 2023, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB22,887 million (31 December 2022: RMB21,967 million). As at 31 December 2023, net deferred tax assets and deferred tax liabilities after offsetting were RMB1,347 million (31 December 2022: RMB3,821 million) and RMB31,025 million (31 December 2022: RMB27,945 million), respectively.

The movement of deferred tax assets and deferred tax liabilities are as follows:

| | Balance as at 1 January 2023 RMB million | Recognised in consolidated statement of comprehensive income RMB million | Balance as at 31 December 2023 RMB million |
|---|---|---|---|
| Accrued salaries, wages and other benefits | 2,115 | 149 | 2,264 |
| Temporary receipts of demolition and modification and deferred revenues | 2,627 | 118 | 2,745 |
| Depreciation, write-off and impairment of property, plant and equipment, etc. | 2,536 | 273 | 2,809 |
| Allowance for expected credit loss of accounts receivable | 1,404 | 485 | 1,889 |
| Subscriber points reward program | 1,064 | (67) | 997 |
| Lease liabilities | 15,054 | (2,504) | 12,550 |
| Equity instruments at fair value through other comprehensive income | 9 | 21 | 30 |
| Others | 979 | (29) | 950 |
| Deferred tax assets | 25,788 | (1,554) | 24,234 |
| Depreciation, write-off and impairment of property, plant and equipment, etc. | (35,479) | (6,453) | (41,932) |
| Right-of-use assets | (14,323) | 2,609 | (11,714) |
| Equity instruments at fair value through other comprehensive income | (110) | (156) | (266) |
| Deferred tax liabilities | (49,912) | (4,000) | (53,912) |

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12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

| | Balance as at 1 January 2022 RMB million | Recognised in consolidated statement of comprehensive income RMB million | Balance as at 31 December 2022 RMB million |
|--|---|---|---|
| Accrued salaries, wages and other benefits | 1,416 | 699 | 2,115 |
| Temporary receipts of demolition and modification and deferred revenues | 2,286 | 341 | 2,627 |
| Depreciation, write-off and impairment of property, plant and equipment, etc. | 2,675 | (139) | 2,536 |
| Allowance for expected credit loss of accounts receivable | 1,140 | 264 | 1,404 |
| Subscriber points reward program | 1,058 | 6 | 1,064 |
| Lease liabilities | 9,856 | 5,198 | 15,054 |
| Equity instruments at fair value through other comprehensive income | — | 9 | 9 |
| Others | 944 | 35 | 979 |
| Deferred tax assets | 19,375 | 6,413 | 25,788 |
| Depreciation, write-off and impairment of property, plant and equipment, etc. | (30,202) | (5,277) | (35,479) |
| Right-of-use assets | (9,011) | (5,312) | (14,323) |
| Equity instruments at fair value through other comprehensive income | (151) | 41 | (110) |
| Deferred tax liabilities | (39,364) | (10,548) | (49,912) |

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12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

In 2019, the Group adopted IFRS 16 "Leases", and applied the requirements of IAS 12 "Income tax" to the leasing transaction as a whole, with temporary differences relating to right-of-use assets and lease liabilities assessed on a net basis. The Group has applied amendments to IAS 12 "Income tax" — Deferred Tax related to Assets and Liabilities arising from a Single Transaction, and recognised deferred tax assets and deferred tax liabilities respectively for the equal amounts of deductible and taxable temporary differences arising from the above transactions since 1 January 2023. The application of the amendments to accounting standards has had no material effect on the Group's financial position and result of operations, except for increasing the amount of deferred tax assets and deferred tax liabilities before offsetting, respectively.

Deferred tax assets are recognised for deductible temporary differences and tax losses carry-forwards only to the extent that the realisation of the related tax benefit through future taxable profits is probable. Certain subsidiaries of the Group did not recognise deferred tax assets of RMB1,467 million (31 December 2022: RMB826 million) in respect of deductible temporary differences and tax losses amounting to RMB9,269 million (31 December 2022: RMB5,130 million) that can be carried forward against future taxable profits as at 31 December 2023. The deductible tax losses are allowed to be carried forward within next five years against future taxable profits, while those of high-tech enterprises are allowed to be within next ten years.

13. OTHER ASSETS

| | Notes | 31 December 2023 RMB million | 2022 RMB million |
|--|-------|------------------------------------|---------------------|
| Contract costs | (i) | 1,486 | 1,503 |
| Other long-term prepaid expenses and receivables | (ii) | 8,423 | 7,632 |
| | | 9,909 | 9,135 |

Notes:

(i) Contract costs capitalised as at 31 December 2023 and 2022 mainly relate to the direct cost of the provision of wireline terminals to subscribers for the provision of Wireline and Smart Family services of the Group. The amount of capitalised costs recognised in profit or loss for the year ended 31 December 2023 was RMB1,348 million (2022: RMB1,752 million). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during this year.

(ii) Other long-term prepaid expenses and receivables mainly include prepayments of construction and materials, etc.

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14. JOINT OPERATION

On 9 September 2019, the Group entered into a framework cooperation agreement (the "Cooperation Agreement") with China United Network Communications Corporation Limited ("China Unicom") to co-build and co-share certain 5G access network. Pursuant to the Cooperation Agreement, the Group and China Unicom delineate and designate the regions to jointly construct and operate one 5G access network nationwide. In certain regions where the 5G access network is constructed, operated and maintained by China Unicom, the Group operates its 5G business relying on China Unicom's network; whereas in other regions where the 5G access network is constructed, operated and maintained by the Group, China Unicom operates its 5G business relying on the Group's network.

Pursuant to the Cooperation Agreement, the Group and China Unicom co-share 5G spectrum resources while the 5G core network is respectively constructed, operated and maintained by each party. Both parties jointly ensure a unified standard on network planning, construction, operation, maintenance and service quality in the 5G network co-build and co-share regions, and assure the same service level be delivered.

The 5G network co-build and co-share arrangement is agreed by the Group and China Unicom through coordination and promotion institution jointly established by both parties, in order to set up the relevant mechanism, system and rules with unanimous consensus reached by both parties. The main function of such joint coordination and promotion institution is to carry out joint network planning and investment decision, project initiation and acceptance and other related works, such as the determination of the location of 5G base stations and the types of equipment to be used, and coordinate the operation and maintenance of 5G co-build and co-share network in order to ensure the effective implementation of the Cooperation Agreement. For example, the timing, scale and location of the 5G base station construction, selection of equipment and appointment of maintenance suppliers across all regions are all negotiated and agreed by both parties with unanimous consensus.

Under the joint operation, the business and branding of each party continue to operate independently, and the subscribers to the services are owned by each party, respectively. Revenues derived from each party's subscribers are recognised by each party independently; cost and expenses are assumed by each party respectively; while assets constructed by each party and the related liabilities are also recognised and assumed by each party respectively.

15. INVENTORIES

| | 31 December 2023 | 2022 |
|------------------------|-----------------------------|-------------|
| | RMB million | RMB million |
| Materials and supplies | 346 | 433 |
| Goods for resale | 3,071 | 3,080 |
| | 3,417 | 3,513 |

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16. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

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

Note:

(i) China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as "China Telecom Group".

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:

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

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for the year ended 31 December 2023

16. ACCOUNTS RECEIVABLE, NET (continued)

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

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

Details of impairment assessment of accounts receivable for the years ended 31 December 2023 and 2022 are set out in Note 40.

17. CONTRACT ASSETS

| | 31 December | |
|-------------------------------------|--------------|-------------|
| | 2023 | 2022 |
| | RMB million | RMB million |
| Third parties | 4,768 | 2,937 |
| China Telecom Group | 161 | 180 |
| China Tower | 1 | — |
| | 4,930 | 3,117 |
| Less: Provision for impairment loss | (265) | (75) |
| | 4,665 | 3,042 |

Contract assets mainly arise from contracts for the provision of Industrial Digitalisation and Wireline and Smart Family services. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle which is generally within a year.

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for the year ended 31 December 2023

18. PREPAYMENTS AND OTHER CURRENT ASSETS

| | Note | 31 December 2023 RMB million | 2022 RMB million |
|---|------|------------------------------------|---------------------|
| Amounts due from China Telecom Group | (i) | 9,067 | 8,846 |
| Amounts due from China Tower | | 227 | 43 |
| Amounts due from other telecommunications operators in the PRC | | 189 | 199 |
| Other receivables | | 8,146 | 5,582 |
| Less: Allowance for credit losses | | (774) | (722) |
| Prepayments in connection with terminal equipment purchases | | 4,236 | 6,296 |
| Prepaid expenses and deposits | | 3,557 | 3,657 |
| VAT recoverable | | 10,932 | 9,850 |
| | | 35,580 | 33,751 |

Note:

- (i) As at 31 December 2023, amounts due from China Telecom Group included short-term loans granted to China Telecom Group and its subsidiaries by Finance Company (31 December 2023: RMB8,080 million, and an impairment allowance recognised at RMB162 million; 31 December 2022: RMB8,071 million, and an impairment allowance recognised at RMB161 million). Of the above loans, the interest rate for loans of RMB80 million is 4.0% per annum, the interest rate for loans of RMB8,000 million is 2.9% per annum, both with a maturity period of one year.

19. CASH AND CASH EQUIVALENTS

| | 31 December 2023 RMB million | 2022 RMB million |
|--|------------------------------------|---------------------|
| Cash at bank and in hand | 78,740 | 65,234 |
| Time deposits with original maturity within three months | 2,306 | 7,231 |
| | 81,046 | 72,465 |

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20. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

| | 31 December 2023 | 2022 |
|------------------------------|-----------------------------|-------------|
| | RMB million | RMB million |
| Loans from banks — unsecured | 2,867 | 2,840 |

The weighted average interest rate of the Group's total short-term debts as at 31 December 2023 was 3.0% (31 December 2022: 3.3%) per annum, and the loans bear interests at rates ranging from 2.7% to 3.4% (31 December 2022: 3.0% to 4.1%) per annum, which are repayable within one year.

