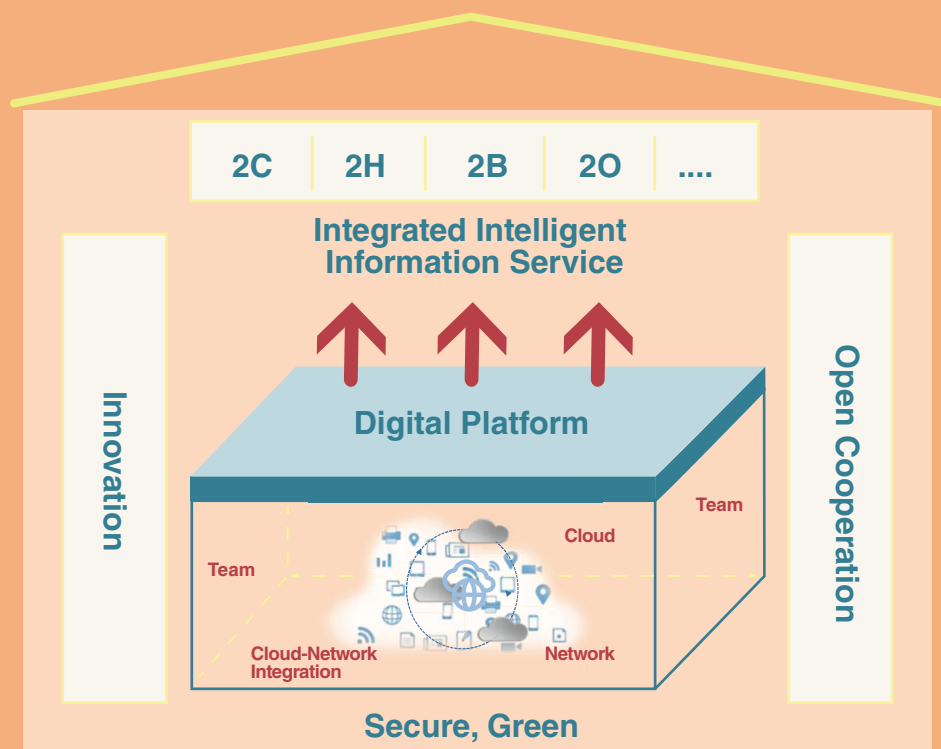
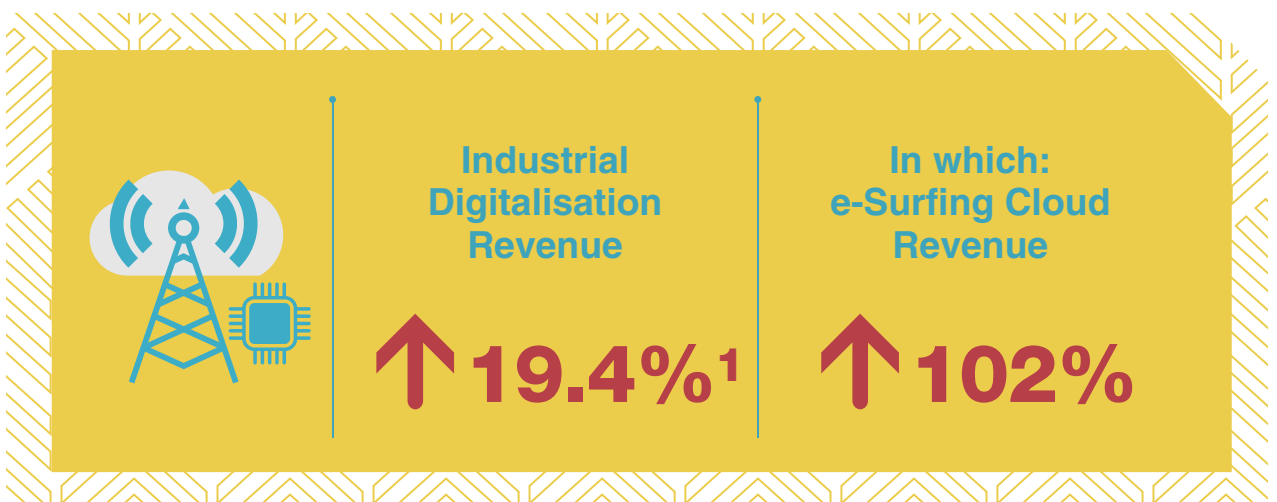