Long-term debts comprise:

| | | 31 December 2023 | 2022 |
|--|---|-----------------------------|-------------|
| | | RMB million | RMB million |
| | Interest rates and final maturity | | |
| Bank loans — unsecured | | | |
| Renminbi denominated (Note (i)) | Interest rates ranging from 1.08% to 2.60% per annum with maturities through 2036 | 6,029 | 5,321 |
| US Dollars denominated | Interest rates of 2.00% per annum mainly, with maturities through 2028 | 160 | 178 |
| Euro denominated | Interest rate of 2.30% per annum mainly, with maturities through 2032 | 86 | 97 |
| | | 6,275 | 5,596 |
| Other loans — unsecured | | | |
| Renminbi denominated | | — | 1 |
| Company bonds — unsecured (Note (ii)) | | — | 2,047 |
| Total long-term debts | | 6,275 | 7,644 |
| Less: Current portion | | (1,133) | (3,160) |
| Non-current portion | | 5,142 | 4,484 |

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20. SHORT-TERM AND LONG-TERM DEBTS (continued)

Long-term debts comprise (continued):

Notes:

- (i) The loans from banks include long-term RMB denominated government loans with below-market interest rates ranging from 1.08% to 1.20% per annum obtained by the Group through banks (the "Low-interest Loans"). The Group recognised the Low-interest Loans at their fair value on initial recognition, and accreted the discount to profit or loss using the effective interest rate method. The difference between the fair value and face value of the Low-interest Loans was recognised as government grants in accrued expenses and other payables and other non-current liabilities.
- (ii) On 10 March 2020, the Group issued three-year RMB denominated company bonds, amounting to RMB2,000 million, to qualified investors on Shanghai Stock Exchange, with interest rate of 2.90% per annum. The company bonds are unsecured and have been fully repaid on 9 March 2023.

The aggregate maturities of the Group's long-term debts subsequent to 31 December 2023 are as follows:

| | 31 December 2023 | 2022 |
|----------------------|-----------------------------|-------------|
| | RMB million | RMB million |
| Within 1 year | 1,133 | 3,160 |
| Between 1 to 2 years | 1,143 | 1,079 |
| Between 2 to 3 years | 1,036 | 1,045 |
| Between 3 to 4 years | 394 | 743 |
| Between 4 to 5 years | 1,604 | 328 |
| Thereafter | 965 | 1,289 |
| | 6,275 | 7,644 |

The Group's short-term and long-term debts do not contain any financial covenants. As at 31 December 2023, the Group had unutilised credit facilities amounting to RMB205,452 million (31 December 2022: RMB233,639 million).

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21. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

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

Amounts due to China Telecom Group and China Tower are payable in accordance with contractual terms which are similar to those offered by third parties.

Ageing analysis of accounts payable based on the due dates is as follows:

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

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for the year ended 31 December 2023

22. ACCRUED EXPENSES AND OTHER PAYABLES

| | 31 December | |
|--|---------------|-------------|
| | 2023 | 2022 |
| | RMB million | RMB million |
| Amounts due to China Telecom Group | 29,969 | 19,841 |
| Amounts due to China Tower | 1,875 | 1,590 |
| Amounts due to other telecommunications operators in the PRC | 14 | 19 |
| Accrued expenses | 22,648 | 25,404 |
| VAT payable | 948 | 952 |
| Deposits and rental receipt in advance | 5,643 | 5,844 |
| Accrued salaries, wages and other benefits | 13,163 | 11,579 |
| | 74,260 | 65,229 |

23. CONTRACT LIABILITIES

| | 31 December | |
|---------------------|---------------|-------------|
| | 2023 | 2022 |
| | RMB million | RMB million |
| Third parties | 65,171 | 67,570 |
| China Telecom Group | 245 | 271 |
| China Tower | 1 | — |
| | 65,417 | 67,841 |

Majority of contract liabilities as at 31 December 2022 was recognised as operating revenues for the year ended 31 December 2023.

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24. LEASE LIABILITIES

| | 31 December 2023 | 2022 |
|---|-----------------------------|-------------|
| | RMB million | RMB million |
| Within one year | 13,399 | 14,488 |
| Within a period of more than one year but not more than two years | 12,976 | 13,225 |
| Within a period of more than two years but not more than five years | 25,780 | 35,655 |
| Within a period of more than five years | 3,894 | 3,528 |
| | 56,049 | 66,896 |
| Less: Current portion | (13,399) | (14,488) |
| Non-current portion | 42,650 | 52,408 |

25. SHARE CAPITAL

| | 31 December 2023 | 2022 |
|--|-----------------------------|-------------|
| | RMB million | RMB million |
| Registered, issued and fully paid | | |
| 77,629,728,699 A shares of RMB1.00 each | 77,630 | 77,630 |
| 13,877,410,000 H shares of RMB1.00 each | 13,877 | 13,877 |
| | 91,507 | 91,507 |

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26. RESERVES

The Group

| | Capital reserve RMB million (Note (ii)) | Share premium RMB million | Surplus reserves RMB million (Note (iii)) | General risk reserve RMB million (Note (v)) | Other reserves RMB million (Note (ii)) | Exchange reserves RMB million | Retained earnings RMB million | Total RMB million |
|--|--|---------------------------------|--|--|---|-------------------------------------|-------------------------------------|----------------------|
| Balance as at 1 January 2022 | 17,892 | 47,687 | 82,277 | 97 | 298 | (1,170) | 190,090 | 337,171 |
| Total comprehensive income for the year | — | — | — | — | (172) | 712 | 27,593 | 28,133 |
| Consideration for entity combination under common control | (3) | — | — | — | — | — | — | (3) |
| Acquisition of non-controlling interests | (1) | — | — | — | — | — | — | (1) |
| Contribution from non- controlling interests | 1,824 | — | — | — | — | — | — | 1,824 |
| Share of associates and joint ventures' other changes in reserves and others | (2) | — | — | — | — | — | (3) | (5) |
| Dividends (Note 37) | — | — | — | — | — | — | (26,537) | (26,537) |
| Appropriations to statutory surplus reserve (Note (iii)) | — | — | 2,624 | — | — | — | (2,624) | — |
| Appropriations to general risk reserve (Note (v)) | — | — | — | 86 | — | — | (86) | — |
| Balance as at 31 December 2022 | 19,710 | 47,687 | 84,901 | 183 | 126 | (458) | 188,433 | 340,582 |
| Total comprehensive income for the year | — | — | — | — | 378 | 63 | 30,446 | 30,887 |
| Share of associates and joint ventures' other changes in reserves and others | 12 | — | — | — | — | — | (3) | 9 |
| Dividends (Note 37) | — | — | — | — | — | — | (20,059) | (20,059) |
| Appropriations to statutory surplus reserve (Note (iii)) | — | — | 2,860 | — | — | — | (2,860) | — |
| Appropriations to general risk reserve (Note (v)) | — | — | — | 204 | — | — | (204) | — |
| Balance as at 31 December 2023 | 19,722 | 47,687 | 87,761 | 387 | 504 | (395) | 195,753 | 351,419 |

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26. RESERVES (continued)

The Company

| | Capital reserve RMB million (Note (i)) | Share premium RMB million | Surplus reserves RMB million (Note (iii)) | Other reserves RMB million (Note (ii)) | Retained earnings RMB million (Note (iv)) | Total RMB million |
|--|---|---------------------------------|--|---|--|----------------------|
| Balance as at 1 January 2022 | 28,761 | 47,687 | 82,277 | 177 | 158,723 | 317,625 |
| Total comprehensive income for the year | — | — | — | (123) | 26,244 | 26,121 |
| Share of associates and joint ventures' other changes in reserves | (2) | — | — | — | — | (2) |
| Dividends (Note 37) | — | — | — | — | (26,537) | (26,537) |
| Appropriations to statutory surplus reserve (Note (iii)) | — | — | 2,624 | — | (2,624) | — |
| Balance as at 31 December 2022 | 28,759 | 47,687 | 84,901 | 54 | 155,806 | 317,207 |
| Total comprehensive income for the year | — | — | — | 470 | 28,599 | 29,069 |
| Share of associates and joint ventures' other changes in reserves | 12 | — | — | — | — | 12 |
| Dividends (Note 37) | — | — | — | — | (20,059) | (20,059) |
| Appropriations to statutory surplus reserve (Note (iii)) | — | — | 2,860 | — | (2,860) | — |
| Balance as at 31 December 2023 | 28,771 | 47,687 | 87,761 | 524 | 161,486 | 326,229 |

Notes:

- (i) Capital reserve of the Group mainly represents the sum of (a) the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation; (b) the difference between the consideration paid by the Group for the companies acquired, from China Telecom Group which were accounted for as equity transactions, and the historical carrying amount of the net assets of these acquired companies; and (c) the difference between the consideration paid by the Group for the acquisition of non-controlling interests and the carrying amount of the non-controlling interests acquired.

Capital reserve of the Company represents the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation.

- (ii) Other reserves of the Group and the Company represent primarily the change in the fair value of investment in equity instruments at FVTOCI and the deferred tax recognised due to the change in fair value of those investment in equity instruments.

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26. RESERVES (continued)

Notes (continued):

- (iii) *The surplus reserves consist of statutory surplus reserve and discretionary surplus reserve.*

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined in accordance with the lower of the amount determined under China Accounting Standards for Business Enterprises and the amount determined under IFRS Accounting Standards, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the years ended 31 December 2023 and 2022, the net profit of the Company determined in accordance with China Accounting Standards for Business Enterprises and IFRS Accounting Standards are the same. For the year ended 31 December 2023, the Company transferred RMB2,860 million (2022: RMB2,624 million), being 10% of the year's net profit, to this reserve. As at 31 December 2023, the amount of statutory surplus reserve was RMB41,682 million (31 December 2022: RMB38,822 million).