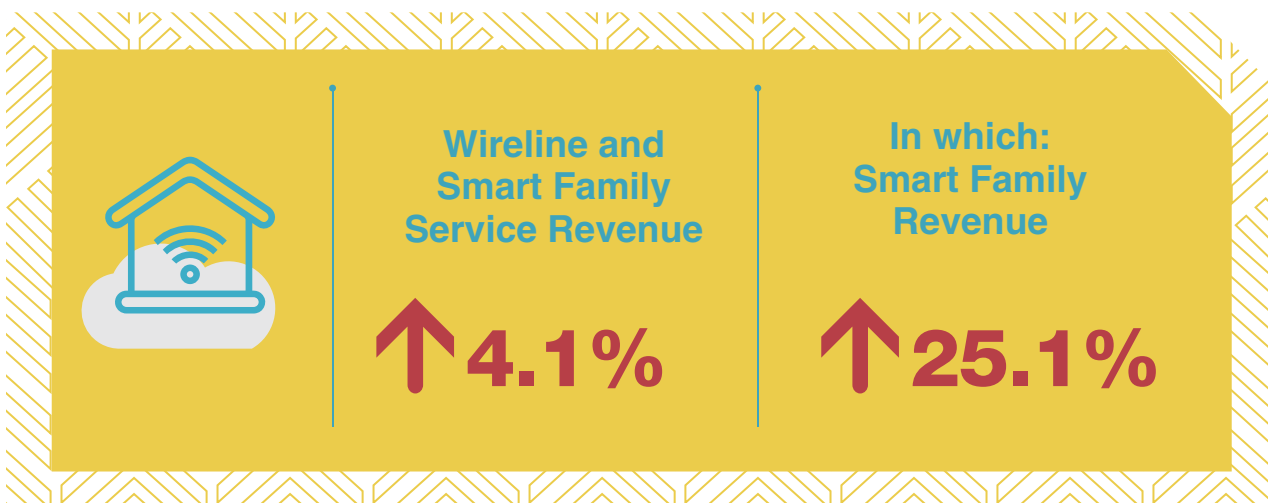
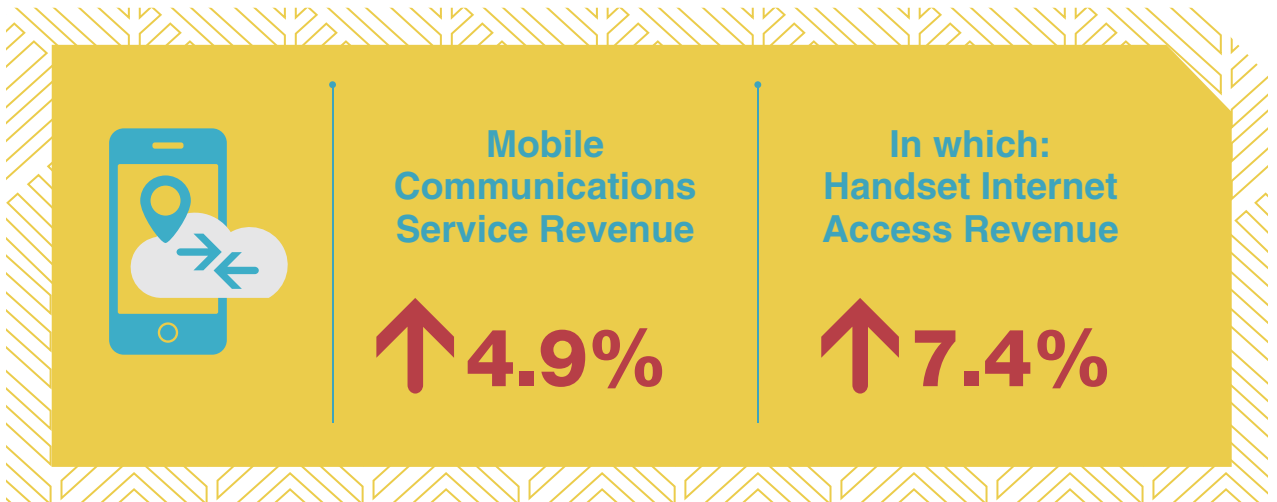