The Company did not make any appropriations to discretionary surplus reserve for the years ended 31 December 2023 and 2022. As at 31 December 2023 and 2022, the amount of discretionary surplus reserve was RMB46,079 million.

The statutory and discretionary surplus reserves are non-distributable other than in liquidation and can be used to make good of previous years' losses, if any, and may be utilised for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining statutory surplus reserve balance after such issue is not less than 25% of the registered capital.

- (iv) *According to the Company's Articles of Association, the amount of retained earnings available for distribution to shareholders of the Company is the lower of the amount of the Company's retained earnings determined in accordance with China Accounting Standards for Business Enterprises and the amount determined in accordance with IFRS Accounting Standards. As at 31 December 2023, the amount of retained earnings available for distribution was RMB161,486 million (31 December 2022: RMB155,806 million), being the amount determined in accordance with IFRS Accounting Standards. Final dividend of approximately RMB8,236 million in respect of the financial year 2023 proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements at the end of the reporting period (Note 37).*
- (v) *Pursuant to "Requirements on Impairment Allowance for Financial Institutions" (Caijin [2012] No. 20) issued by the Ministry of Finance of the PRC effective on 1 July 2012 (the "Requirements"), the Group's subsidiaries, mainly Finance Company, established a general risk reserve within equity, through appropriation of retained earnings, to address unidentified potential losses relating to risk assets. The general risk reserve balance should not be less than 1.5% of the ending balance of risk assets, as defined in the Requirements.*

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27. OPERATING REVENUES

Disaggregation of revenue

| | Notes | 2023 RMB million | 2022 RMB million |
|--|-------|---------------------|---------------------|
| Type of goods or services | | | |
| Service revenues | | 464,965 | 434,928 |
| Mobile communications service revenues | (i) | 195,660 | 191,026 |
| Wireline and Smart Family service revenues | (ii) | 123,063 | 118,534 |
| Industrial Digitalisation service revenues | (iii) | 138,890 | 117,756 |
| Other service revenues | (iv) | 7,352 | 7,612 |
| Sales of goods and others | (v) | 48,586 | 46,520 |
| Total operating revenues | | 513,551 | 481,448 |
| Revenue from customer contracts | | 505,531 | 472,952 |
| Revenue from other sources and others | | 8,020 | 8,496 |
| Total operating revenues | | 513,551 | 481,448 |
| Timing of revenue recognition | | | |
| A point in time | | 42,563 | 40,039 |
| Over time | | 470,988 | 441,409 |
| Total operating revenues | | 513,551 | 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.

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for the year ended 31 December 2023

28. NETWORK OPERATIONS AND SUPPORT

| | Note | 2023 RMB million | 2022 RMB million |
|--|------|---------------------|---------------------|
| Operating and maintenance | | 102,270 | 88,682 |
| Utility | | 19,516 | 18,055 |
| Network resources usage and related fees | (i) | 29,018 | 28,173 |
| Others | | 9,607 | 12,679 |
| | | 160,411 | 147,589 |

Note:

- (i) Network resources usage and related fees include fees in respect of the short-term leases and leases of low-value assets, variable lease payments not depending on an index or a rate and fees for non-lease components in respect of communications towers and related assets lease and the usage of network resources provided by third parties.

29. SELLING, GENERAL AND ADMINISTRATIVE

| | Note | 2023 RMB million | 2022 RMB million |
|---|------|---------------------|---------------------|
| Channel commission and customer services expenses | | 47,773 | 47,290 |
| Advertising and promotion expenses | | 2,882 | 2,804 |
| Property and transportation related expenses | | 3,128 | 2,982 |
| Research and development expenses | (i) | 4,203 | 4,199 |
| Auditors' remuneration | | | |
| — Audit services | | 56 | 59 |
| — Non-audit services | | 4 | 6 |
| Others | | 8,758 | 6,937 |
| | | 66,804 | 64,277 |

Note:

- (i) The item does not include depreciation and amortisation and personnel expenses related to research and development.

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30. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

| | 2023 RMB million | 2022 RMB million |
|-------------------------------------|---------------------|---------------------|
| Network operations and support | 55,052 | 53,347 |
| Selling, general and administrative | 37,753 | 31,425 |
| | 92,805 | 84,772 |

31. OTHER OPERATING EXPENSES

| | Notes | 2023 RMB million | 2022 RMB million |
|-------------------------|-------|---------------------|---------------------|
| Interconnection charges | (i) | 13,910 | 13,052 |
| Cost of goods sold | (ii) | 40,819 | 39,592 |
| Donations | | 17 | 6 |
| Others | (iii) | 1,955 | 1,801 |
| | | 56,701 | 54,451 |

Notes:

- (i) Interconnection charges represent amounts incurred for the use of other domestic and foreign telecommunications operators' networks for delivery of voice and data traffic that originate from the Group's telecommunications networks.
- (ii) Cost of goods sold primarily represents cost of communications equipment sold.
- (iii) Others mainly include tax and surcharges other than VAT and income tax.

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32. NET FINANCE COSTS

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

33. INCOME TAX

Income tax in the profit or loss comprises:

| | 2023 RMB million | 2022 RMB million |
|---|---------------------|---------------------|
| Provision for PRC income tax | 3,121 | 3,676 |
| Provision for income tax in other tax jurisdictions | 236 | 177 |
| Deferred taxation | 5,419 | 4,185 |
| | 8,776 | 8,038 |

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33. INCOME TAX (continued)

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

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

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.

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34. DIRECTORS' AND SUPERVISORS' REMUNERATION

The following table sets out the remuneration of the Company's directors and supervisors:

| 2023 | Directors'/ supervisors' fees RMB thousand | Salaries, allowances and benefits in kind RMB thousand | Discretionary bonuses ¹⁰ RMB thousand | Retirement scheme contributions RMB thousand | Share-based payments RMB thousand | Total RMB thousand |
|--|---|---|--|---|---|-----------------------|
| Executive directors | | | | | | |
| Ke Ruiwen | — | 240 | 360 | 144 | — | 744 |
| Shao Guanglu | — | 240 | 360 | 136 | — | 736 |
| Liu Guiqing | — | 216 | 324 | 135 | — | 675 |
| Tang Ke | — | 214 | 321 | 134 | — | 669 |
| Xia Bing ¹ | — | 214 | 321 | 134 | — | 669 |
| Li Yinghui ¹ | — | 214 | 321 | 134 | — | 669 |
| Li Jun ² | — | 143 | 214 | 95 | — | 452 |
| Non-executive director | | | | | | |
| Chen Shengguang | — | — | — | — | — | — |
| Independent non-executive directors³ | | | | | | |
| Tse Hau Yin, Aloysius ⁴ | 8 | — | — | — | — | 8 |
| Xu Erming ⁴ | 4 | — | — | — | — | 4 |
| Wang Hsuehming ⁵ | 108 | — | — | — | — | 108 |
| Ng Kar Ling Johnny ⁶ | 492 | — | — | — | — | 492 |
| Yeung Chi Wai, Jason | 317 | — | — | — | — | 317 |
| Chen Dongqi ⁶ | — | — | — | — | — | — |
| Lyu Wei ⁷ | — | — | — | — | — | — |
| Supervisors | | | | | | |
| Dai Bin ⁸ | — | 68 | 337 | 48 | — | 453 |
| Xu Shiguang ⁸ | — | 48 | 111 | 37 | — | 196 |
| Han Fang | — | 485 | 663 | 121 | 218 | 1,487 |
| Zhang Jianbin | — | 261 | 801 | 122 | — | 1,184 |
| Guan Lixin ⁹ | — | 119 | 522 | 81 | 330 | 1,052 |
| Luo Zhendong ⁹ | — | 96 | 396 | 68 | 220 | 780 |
| Wang Yibing | — | — | — | — | — | — |
| | 929 | 2,558 | 5,051 | 1,389 | 768 | 10,695 |

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for the year ended 31 December 2023

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 *Mr. Xia Bing and Mr. Li Yinghui were appointed as executive directors of the Company on 6 January 2023.*
- 2 *Mr. Li Jun was appointed as an executive director of the Company on 23 May 2023.*
- 3 *The independent non-executive directors' remunerations were for their services as directors of the Company.*
- 4 *Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming resigned as independent non-executive directors of the Company on 6 January 2023.*
- 5 *Madam Wang Hsuehming resigned from position as independent non-executive director of the Company on 23 May 2023.*
- 6 *Mr. Ng Kar Ling Johnny and Mr. Chen Dongqi were appointed as independent non-executive directors of the Company on 6 January 2023.*
- 7 *Madam Lyu Wei was appointed as an independent non-executive director of the Company on 23 May 2023.*
- 8 *Mr. Dai Bin and Mr. Xu Shiguang resigned as supervisors of the Company on 23 May 2023.*
- 9 *Madam Guan Lixin and Mr. Luo Zhendong were appointed as supervisors of the Company on 23 May 2023.*
- 10 *The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.*
- 11 *During year 2023, the Company also settled the bonus for year 2022, including RMB355 thousand for Ke Ruiwen, RMB334 thousand for Shao Guanglu, RMB320 thousand for Liu Guiqing, RMB310 thousand for Tang Ke, RMB310 thousand for Xia Bing, RMB258 thousand for Li Yinghui, RMB124 thousand for Li Jun, and settled special incentives of RMB130 thousand for Han Fang, RMB500 thousand for Zhang Jianbin.*
- 12 *The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year. None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.*

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34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

| 2022 | Directors'/ supervisors' fees RMB thousand | Salaries, allowances and benefits in kind RMB thousand | Discretionary bonuses ⁷ RMB thousand | Retirement scheme contributions RMB thousand | Share-based payments RMB thousand | Total RMB thousand |
|--|---|---|---|---|---|-----------------------|
| Executive directors | | | | | | |
| Ke Ruiwen | — | 234 | 352 | 110 | — | 696 |
| Li Zhengmao ¹ | — | 137 | 141 | 59 | — | 337 |
| Shao Guanglu | — | 221 | 331 | 105 | — | 657 |
| Liu Guiqing | — | 209 | 316 | 104 | — | 629 |
| Tang Ke ² | — | 209 | 313 | 104 | — | 626 |
| Non-executive director | | | | | | |
| Chen Shengguang | — | — | — | — | — | — |
| Independent non-executive directors³ | | | | | | |
| Tse Hau Yin, Aloysius ⁴ | 491 | — | — | — | — | 491 |
| Xu Erming ⁴ | 250 | — | — | — | — | 250 |
| Wang Hsuehming | 268 | — | — | — | — | 268 |
| Yeung Chi Wai, Jason | 268 | — | — | — | — | 268 |
| Supervisors | | | | | | |
| Sui Yixun ⁵ | — | 66 | 229 | 25 | — | 320 |
| You Minqiang ⁵ | — | — | — | — | — | — |
| Zhang Jianbin | — | 253 | 720 | 110 | — | 1,083 |
| Dai Bin | — | 226 | 720 | 106 | — | 1,052 |
| Xu Shiguang | — | 115 | 729 | 85 | — | 929 |
| Han Fang ⁶ | — | 158 | 511 | 89 | — | 758 |
| Wang Yibing ⁶ | — | — | — | — | — | — |
| | 1,277 | 1,828 | 4,362 | 897 | — | 8,364 |

1 Mr. Li Zhengmao resigned as an executive director of the Company on 12 July 2022.

2 Mr. Tang Ke was appointed as an executive director of the Company on 22 March 2022.

3 The independent non-executive directors' remunerations were for their services as directors of the Company.

4 Mr. Tse Hau Yin, Aloysius ("Mr. Tse") and Mr. Xu Erming ("Mr. Xu") resigned from position as independent non-executive directors of the Company on 16 August 2022. The resignation of Mr. Tse and Mr. Xu took effect on the date of election of the proposed independent non-executive directors at the extraordinary general meeting of the Company convened on 6 January 2023. Prior to that, Mr. Tse and Mr. Xu continued to carry out their duties as independent non-executive directors.

5 Mr. Sui Yixun and Mr. You Minqiang resigned as supervisors of the Company on 22 March 2022.

6 Madam Han Fang and Madam Wang Yibing were appointed as supervisors of the Company on 22 March 2022.

7 The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.

8 During year 2022, the Company also settled the bonus for year 2021, including RMB1,080 thousand for Ke Ruiwen, RMB727 thousand for Shao Guanglu, RMB970 thousand for Liu Guiqing, RMB254 thousand for Tang Ke.

9 The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year. None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.

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35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION

(a) Five highest paid individuals

None of the five highest paid individuals of the Group for the years ended 31 December 2023 and 2022 were directors of the Company.

The aggregate of the emoluments in respect of the five (2022: five) individuals (non-directors) with the highest emoluments are as follows:

| | 2023 RMB thousand | 2022 RMB thousand |
|---|----------------------|----------------------|
| Salaries, allowances and benefits in kind | 7,091 | 7,218 |
| Discretionary bonuses | 5,370 | 5,599 |
| Retirement scheme contributions | 1,181 | 777 |
| | 13,642 | 13,594 |

The emoluments of the five (2022: five) individuals (non-directors) with the highest emoluments are within the following bands:

| | 2023 Number of individuals | 2022 Number of individuals |
|-----------------------------|----------------------------------|----------------------------------|
| RMB0 — RMB1,000,000 | — | — |
| RMB1,000,001 — RMB1,500,000 | — | — |
| RMB1,500,001 — RMB2,000,000 | — | — |
| More than RMB2,000,001 | 5 | 5 |

None of these employees received any inducements for joining the Company or compensation for loss of office, or waived any emoluments during the years presented.

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35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(b) Senior management remuneration

The emoluments of the Group's senior management are within the following bands:

| | 2023 | 2022 |
|-----------------------------|------------------------------|-----------------------|
| | Number of individuals | Number of individuals |
| RMB0 — RMB1,000,000 | 19 | 17 |
| RMB1,000,001 — RMB1,500,000 | 3 | 2 |
| RMB1,500,001 — RMB2,000,000 | — | — |

36. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2023, the consolidated profit attributable to equity holders of the Company includes a profit of RMB28,599 million which has been dealt with in the stand-alone financial statements of the Company.

For the year ended 31 December 2022, the consolidated profit attributable to equity holders of the Company includes a profit of RMB26,244 million which has been dealt with in the stand-alone financial statements of the Company.

37. 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.

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37. DIVIDENDS (continued)

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.

38. 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.

39. COMMITMENTS AND CONTINGENCIES**Capital commitments**

As at 31 December 2023 and 2022, the Group had capital commitments as follows:

| | 31 December 2023 | 2022 |
|--|-----------------------------|-------------|
| | RMB million | RMB million |
| Contracted for but not provided | | |
| Property | 1,912 | 1,584 |
| Telecommunications network plant and equipment | 21,015 | 15,023 |
| | 22,927 | 16,607 |

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39. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities

- (a) The Group, with the assistance of its legal counsels, assessed and concluded that no material contingent liabilities existed as at 31 December 2023.
- (b) As at 31 December 2023 and 2022, the Group did not have contingent liabilities in respect of guarantees given to banks in respect of banking facilities granted to other parties, or other forms of contingent liabilities.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and based on such assessment, believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

40. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, bank deposits and restricted cash, equity instruments at fair value through other comprehensive income, accounts receivable, financial assets at fair value through profit or loss and financial assets included in prepayments and other current assets. Financial liabilities of the Group include short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables.

(a) Fair Value Measurements

Based on IFRS 13, "*Fair Value Measurement*", the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

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40. FINANCIAL INSTRUMENTS (continued)

(a) Fair Value Measurements (continued)

The fair values of the Group's financial instruments (other than long-term debts and financial instruments measured at fair value) approximate their carrying amounts due to the short-term maturity of these instruments.

The listed equity securities investments included in the Group's equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss are categorised as level 1 financial instruments. As at 31 December 2023, the fair value of the Group's listed equity securities investments is RMB1,373 million (31 December 2022: RMB762 million), based on quoted market price on PRC stock exchanges. The Group's investments in unlisted equity securities, included in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3. As at 31 December 2023, the fair value of these financial instruments categorised as level 3 is RMB450 million (31 December 2022: RMB525 million). For these financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation methods or models used primarily include net asset value method and market comparable company model, etc. The input values of valuation models mainly include net asset value and expected yield rates, comparable company valuation multiples, etc.

The fair value of long-term debts is estimated by discounting future cash flows using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities. The fair value measurement of long-term debts is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debts, having considered the foreign currency denomination of the debts, ranged from 4.2% to 4.9% (31 December 2022: 2.9% to 4.9%). As at 31 December 2023 and 2022, the carrying amounts and fair values of the Group's long-term debts were as follows:

| | 31 December 2023 | | 31 December 2022 | |
|-----------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
| | Carrying amount RMB million | Fair value RMB million | Carrying amount RMB million | Fair value RMB million |
| Long-term debts | 6,275 | 6,124 | 7,644 | 7,613 |

During the year, there were no transfers among instruments in level 1, level 2 or level 3.

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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks

The Group's financial instruments are exposed to three main types of risks, namely, credit risk, liquidity risk and market risk (which mainly comprises interest rate risk and foreign currency exchange rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as liquidity risk, credit risk, and market risk, etc. The Board regularly reviews these policies and authorises changes if necessary based on operating and market conditions and other relevant risks. The following summarises the qualitative and quantitative disclosures for each of the three main types of risks:

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. For the Group, this arises mainly from deposits it maintains at financial institutions and credit it provides to customers for the provision of telecommunications services.

Cash and cash equivalents, short-term bank deposits and restricted cash

To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large state-owned financial institutions in the PRC with acceptable credit ratings. The credit risks on bank balances are limited because the counterparties are banks with high credit ratings.

Accounts receivable and contract assets arising from contracts with customers

For accounts receivable and contract assets, management performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable and contract assets. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, the Group determines the allowances for expected credit loss under ECL model on trade balances individually or based on provision matrix. Furthermore, the Group has a diversified base of customers with no single customer contributing more than 10% of revenues for the years presented.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

The Group measures loss allowances for accounts receivable and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix, or individually assessed for those debtors with significant balances or credit-impaired debtors. As different loss patterns were indicated during the analysis of the Group's historical credit loss experience between telephone and Internet subscribers and enterprise customers, the following tables provide information about the Group's exposure to credit risk and ECL for accounts receivable and contract assets from telephone and Internet subscribers and enterprise customers, respectively, as at 31 December 2023 and 2022:

Accounts receivable from telephone and Internet subscribers:

| | 31 December 2023 | | |
|-------------------------|----------------------------|---|----------------------------------|
| | Expected loss rate % | Gross carrying amount RMB million | Loss allowance RMB million |
| Current, within 1 month | 2 | 5,803 | 115 |
| 1 to 3 months | 20 | 2,552 | 506 |
| 4 to 6 months | 59 | 905 | 538 |
| 7 to 12 months | 80 | 1,469 | 1,175 |
| Over 12 months | 100 | 1,596 | 1,596 |
| | | 12,325 | 3,930 |

| | 31 December 2022 | | |
|-------------------------|----------------------------|---|----------------------------------|
| | Expected loss rate % | Gross carrying amount RMB million | Loss allowance RMB million |
| Current, within 1 month | 2 | 6,164 | 123 |
| 1 to 3 months | 20 | 1,975 | 389 |
| 4 to 6 months | 60 | 781 | 468 |
| 7 to 12 months | 80 | 1,213 | 970 |
| Over 12 months | 100 | 1,317 | 1,317 |
| | | 11,450 | 3,267 |