FULLY IMPLEMENT "CLOUDIFICATION AND DIGITAL TRANSFORMATION" STRATEGY

Strive to become a service-oriented, technology-oriented, secured enterprise





¹ Industrial Digitalisation revenue growth in 2021 is calculated by excluding the revenue impact from the disposal of subsidiaries from Industrial Digitalisation revenues in both 2020 and 2021



Ke Ruiwen
Chairman and Chief Executive Officer

1. DISCUSSION AND ANALYSIS OF OPERATIONS

In 2021, the new generation information and communications technologies saw accelerated innovation and had been increasingly permeated into all parts and the whole process of the economy and society, ushering the society towards an intelligent and digital age. With the accelerated development of digital economy, the Company proactively seized the strategic opportunities brought by the new round of technological revolution and industrial transformation, implemented its “Cloudification and Digital Transformation” strategy, deepened cloud-network integration and promoted its system and mechanism reforms. Propelled by the dual drivers of fundamental services and Industrial Digitalisation services, the operation and development of the Company sped up significantly. During the year,

the Company successfully issued A Shares on the SSE, achieving dual listings in Shanghai and Hong Kong while further promoting the closer integration between the capital market and user market. The Company also preliminarily completed its strategic deployments in the fields of sci-tech innovation and ecological cooperation, among others. While supporting the construction of Cyberpower and Digital China, the Company has also proactively undertaken its social responsibilities in areas of network and information security, rural revitalisation, green development, and etc. The Company continued to create value for shareholders, customers and the society, and achieved a promising start under the “14th Five-Year Plan” with high-quality development.



1. OVERALL RESULTS

In 2021, operating revenues of the Company amounted to RMB439.6 billion, representing an increase of 11.7% over last year. Service revenues² amounted to RMB402.8 billion, representing an increase of 7.8% over last year. Excluding the revenue impact from the disposals of its subsidiaries³, the year-on-year growth rate reached 8.1%, surpassing the industry's average growth rate for five consecutive years⁴. EBITDA⁵ amounted to RMB123.9 billion, representing an increase of 4.2% over last year. Net profit⁶ amounted to RMB25,948 million, representing an increase of 24.5% year-on-year. Excluding the one-off after-tax gain from the disposals of its subsidiaries⁷, the year-on-year growth rate reached 17.7%. The basic earnings per share were RMB0.31⁸. Capital expenditure was RMB86.7 billion and free cash flow⁹ reached RMB15.1 billion.

The Company attaches great importance to shareholder returns and strives to enhance its profitability and cash flow generation capability while effectively controlling capital expenditure. 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 the profit to be distributed in cash for the year 2021 shall be 60% of the profit attributable to equity holders of the Company for the year, i.e., RMB0.170 per share. Meanwhile, an interim dividend will be declared and paid starting from year 2022. Within three years after A Share Offering and listing, the profit to be distributed 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. The Company will share the results of its development with all of its shareholders and continue to create more value.

2. SUCCESSFUL A SHARE OFFERING BRINGS NEW MOMENTUM TO THE COMPANY'S DEVELOPMENT

On 20 August 2021, the Company's A Shares were officially listed on the SSE, with the Company making great strides in entering a new development stage. Taking A Share Offering as an opportunity, the Company will leverage its broader financing channels, further expand its ecological cooperation and implement more flexible incentive measures. The Company will also fully implement its "Cloudification and Digital Transformation" strategy, further boost sci-tech innovations and expedite the construction of the intelligent integrated digital information infrastructure. The Company will also continue to deepen its corporate reforms, enhance its employees' motivation, initiative and creativity, and stimulate its corporate vitality and intrinsic motivation. Through broader and deeper ecological cooperation, the Company will proactively develop industrial ecologies in the fields of 5G, Cloud Computing, network and information security, AI, and industrial smart manufacturing, among others. The Company will constantly strengthen its integrated intelligent information service capabilities, forge ahead towards becoming a service-oriented, technology-oriented and secured enterprise, and strive to promote the high-quality development of the Company.

² Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues. Of which, mobile service revenues amounted to RMB195.2 billion, representing an increase of 7.5% year-on-year; wireline service revenues amounted to RMB207.6 billion, representing an increase of 8.1% year-on-year.

³ The Company completed the disposals of E-surfing Pay and China Telecom Leasing in April 2021.

⁴ MIIT's statistical communique of the communications industry in 2021: telecommunications revenue grew by 8.0% year-on-year in 2021.

⁵ EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

⁶ Net profit represents profit attributable to equity holders of the Company.

⁷ The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1,416 million.

⁸ The basic earnings per share in 2021 are calculated based on 84.4 billion shares, which is the weighted average of the number of issued shares of the Company.

⁹ 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.



Subscriber value
continuously enhancing

↑ 2.0%

Mobile ARPU

↑ 3.4%

Broadband Blended
ARPU

3. IMPLEMENTING “CLOUDIFICATION AND DIGITAL TRANSFORMATION” STRATEGY, ACHIEVING NEW RESULTS IN HIGH-QUALITY DEVELOPMENT

In 2021, the Company implemented its “Cloudification and Digital Transformation” strategy, developed integrated intelligent information services with a customer-oriented approach, and built core sci-tech innovation capabilities and the new information infrastructure. The Company also established industrial and capital ecologies featuring strong alliances and open cooperation, while carrying out system and mechanism reforms, achieving new results in high-quality development.

3.1 Expansion and upgrade of integrated intelligent information services

Industry-leading growth of mobile subscriber scale with continuously rising subscriber value

The Company continued to enhance its 5G coverage and network quality, innovated e-Surfing Cloud handset device ecology, enriched the 5G application and privilege portfolio and launched 5G cloud packages. The Company optimised the service experience for users through ultimate convergence, facilitated the upgrade of individuals’ demands for emerging information consumption, continued to unleash the new round of data traffic benefits and propelled the scale and value enhancement of its mobile subscribers. In 2021, mobile communications service revenues amounted to



RMB184.2 billion, representing an increase of 4.9% over last year. The total number of mobile subscribers reached 372 million, with subscribers' net addition maintaining the industry-leading position for four consecutive years. Featured applications such as e-Surfing Cloud VR, cloud games, ultra HD, e-Surfing Cloud Drive and 5G Colour Ringback Tone with Video saw rapid development, with their value contribution becoming prominent. Mobile ARPU¹⁰ was RMB45.0, representing an increase of 2.0% over last year. The penetration rate of 5G package subscribers reached 50.4%, maintaining the industry-leading position.

Concurrent increase in scale and value of Smart Family subscribers, while digital life services continued to expand

Leveraging its edges in cloud-network integration capabilities, the Company converged "Gigabit broadband + Whole-home WiFi + e-Surfing HD + Smart Family applications" while aggregating content and applications as well as industrial ecology of ubiquitous smart terminals through Smart Family platform. The Company promoted the inter-connection and inter-communication among smart household products, continued to enrich the service content of digital life, offered whole-home intelligent integrated solutions and facilitated the quality upgrade of living and consumption. The Company sped up the expansion from Smart Family scenes to Smart

China Telecom's Smart Family services extending to communities and villages to grasp broader opportunities

- e-Surfing HD, Whole-home WiFi, e-Surfing Webcam...
- Launch whole-home intelligent integrated solutions
- Develop Smart Communities
- Develop Digital Villages