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

Accounts receivable and contract assets from enterprise customers:

| | 31 December 2023 | | |
|-----------------|----------------------|-----------------------------------|----------------------------|
| | Expected loss rate % | Gross carrying amount RMB million | Loss allowance RMB million |
| Within 6 months | 3 | 12,742 | 439 |
| 7 to 12 months | 23 | 3,657 | 834 |
| 1 to 2 years | 68 | 1,812 | 1,239 |
| 2 to 3 years | 100 | 587 | 587 |
| Over 3 years | 100 | 894 | 894 |
| | | 19,692 | 3,993 |

| | 31 December 2022 | | |
|-----------------|----------------------|-----------------------------------|----------------------------|
| | Expected loss rate % | Gross carrying amount RMB million | Loss allowance RMB million |
| Within 6 months | 2 | 8,253 | 189 |
| 7 to 12 months | 23 | 2,405 | 548 |
| 1 to 2 years | 68 | 869 | 595 |
| 2 to 3 years | 100 | 379 | 379 |
| Over 3 years | 100 | 608 | 608 |
| | | 12,514 | 2,319 |

As at 31 December 2023, the loss allowance for accounts receivable and contract assets was RMB8,238 million and RMB265 million (2022: RMB6,117 million and RMB75 million), respectively. Loss allowance of RMB292 million as at 31 December 2023 (2022: RMB466 million), which was not calculated collectively in the above tables, was made individually on debtors with significant balances or credit-impaired debtors.

SECTION VIII FINANCIAL REPORTS

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

for the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(i) Credit risk (continued)****Accounts receivable and contract assets arising from contracts with customers (continued)**

Expected loss rates are based on actual loss experience over the past 1 to 3 years. These rates are adjusted to reflect differences among economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of accounts receivable is as follows:

| | 2023 RMB million | 2022 RMB million |
|---------------------------|----------------------------|---------------------|
| At beginning of year | 6,117 | 5,051 |
| Impairment losses for ECL | 3,124 | 2,027 |
| Written off and others | (1,003) | (961) |
| At end of year | 8,238 | 6,117 |

(ii) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and adequate amount of committed banking facilities to meet its funding needs, including working capital, principal and interest payments on debts, dividend payments, capital expenditures and new investments for a set minimum period of between 3 to 6 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(ii) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if variable, based on prevailing rates at the end of the reporting period) and the earliest date the Group would be required to repay:

| | 31 December 2023 | | | | | |
|-------------------------------------|------------------|--|----------------------------|------------------------------|-------------------------------|-------------------|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than | More than | More than 5 years |
| | | | | 1 year but less than 2 years | 2 years but less than 5 years | |
| | | | | RMB million | RMB million | |
| Short-term debts | 2,867 | 2,909 | 2,909 | — | — | — |
| Long-term debts | 6,275 | 7,152 | 1,207 | 1,272 | 3,422 | 1,251 |
| Accounts payable | 145,872 | 145,872 | 145,872 | — | — | — |
| Accrued expenses and other payables | 50,819 | 51,610 | 51,610 | — | — | — |
| Lease liabilities | 56,049 | 60,458 | 14,922 | 14,113 | 27,215 | 4,208 |
| Other non-current liabilities | 182 | 189 | — | 189 | — | — |
| | 262,064 | 268,190 | 216,520 | 15,574 | 30,637 | 5,459 |

| | 31 December 2022 | | | | | |
|-------------------------------------|------------------|--|----------------------------|------------------------------|-------------------------------|-------------------|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than | More than | More than 5 years |
| | | | | 1 year but less than 2 years | 2 years but less than 5 years | |
| | | | | RMB million | RMB million | |
| Short-term debts | 2,840 | 2,884 | 2,884 | — | — | — |
| Long-term debts | 7,644 | 8,595 | 3,226 | 1,187 | 2,509 | 1,673 |
| Accounts payable | 127,260 | 127,260 | 127,260 | — | — | — |
| Accrued expenses and other payables | 42,056 | 42,201 | 42,201 | — | — | — |
| Lease liabilities | 66,896 | 73,034 | 16,163 | 14,685 | 38,195 | 3,991 |
| Other non-current liabilities | 143 | 152 | — | 152 | — | — |
| | 246,839 | 254,126 | 191,734 | 16,024 | 40,704 | 5,664 |

Management believes that the Group's current cash on hand, expected cash flows from operations and available credit facilities from banks (Note 20) will be sufficient to meet the Group's working capital requirements and repay its borrowings and payables when they become due.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iii) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term debts, long-term debts and deposits with Finance Company. Debts carrying interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group manages its exposure to interest rate risk by closely monitoring the change in the market interest rate.

The following table sets out the interest rate profile of the Group's debts at the end of the reporting period:

| | 31 December 2023 | | 31 December 2022 | |
|---|--------------------------|--------------|--------------------------|---------------|
| | Effective interest rate% | RMB million | Effective interest rate% | RMB million |
| Fixed rate debts | | | | |
| Short-term debts | 3.0 | 2,847 | 3.3 | 2,403 |
| Long-term debts | 1.1 | 5,677 | 1.4 | 7,644 |
| | | 8,524 | | 10,047 |
| Variable rate debts | | | | |
| Short-term debts | 3.1 | 20 | 3.5 | 437 |
| Long-term debts | 2.6 | 598 | — | — |
| | | 618 | | 437 |
| Total debts | | 9,142 | | 10,484 |
| Fixed rate debts as a percentage of total debts | | 93.2% | | 95.8% |

Management does not expect the increase or decrease in interest rate will materially affect the Group's financial position and result of operations because the interest rates of 93.2% (31 December 2022: 95.8%) of the Group's short-term and long-term debts as at 31 December 2023 are fixed as set out above.

In addition, The deposit interest rates provided by Finance Company to China Telecom Group are fixed and shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of China Telecom Group and are conducted on normal commercial terms or better. The management of the Group does not expect the high level of fair value interest rate risk as such interest rates are immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iv) Foreign currency exchange rate risk

Foreign currency exchange rate risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in US dollars, Euros and Hong Kong dollars.

Management does not expect the appreciation or depreciation of the Renminbi against foreign currencies will materially affect the Group's financial position and result of operations because 93.6% (31 December 2022: 94.3%) of the Group's cash and cash equivalents and 97.3% (31 December 2022: 97.4%) of the Group's short-term and long-term debts as at 31 December 2023 are denominated in Renminbi. Details of bank loans denominated in other currencies are set out in Note 20.

41. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Management monitors its capital structure on the basis of total debts to total assets ratio. For this purpose the Group defines total debts as the sum of short-term debts and long-term debts. Total debts do not include balance of deposits received by Finance Company from China Telecom Group amounting to RMB24,107 million and lease liabilities amounting to RMB56,049 million as at 31 December 2023 (31 December 2022: RMB17,427 million and RMB66,896 million). As at 31 December 2023, the Group's total debt to total assets ratio was 1.1% (31 December 2022: 1.3%), which is within the range of management's expectation.

Except for Finance Company, which is subject to certain capital requirements imposed by National Financial Regulatory Administration (formerly known as "China Banking and Insurance Regulatory Commission"), neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Short-term debts RMB million | Long-term debts RMB million | Payables in respect of instalment purchase of equipment RMB million | Lease liabilities RMB million | Dividend payable RMB million | Deposits with Finance Company RMB million (Note (i)) | Total RMB million |
|---|---------------------------------|--------------------------------|--|----------------------------------|---------------------------------|--|----------------------|
| Balance as at 1 January 2022 | 2,821 | 13,675 | — | 42,404 | 4 | 13,016 | 71,920 |
| Financing cash flows | 19 | (6,115) | 173 | (15,897) | (26,627) | 4,411 | (44,036) |
| Foreign exchange gain or loss | — | 18 | — | 94 | — | — | 112 |
| New leases | — | — | — | 44,961 | — | — | 44,961 |
| Lease modifications | — | — | — | (4,666) | — | — | (4,666) |
| Distribution to non-controlling interests | — | — | — | — | 89 | — | 89 |
| Dividends declared | — | — | — | — | 26,537 | — | 26,537 |
| Additions of equipment | — | — | 1,356 | — | — | — | 1,356 |
| Others | — | 66 | — | — | — | — | 66 |
| Balance as at 31 December 2022 | 2,840 | 7,644 | 1,529 | 66,896 | 3 | 17,427 | 96,339 |
| Financing cash flows | 29 | (1,507) | (3,773) | (14,647) | (20,138) | 6,680 | (33,356) |
| Foreign exchange gain or loss | — | 8 | — | 5 | — | — | 13 |
| New leases | — | — | — | 11,019 | — | — | 11,019 |
| Lease modifications | — | — | — | (7,224) | — | — | (7,224) |
| Distribution to non-controlling interests | — | — | — | — | 78 | — | 78 |
| Dividends declared | — | — | — | — | 20,059 | — | 20,059 |
| Additions of equipment | — | — | 4,811 | — | — | — | 4,811 |
| Others | (2) | 130 | — | — | — | — | 128 |
| Balance as at 31 December 2023 | 2,867 | 6,275 | 2,567 | 56,049 | 2 | 24,107 | 91,867 |

Notes:

- (i) As at 31 December 2023, the balance of deposits with Finance Company amounting to RMB24,107 million (31 December 2022: RMB17,427 million) were included in amounts due to China Telecom Group in accrued expenses and other payables (Note 22).
- (ii) For the year ended 31 December 2023, other than the net financing cash outflows totalling RMB33,356 million (2022: RMB44,036 million) as presented above, other primary financing activities include Finance Company's placing statutory deposit reserves amounting to RMB121 million (2022: RMB541 million) at the People's Bank of China which was included in the balance of short-term bank deposits and restricted cash as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS

(a) Transactions with China Telecom Group

The Group is a part of companies under China Telecommunications Corporation, a company owned by the PRC government, and has significant transactions and business relationships with members of China Telecom Group.

The principal transactions with China Telecom Group which were carried out in the ordinary course of business are as follows. These transactions constitute continuing connected transactions under the Listing Rules and the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph "Continuing Connected Transactions" in the "Significant Events".

| | Notes | 2023 RMB million | 2022 RMB million |
|---|--------|---------------------|---------------------|
| Construction engineering and design services | (i) | 19,031 | 16,993 |
| Receiving ancillary services | (ii) | 22,627 | 22,309 |
| Interconnection revenues* | (iii) | 47 | 48 |
| Interconnection charges* | (iii) | 87 | 102 |
| Receiving community services | (iv) | 4,526 | 4,340 |
| Centralised services transaction revenues | (v) | 3,909 | 3,572 |
| Centralised services transaction expenses | (v) | 806 | 870 |
| Property and land use right lease income | (vi) | 60 | 51 |
| Property and land use right lease related expenses | (vii) | 779 | 715 |
| Addition to right-of-use assets | (vii) | 673 | 463 |
| Interest expense on lease liabilities | (vii) | 29 | 21 |
| Provision of IT services | (viii) | 2,294 | 1,944 |
| Receiving IT services | (viii) | 6,584 | 4,834 |
| Purchases of telecommunications equipment, materials and procurement services | (ix) | 4,306 | 4,249 |
| Sales of telecommunications equipment, materials and procurement services | (ix) | 4,950 | 4,692 |
| Internet applications channel services revenues | (x) | 62 | 57 |
| Payment and digital finance related services | (xi) | 994 | 1,068 |
| Communications resources lease expenses | (xii) | 517 | 442 |
| Net outflow of deposit by China Telecom Group with Finance Company* | (xiii) | 6,680 | 4,411 |
| Interest expense on the deposit by China Telecom Group with Finance Company* | (xiii) | 282 | 238 |
| Short-term loans granted by Finance Company to China Telecom Group | (xiii) | 8,100 | 8,105 |
| China Telecom Group's repayments of short-term loans granted by Finance Company | (xiii) | 8,091 | 2,034 |
| Interest income from loans granted by Finance Company to China Telecom Group | (xiii) | 245 | 201 |
| Receiving finance lease services | (xiv) | 5,973 | 2,212 |
| License income for intellectual property* | (xv) | 18 | — |

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

* These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76 or 14A.90 of the Listing Rules.

Notes:

- (i) Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.
- (ii) Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.
- (iii) Represent amounts received and receivable from/paid and payable to China Telecom Group for interconnection of local and domestic long distance calls.
- (iv) Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, health care and other community services.
- (v) Represent related revenues and expenses shared between the Company and China Telecom Group for centralised services.
- (vi) Represent amounts of property lease fees received and receivable from China Telecom Group for leasing of properties and land use rights.
- (vii) Represent amounts in respect of the leasing of properties and land use rights from China Telecom Group, which include the fees for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate, fees for non-lease components, and right-of-use assets and related expenses recognised for leases.
- (viii) Represent IT services provided to and received from China Telecom Group.
- (ix) Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.
- (x) Represent amounts received and receivable from China Telecom Group in respect of Internet applications channel services, including the provision of communications channel and applications support platform and billing and deduction services, etc.
- (xi) Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.
- (xii) Represent amounts in respect of the leasing of related communications resources from China Telecom Group, including transmission network communications resources, wireless network communications resources and wireline access network communications resources, etc.
- (xiii) Represent amounts related to financial services provided by Finance Company to China Telecom Group, including loan service, deposit service and other financial services.
- (xiv) Represent amounts related to finance lease services provided by China Telecom Group, including finance lease services such as sale and leaseback, direct lease, etc., and related finance lease consulting services.
- (xv) Represent amounts related to license income of intellectual property granted by the Group to China Telecom Group and its subsidiaries.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

Amounts due from/to China Telecom Group are summarised as follows:

| | 31 December 2023 | 2022 |
|--------------------------------------|-----------------------------|-------------|
| | RMB million | RMB million |
| Accounts receivable | 1,670 | 2,073 |
| Contract assets | 161 | 180 |
| Prepayments and other current assets | 9,067 | 8,846 |
| Other assets | 135 | 92 |
| Accounts payable | 26,444 | 23,971 |
| Accrued expenses and other payables | 29,969 | 21,370 |
| Contract liabilities | 245 | 271 |
| Lease liabilities | 1,051 | 652 |

Amounts due from/to China Telecom Group, other than short-term loans granted by Finance Company included in prepayments and other current assets (Note 18(i)) and deposit with Finance Company included in accrued expenses and other payables (Note 42(i)), are unsecured, non-interest bearing and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

Short-term loans granted by Finance Company to China Telecom Group (Note 18(i)) are conducted on normal commercial terms or better.

The deposit interest rates provided by Finance Company to China Telecom Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of China Telecom Group and are conducted on normal commercial terms or better.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with China Tower

The principal transactions with China Tower are as follows. These transactions do not constitute connected transactions under the Listing Rules.

| | Notes | 2023 RMB million | 2022 RMB million |
|---|-----------|---------------------|---------------------|
| Tower assets lease related expenses | (i) | 12,361 | 12,193 |
| Addition to right-of-use assets | (i) | 3,170 | 2,239 |
| Interest expenses on lease liabilities | (i) | 1,164 | 387 |
| Provision of IT services | (ii) | 40 | 30 |
| Addition to right-of-use assets due to lease modification | (i) (iii) | — | 33,518 |

Notes:

- (i) Represent amounts in respect of the lease of tower assets. Tower assets lease related expenses include the variable lease payments not depending on an index or a rate and fees for non-lease components and right-of-use assets and related expenses recognised for leases.
- (ii) Represent IT and other ancillary services provided to China Tower.
- (iii) The original commercial pricing agreement and the service agreement of the Company's leasing of telecommunications towers and related assets from China Tower was due to expire on 31 December 2022. The Board of Directors and the Board of Supervisors considered and approved the Company to enter into the commercial pricing agreement and the service agreement with China Tower for a term of five years commencing from 1 January 2023 to 31 December 2027. This is considered as lease modifications to lease considerations and certain other lease and service terms that were set out in the original commercial pricing agreement and its service agreement. Therefore, on the date of lease modifications, the Group reallocated the considerations in the agreements, remeasured the lease liabilities using the present value calculated with revised lease payments and discount rates, and adjusted related right-of-use assets accordingly.

SECTION VIII FINANCIAL REPORTS

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for the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with China Tower (continued)

Amounts due from/to China Tower are summarised as follows:

| | 31 December | |
|--------------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| | RMB million | RMB million |
| Accounts receivable | 24 | 23 |
| Contract assets | 1 | — |
| Prepayments and other current assets | 227 | 43 |
| Accounts payable | 7,505 | 4,340 |
| Accrued expenses and other payables | 1,875 | 1,590 |
| Contract liabilities | 1 | — |
| Lease liabilities | 31,755 | 40,339 |

Amounts due from/to China Tower are unsecured, non-interest bearing and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group.

Key management personnel compensation of the Group is summarised as follows:

| | 2023 | |
|------------------------------|---------------------|--------------|
| | RMB thousand | 2022 |
| | | RMB thousand |
| Short-term employee benefits | 11,179 | 11,400 |
| Post-employment benefits | 1,389 | 1,059 |
| Share-based payments | 768 | — |
| | 13,336 | 12,459 |

The above remuneration has been reflected in personnel expenses.

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43. RELATED PARTY TRANSACTIONS (continued)**(d) Transactions with other government-related entities**

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the parent company and its fellow subsidiaries (Note 43(a)) and China Tower (Note 43(b)), the Group has transactions with other government-related entities, which include but not limited to the following:

- rendering and receiving services, including but not limited to telecommunications services
- sales and purchases of goods, properties and other assets
- lease of assets
- deposits and borrowings
- use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors of the Company believe the above information provides appropriate disclosure of related party transactions.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | 31 December 2023 RMB million | 2022 RMB million |
|---|------|------------------------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | | 385,375 | 393,043 |
| Construction in progress | | 60,227 | 49,966 |
| Right-of-use assets | | 73,303 | 83,693 |
| Goodwill | | 29,877 | 29,877 |
| Intangible assets | | 20,673 | 18,992 |
| Investments in subsidiaries | 9 | 34,926 | 33,086 |
| Interests in associates and joint ventures | | 42,694 | 41,878 |
| Financial assets at fair value through profit or loss | | 2 | 3 |
| Equity instruments at fair value through other comprehensive income | | 1,381 | 757 |
| Deferred tax assets | | 784 | 3,272 |
| Other assets | | 9,077 | 8,586 |
| Total non-current assets | | 658,319 | 663,153 |
| Current assets | | | |
| Inventories | | 1,527 | 1,460 |
| Income tax recoverable | | — | 37 |
| Accounts receivable, net | | 28,057 | 20,491 |
| Contract assets | | 3,304 | 2,054 |
| Prepayments and other current assets | | 19,597 | 16,887 |
| Short-term bank deposits and restricted cash | | 6,299 | 534 |
| Cash and cash equivalents | | 42,901 | 47,733 |
| Total current assets | | 101,685 | 89,196 |
| Total assets | | 760,004 | 752,349 |

SECTION VIII FINANCIAL REPORTS

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44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION
OF THE COMPANY (continued)

| | Note | 31 December 2023 RMB million | 2022 RMB million |
|--|------|------------------------------------|---------------------|
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Short-term debts | | 19,241 | 26,964 |
| Current portion of long-term debts | | 1,132 | 3,160 |
| Accounts payable | | 124,173 | 108,354 |
| Accrued expenses and other payables | | 45,090 | 43,052 |
| Contract liabilities | | 57,743 | 59,639 |
| Income tax payable | | 39 | 526 |
| Current portion of lease liabilities | | 12,841 | 14,039 |
| Total current liabilities | | 260,259 | 255,734 |
| Net current liabilities | | (158,574) | (166,538) |
| Total assets less current liabilities | | 499,745 | 496,615 |
| Non-current liabilities | | | |
| Long-term debts | | 3,765 | 4,484 |
| Lease liabilities | | 41,189 | 51,131 |
| Deferred tax liabilities | | 30,742 | 27,608 |
| Other non-current liabilities | | 6,313 | 4,678 |
| Total non-current liabilities | | 82,009 | 87,901 |
| Total liabilities | | 342,268 | 343,635 |
| Equity | | | |
| Share capital | | 91,507 | 91,507 |
| Reserves | 26 | 326,229 | 317,207 |
| Total equity | | 417,736 | 408,714 |
| Total liabilities and equity | | 760,004 | 752,349 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

45. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by provincial, autonomous regional and municipal governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 20% of the salaries, bonuses and certain allowances of employees. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. During the year ended 31 December 2023, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2022: nil).