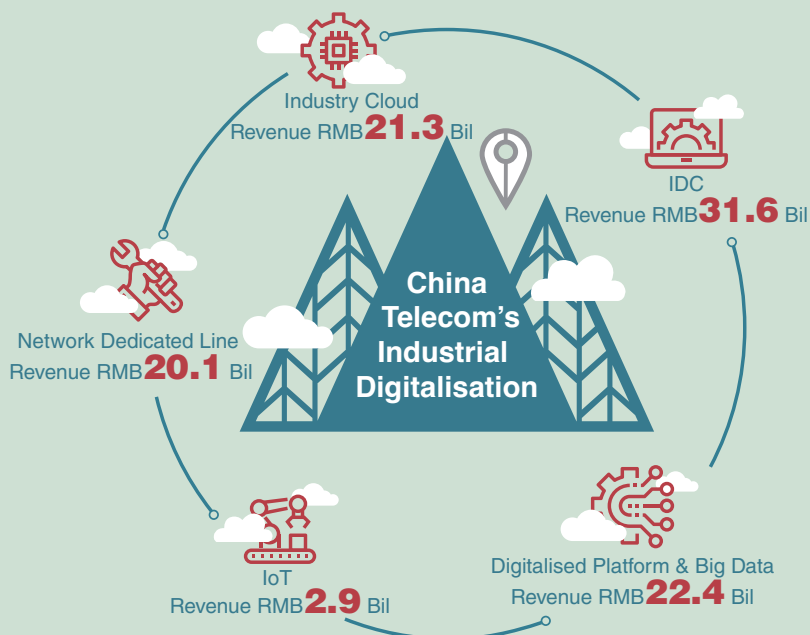
¹⁰ Mobile ARPU = monthly average revenues from mobile services/the average number of mobile subscribers.



Communities and Digital Villages. Utilising technologies such as IoT, Big Data, and AI, the Company rolled out products and applications such as Community Security and Protection, Community Management and Resident Services to advance the construction of smart communities. The Company also launched products and applications such as Village Governance, Agricultural Production and Rural Life to promote the construction of digital villages and achieve integration and mutual promotion as well as connected development. In 2021, wireline and Smart Family service revenues of the Company amounted to RMB113.5 billion, representing an increase of 4.1% year-on-year. The total number of wireline broadband subscribers reached nearly 170 million. The penetration rate of subscribers of Smart Family services such as Whole-home WiFi and e-Surfing Webcam increased rapidly. Smart Family revenue increased 25.1% year-on-year, while broadband blended ARPU¹¹ was RMB45.9, representing an increase of 3.4% year-on-year.

Industrial Digitalisation development accelerated with revenue size approaching RMB100 billion

The Company deeply integrated the key elements of digital economy with the real economy by leveraging the “integration of cloud, security, 5G, data and intelligence”, to develop scene-based integrated intelligent solutions and proactively empowered the transformation and upgrades of traditional industries. The Company’s 5G customised networks widely serve various vertical industries, while adopting a wide range of innovative business models. e-Surfing Cloud was fully upgraded into a distributed cloud. Digitalised platform accelerated its module-based transition and the core capabilities of integration service strengthened significantly. The Company achieved 100% cloudification of its new IT systems and 99% cloudification transformation of its existing IT systems, which were all hosted on the e-Surfing distributed cloud. The cloudification of IT achieved significant results in quality enhancement,



¹¹ Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services/the average number of broadband subscribers.



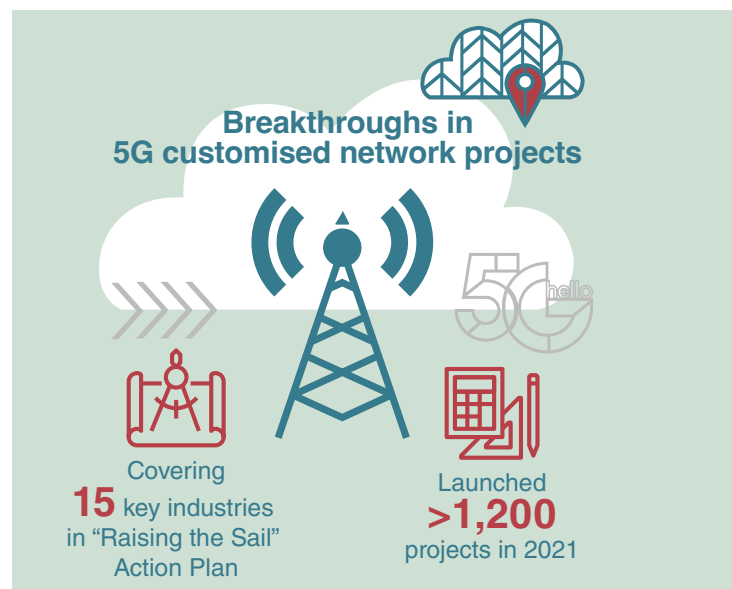
cost reduction and efficiency improvement. All of these propelled “the cloud migration, the use of data and intelligence injection” for customers. In 2021, revenue from the Company’s Industrial Digitalisation reached RMB98.9 billion, representing a year-on-year growth of 19.4% on a comparable basis¹², and this growth rate was significantly higher than that of 2020.