The Group's contributions to the above plans for the year ended 31 December 2023 were RMB11,018 million (31 December 2022: RMB9,915 million).

The amount payable for contributions to the above defined contribution retirement plans as at 31 December 2023 was RMB960 million (31 December 2022: RMB923 million).

46. SHARE APPRECIATION RIGHTS

The Company implemented a share appreciation rights plan for members of its management to provide incentives to these employees. Under this plan, share appreciation rights are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights plan. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollar amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollar at the date of the exercise. The Group recognises compensation expense of the share appreciation rights over the applicable period.

In November 2018, the Company approved the granting of 2,394 million share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$3.81 per unit, exercise price will be adjusted in accordance with the established rules of the plan. A recipient of share appreciation rights may exercise the rights in stages commencing November 2020. As at each of the third, fourth and fifth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed 33.3%, 66.7% and 100.0%, respectively, of the total share appreciation rights granted to such person. In February 2023, the Board of Directors of the Company considered and approved the proposal in relation to completion of exercise conditions of the 2018 Share Appreciation Rights for key personnel of the Company. It was confirmed that the exercise conditions of the 2018 Share Appreciation Rights have been met, and the Company handled the matters in relation to the exercise of share appreciation rights.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

46. SHARE APPRECIATION RIGHTS (continued)

In March 2021, the Company approved the adoption of the Phase II Incentive Scheme for Share Appreciation Rights and the granting of approximately 2.4 billion share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$2.686 per unit.

At the balance sheet date, the Company used the Binomial Model to determine the fair value of the share appreciation rights. The model inputs to determine the fair value of share appreciation rights granted included the closing market price at the grant date, exercise price, years to maturity, expected volatility, risk-free interest rate, dividend payout ratio, the lower price limit on expected exercise date and expected turnover rate.

Movements in the number of share appreciation rights for the years presented are as follows:

| | 2023 | 2022 |
|-------------------|-----------------|---------------|
| As at 1 January | 4,715,240,000 | 4,716,560,000 |
| Exercised | (2,111,528,550) | — |
| Forfeited | (203,196,450) | (1,320,000) |
| As at 31 December | 2,400,515,000 | 4,715,240,000 |

For the year ended 31 December 2023, compensation expense of RMB2,146 million (2022: RMB1,009 million) was recognised by the Group in respect of share appreciation rights.

As at 31 December 2023, the carrying amount of the liability arising from share appreciation rights was RMB2,176 million (31 December 2022: RMB1,579 million).

47. ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the judgments and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. Material accounting policy information is set forth in Note 3. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

47. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Allowance for ECL for accounts receivable

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on customer's past history of making payments when due and current ability to pay by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical credit loss experience taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. The historical loss rates are reassessed annually, and changes in the forward-looking information are considered. The Group has taken into account various macroeconomic scenarios in consideration of forward-looking information of enterprise customers, and applied weightings of the following three economic scenarios as well as related forward-looking factors. For the years presented, the weightings of "Neutral", "Positive", and "Negative" scenarios are 60%, 20% and 20%, respectively. The Group regularly monitors and reviews the related assumptions used in calculation of ECL, which include the risk of economic slowdown, changes of external market environment and technological environment and customers' conditions, Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Gross Domestic Product ("GDP"), etc. In addition, accounts receivable with significant balances or credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Notes 40 and 16.

Impairment of goodwill and long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 3(f). The carrying amounts of the Group's long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, construction in progress and right-of-use assets, etc., are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at the end of each reporting period. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs of disposal. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate fair value of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant estimates and judgments relating to level of revenue, amount of operating costs and applicable discount rate, etc. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount.

For the years ended 31 December 2023 and 2022, no significant provision for impairment loss was made against the carrying value of long-lived assets.

SECTION VIII FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

47. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**Impairment of goodwill and long-lived assets (continued)**

Since the determination of recoverable amount of long-lived assets requires significant estimates and judgments as described above, any changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods. Furthermore, revenue growth rate, terminal growth rate and pre-tax discount rate are subject to greater uncertainties in the current year due to uncertainty on volatility in markets.

Depreciation and amortisation

Property, plant and equipment and intangible assets with finite useful lives are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes and industry practices. The depreciation and amortisation expense is adjusted on a prospective basis if there are significant changes from previous estimates.

48. 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 Quantumctek Co., Ltd." with Quantumctek Co., Ltd. ("Quantumctek"), planning to subscribe non-public issuance of A shares of Quantumctek with self-owned funds. The transaction is subject to approval by shareholder's meeting of Quantumctek and the review and approval by relevant authorities.

49. PARENT AND ULTIMATE HOLDING COMPANY

The parent and ultimate holding company of the Company as at 31 December 2023 is China Telecommunications Corporation, a state-owned enterprise established in PRC.

SECTION VIII FINANCIAL REPORTS

FINANCIAL SUMMARY

(Amounts in million except for per share data)

| | 2023 RMB | Year ended 31 December | | | |
|---|------------------|------------------------|---------------------------|-------------|-------------|
| | | 2022 RMB | 2021 RMB (restated) | 2020 RMB | 2019 RMB |
| Results of operation | | | | | |
| Operating revenues | 513,551 | 481,448 | 439,553 | 393,561 | 375,734 |
| Depreciation and amortisation | (99,702) | (96,932) | (92,966) | (90,240) | (88,145) |
| Network operations and support | (160,411) | (147,589) | (133,340) | (119,517) | (109,799) |
| Selling, general and administrative | (66,804) | (64,277) | (61,154) | (55,059) | (57,361) |
| Personnel expenses | (92,805) | (84,772) | (76,057) | (65,989) | (63,567) |
| Other operating expenses | (56,701) | (54,451) | (45,088) | (29,074) | (27,792) |
| Impairment loss on property, plant and equipment | — | — | — | (5,042) | — |
| Operating expenses | (476,423) | (448,021) | (408,605) | (364,921) | (346,664) |
| Operating profit | 37,128 | 33,427 | 30,948 | 28,640 | 29,070 |
| Net finance costs | (332) | (7) | (1,293) | (3,014) | (3,639) |
| Investment income and others | 292 | 243 | 2,244 | 60 | 30 |
| Share of profits of associates and joint ventures | 2,116 | 2,051 | 1,966 | 1,701 | 1,573 |
| Profit before taxation | 39,204 | 35,714 | 33,865 | 27,387 | 27,034 |
| Income tax | (8,776) | (8,038) | (7,716) | (6,307) | (6,322) |
| Profit for the year | 30,428 | 27,676 | 26,149 | 21,080 | 20,712 |

SECTION VIII FINANCIAL REPORTS

FINANCIAL SUMMARY

(Amounts in million except for per share data)

| | 2023 RMB | Year ended 31 December | | | |
|--|---------------|------------------------|---------------------------|-------------|-------------|
| | | 2022 RMB | 2021 RMB (restated) | 2020 RMB | 2019 RMB |
| Other comprehensive income for the year | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Change in fair value of investments in equity instruments at fair value through other comprehensive income | 511 | (222) | 20 | (385) | 604 |
| Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income | (135) | 50 | (15) | 97 | (147) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange difference on translation of financial statements of subsidiaries outside mainland China | 63 | 712 | (233) | (312) | 102 |
| Share of other comprehensive income of associates and joint ventures | 2 | — | — | (4) | (2) |
| Other comprehensive income for the year, net of tax | 441 | 540 | (228) | (604) | 557 |
| Total comprehensive income for the year | 30,869 | 28,216 | 25,921 | 20,476 | 21,269 |
| Profit attributable to | | | | | |
| Equity holders of the Company | 30,446 | 27,593 | 25,949 | 20,850 | 20,517 |
| Non-controlling interests | (18) | 83 | 200 | 230 | 195 |
| Profit for the year | 30,428 | 27,676 | 26,149 | 21,080 | 20,712 |
| Total comprehensive income attributable to | | | | | |
| Equity shareholders of the Company | 30,887 | 28,133 | 25,721 | 20,244 | 21,074 |
| Non-controlling interests | (18) | 83 | 200 | 232 | 195 |
| Total comprehensive income for the year | 30,869 | 28,216 | 25,921 | 20,476 | 21,269 |
| Basic earnings per share (RMB) | 0.33 | 0.30 | 0.31 | 0.26 | 0.25 |
| Diluted earnings per share (RMB) | 0.33 | 0.30 | 0.31 | 0.26 | 0.25 |

SECTION VIII FINANCIAL REPORTS

FINANCIAL SUMMARY

(Amounts in million except for per share data)

| | 2023 RMB | As at 31 December of the year | | | |
|--|----------------|-------------------------------|---------------------------|-------------|-------------|
| | | 2022 RMB | 2021 RMB (restated) | 2020 RMB | 2019 RMB |
| Financial condition | | | | | |
| Property, plant and equipment, net | 409,943 | 413,963 | 415,981 | 418,605 | 410,008 |
| Construction in progress | 72,238 | 58,443 | 51,457 | 48,425 | 59,206 |
| Other non-current assets | 185,770 | 194,220 | 167,438 | 164,050 | 160,735 |
| Cash and bank deposits | 91,851 | 76,300 | 75,213 | 33,092 | 24,419 |
| Other current assets | 76,012 | 64,772 | 52,150 | 50,924 | 48,763 |
| Total assets | 835,814 | 807,698 | 762,239 | 715,096 | 703,131 |
| Current liabilities | 303,436 | 281,737 | 265,071 | 271,142 | 264,661 |
| Non-current liabilities | 85,211 | 89,534 | 65,995 | 77,779 | 83,430 |
| Total liabilities | 388,647 | 371,271 | 331,066 | 348,921 | 348,091 |
| Total equity attributable to equity holders of the Company | 442,926 | 432,089 | 428,678 | 363,456 | 352,510 |
| Non-controlling interests | 4,241 | 4,338 | 2,495 | 2,719 | 2,530 |
| Total equity | 447,167 | 436,427 | 431,173 | 366,175 | 355,040 |
| Total liabilities and equity | 835,814 | 807,698 | 762,239 | 715,096 | 703,131 |

SHAREHOLDER INFORMATION

SHARE INFORMATION

Share Listing

China Telecom Corporation Limited's H shares were listed on The Stock Exchange of Hong Kong Limited on 15 November 2002 while its A shares were listed on the Shanghai Stock Exchange on 20 August 2021.

Stock Code

The Stock Exchange of Hong Kong Limited 728
Shanghai Stock Exchange 601728

Share Price Performance

| 2023 Share Price | HK\$ per H Share | | | RMB per A Share | | |
|------------------|------------------|------|-------|-----------------|------|-------|
| | High | Low | Close | High | Low | Close |
| | 4.58 | 3.07 | 3.74 | 7.51 | 4.15 | 5.41 |

Number of issued shares: (as at 31 December 2023) 91,507,138,699
Market capitalisation: (as at 31 December 2023) HK\$513.8 billion

SHAREHOLDER INFORMATION

Distribution of Shares and Shareholdings

The share capital of the Company as at 31 December 2023 was RMB91,507,138,699, divided into 91,507,138,699 shares of RMB1.00 each. As at 31 December 2023, the share capital of the Company comprised:

| | Number of Shares | Percentage of the Total Number of Shares (%) |
|---|------------------|---|
| Total Number of A Shares: | 77,629,728,699 | 84.83 |
| <i>held by:</i> | | |
| China Telecommunications Corporation | 58,476,519,174 | 63.90 |
| Guangdong Rising Holdings Group Co., Ltd. | 5,614,082,653 | 6.14 |
| Zhejiang Provincial Financial Development Co., Ltd. | 2,137,473,626 | 2.34 |
| Jiangsu Guoxin Group Limited | 957,031,543 | 1.05 |
| Fujian Investment & Development Group Co., Ltd. | 920,294,182 | 1.01 |
| Others | 9,524,327,521 | 10.39 |
| Total Number of H Shares: | 13,877,410,000 | 15.17 |
| Total | 91,507,138,699 | 100.00 |

Note: Guangdong Rising holds 5,614,082,653 unrestricted shares of the Company, accounting for 6.14% of the Company's total share capital. Among them, 5,214,082,653 shares are held through its own ordinary securities account, accounting for 5.70% of the Company's total share capital; 400,000,000 shares are held through Guangdong Rising Holdings Group Co., Ltd. — Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023, accounting for 0.44% of the Company's total share capital.

Major Shareholders of H Shares

The following table shows the major shareholders that exercised or controlled the exercise of 5% or above of H shares as at 31 December 2023:

| Name of Shareholder | Number of Shares | Percentage of the Total Number of H Shares in Issue (%) |
|---------------------|------------------|---|
| GIC Private Limited | 1,248,239,702 | 8.99 |

SHAREHOLDER INFORMATION

Dividend History

| A-share Dividend | | | |
|------------------|------------------|------------------|------------------------------|
| Financial Year | Ex-Dividend Date | Payment Date | Dividend per Share (pre-tax) |
| 2021 Final | 8 June 2022 | 8 June 2022 | RMB0.170 |
| 2022 Interim | 8 September 2022 | 8 September 2022 | RMB0.120 |
| 2022 Final | 9 June 2023 | 9 June 2023 | RMB0.076 |
| 2023 Interim | 31 August 2023 | 31 August 2023 | RMB0.1432 |

Note: The Company will publish an announcement on the Shanghai Stock Exchange to disclose detailed information related to the 2023 final dividend for A-share.

| H-share Dividend | | | |
|------------------|------------------|-------------------|------------------------------|
| Financial Year | Ex-Dividend Date | Payment Date | Dividend per Share (pre-tax) |
| 2002 Final | 16 May 2003 | 10 July 2003 | HKD0.00837* |
| 2003 Final | 1 April 2004 | 20 May 2004 | HKD0.065 |
| 2004 Final | 21 April 2005 | 23 June 2005 | HKD0.065 |
| 2005 Final | 20 April 2006 | 15 June 2006 | HKD0.075 |
| 2006 Final | 26 April 2007 | 15 June 2007 | HKD0.085 |
| 2007 Final | 28 April 2008 | 16 June 2008 | HKD0.085 |
| 2008 Final | 23 April 2009 | 30 June 2009 | HKD0.085 |
| 2009 Final | 22 April 2010 | 30 June 2010 | HKD0.085 |
| 2010 Final | 18 April 2011 | 30 June 2011 | HKD0.085 |
| 2011 Final | 5 June 2012 | 20 July 2012 | HKD0.085 |
| 2012 Final | 4 June 2013 | 19 July 2013 | HKD0.085 |
| 2013 Final | 4 June 2014 | 18 July 2014 | HKD0.095 |
| 2014 Final | 1 June 2015 | 17 July 2015 | HKD0.095 |
| 2015 Final | 30 May 2016 | 15 July 2016 | HKD0.095 |
| 2016 Final | 26 May 2017 | 21 July 2017 | HKD0.105 |
| 2017 Final | 31 May 2018 | 27 July 2018 | HKD0.115 |
| 2018 Final | 3 June 2019 | 26 July 2019 | HKD0.125 |
| 2019 Final | 1 June 2020 | 31 July 2020 | HKD0.125 |
| 2020 Final | 11 May 2021 | 1 June 2021 | HKD0.125 |
| 2021 Final | 31 May 2022 | 18 July 2022 | RMB0.170 |
| 2022 Interim | 31 August 2022 | 14 October 2022 | RMB0.120 |
| 2022 Final | 31 May 2023 | 21 July 2023 | RMB0.076 |
| 2023 Interim | 31 August 2023 | 28 September 2023 | RMB0.1432 |
| 2023 Final | 5 June 2024 | 26 July 2024 | RMB0.090** |

* On the basis of HK\$0.065 per share, pro-rated based on the number of days the Company's shares have been listed during the year of 2002.

** The dividend proposal is subject to shareholders' approval at the Annual General Meeting to be held on 27 May 2024.

SHAREHOLDER INFORMATION

ANNUAL REPORTS

Our annual reports in both English and Chinese are now available at our website www.chinatelecom-h.com.

2023 Annual Report Survey

Annual Report is a key communication channel between shareholders and the Company. Last year, we received around 100 questionnaires of "Your Views on Annual Report 2022". Each of these responses benefited us in enhancing and further improving our annual reports. We are deeply indebted to the respondents for their constructive responses. In accordance with our commitment, we have to contribute HK\$50 to a charitable organisation for each questionnaire received. In this regard, we have given a sum of HK\$10,000 to the charitable organisation, WWF, in 2023. In addition, we have already implemented the suggestion of allowing shareholders to choose means of receipt and language of corporate communication to enhance environmental protection and cost savings.

We value and are eager to keep hearing your comments on our annual report for our further improvement in the future. It is highly appreciated if you could spare your precious time to complete the questionnaire of "Your Views on Annual Report 2023", as attached in this annual report, and return it to us by post or email to ir@chinatelecom-h.com, or fax to +852 2877 0988. You can also fill in the electronic form at our website www.chinatelecom-h.com.

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Any enquiries relating to the strategic development or operations of China Telecom Corporation Limited, please contact the Investor Relations Department:

Investor Relations Department

Tel: (852) 2877 9777/(8610) 5850 1508
IR Enquiry: (852) 2582 0388
Fax: (852) 2877 0988/(8610) 5850 1531
Email: ir@chinatelecom-h.com

SHAREHOLDER INFORMATION

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, loss of share certificates, please contact the share registrars:

H share registrar

Computershare Hong Kong Investor Services Limited

Address: Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: www.computershare.com/hk/contact

A share registrar

China Securities Depository and Clearing Corporation Limited Shanghai Branch

Address: No. 188 South Yanggao Road
Pudong New Area,
Shanghai
Tel: (86) 4008-058-058
Website: http://www.chinaclear.cn/zdjs/shfgs/branch_BSH.shtml

CORPORATE CULTURE

Corporate Mission

Let the customers fully enjoy a new information life

Strategic Goal

Be a world-class integrated information services provider

Core Value

Comprehensive innovation, pursuing truth and pragmatism,
respecting people and creating value all together

Operation Philosophy

Pursue mutual growth of corporate value and customer value

Service Philosophy

Customer First Service Foremost

Code of Corporate Practice

Keep promise and provide excellent service for customers
Cooperate honestly and seek win-win result in joint innovation
Operate prudently and enhance corporate value continuously
Manage precisely and allocate resources scientifically
Care the staff and tap their potential to the full
Reward the society and be a responsible corporate citizen

Corporate Slogan

Connecting the World



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www.chinatelecom-h.com



Concept, design and printing: Cre8 (Greater China) Ltd. Website: www.cre8corp.com