The commercial projects of the Company’s 5G customised networks have covered all 15 key industries under the “Raising the Sail” Action Plan¹³, with over 1,200 projects being implemented in the year. The three modes of the Company’s 5G customised networks, namely “Wide-area”, “Adjacent”, and “Wingspan”, fully exerted the features of 5G including massive connectivity, high speed, low latency and data security to empower such industries as Industrial Internet, convergent media,

smart city, smart mining, Internet of Vehicles (IoV), smart healthcare, and smart ports. Leveraging various customised virtual networks, the Company satisfied the demands for digital transformation and upgrades from a variety of companies of the society, dramatically enhanced their product quality and production efficiency, and effectively resolved challenges faced by certain industries such as complicated network construction, harsh operating environments and high security risks, supporting the digitalisation as well as intelligent transformation and upgrade of vertical industries. Meanwhile, the in-depth coverage of 5G networks propelled informatisation transformation in areas such as city governance, healthcare, education and information consumption, supporting the construction of Digital China.

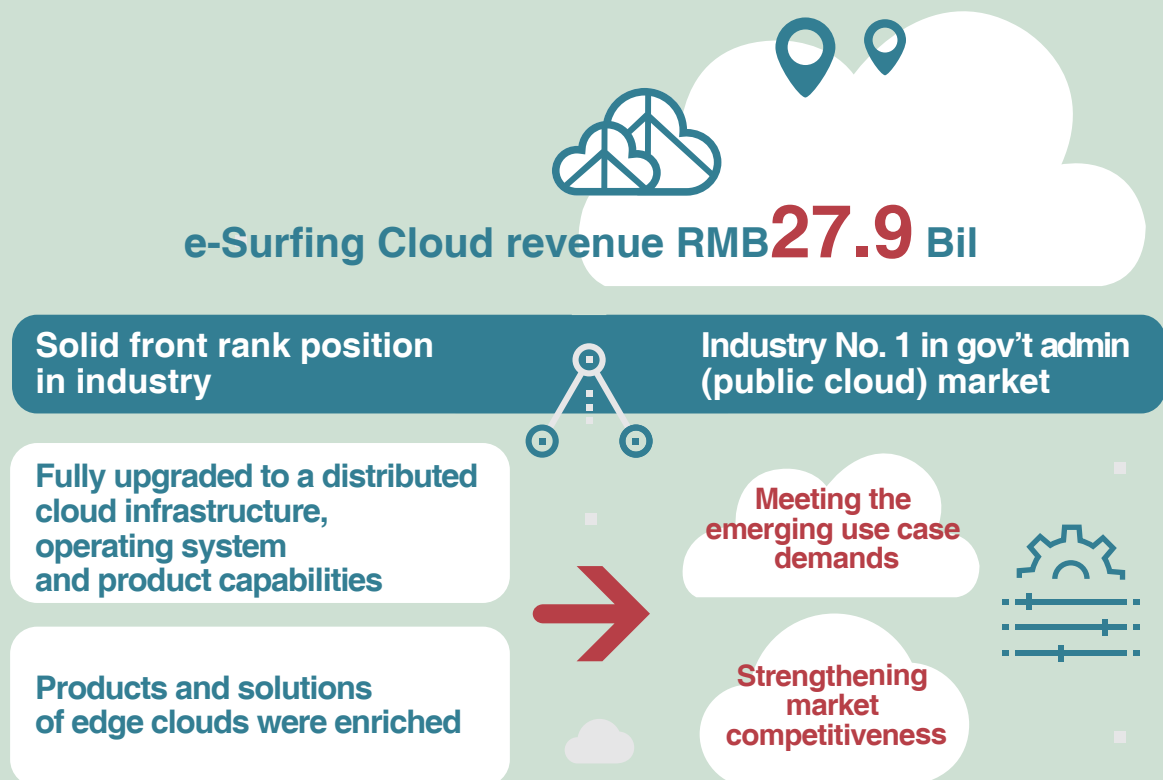


Rapid replication of 5G smart manufacturing projects



¹² The growth rate of Industrial Digitalisation revenue in 2021 is calculated based on Industrial Digitalisation revenue in 2020 and 2021 that both excluded the revenue impact from the disposals of its subsidiaries.

¹³ On 5 July 2021, ten central government departments including the MIIT published the “Raising the Sail” Action Plan for 5G Applications (2021–2023).



e-Surfing Cloud's competitiveness continued to grow with revenue doubled

As the digital economy thrives, industrial transformation and upgrades, as well as digital life of individuals and households triggered booming demand for cloud migration. e-Surfing Cloud achieved significant results in market expansion thanks to its overall edges in cloud-network integration, as well as independence and controllability, local service and security and reliability. In 2021, e-Surfing Cloud achieved breakthroughs in core technologies and was fully upgraded to a distributed cloud infrastructure, operating system and product capabilities. Products and solutions of edge clouds were enriched, while computing power was extended to Edge Nodes to meet the emerging use case demands such as data residency and ultra-low latency. These further strengthened its market competitiveness, allowing it to

win several cloud and CDN service orders worth over RMB100 million in fields of government administration, public utility, Internet and industrial manufacturing. The Company developed secure and reliable cloud storage service of e-Surfing Cloud Drive and introduced a number of leading application and content service providers as partners to meet the increasingly diversified demands for digital life from individuals and households. In 2021, revenue from e-Surfing Cloud doubled to RMB27.9 billion, securing a solid position in the front rank within the industry while maintaining its leading position in the public cloud market of government administration. The Company strengthened the development of datacentres at scale in an efficiently-centralised manner. IDC revenue reached RMB31.6 billion, maintaining an industry-leading market share.



Network and information security capabilities constantly strengthened with continuous expansion of security products and services

The Company continued to enhance cloud-network security protection capabilities, with a number of provincial branches being selected by MIIT as the demonstrative centre of security innovation for 5G applications. The Company plans to build a security capabilities pool covering cloud, network, edge and terminal in 31 provinces and gradually achieve on-demand selection and flexible deployment of security capabilities. The Company plans to build a security core with architectural and logical unity, and gradually achieve efficient centralisation of data, capabilities and management. The Company continued to expand security products and services, and built a network security protection platform by aggregating the edges of cloud-network, security and data resources to provide industry-leading customised security services.

The Company's cyber security protection platform and services of "Cloud Dam" series were widely adopted by nearly 10,000 customers across over ten industries, including finance, education, media, energy, and Internet. At the same time, the Company also proactively expanded its product and service series, such as e-Surfing Security Brain, Graded Protection Assistant, Quantum-encrypted Calls, and Internet Fraud Prevention. These enabled the Company to create end-to-end composite security delivery capabilities and provide integrated security protection solutions covering all scenarios for government and enterprise customers. Leveraging capabilities in network traffic channeling and optimisation, the Company offered products such as e-Surfing Anti-harassment and Security Butler for individual and household markets to create a green and secure communications and online environment.





China Telecom's rapid sci-tech innovation development



33 sci-tech achievements fully transformed and implemented



>80 small and micro innovations achieved sharing and replication



Domestic invention patents and PCT applications **↑ two times and eight times** respectively

3.2 Completed the deployment for sci-tech innovations

Powering development by sci-tech innovation, the Company, continued to strengthen sci-tech innovation capabilities and took substantial steps towards becoming a sci-tech company. The Company fully completed deployment of sci-tech innovation and research and development (R&D) system of RDO and is facilitating the penetration of key core technologies such as network, AI, security and quantum into fundamental research of applications, technological R&D of applications and operation-based development. The Company pushed forward the independence and self-control of core technologies, achieving breakthroughs in the innovation of technologies such as e-Surfing Cloud 4.0, 5G edge network, new generation cloud-network operating system, VoLTE Quantum-encrypted Calls, AI energy saving for base stations and sites, while

fully deploying its proprietary platform of 5G Colour Ringback Tone with Video. The Company also expedited the commercialisation of technological research achievements, with 33 projects being fully transformed and implemented, and more than 80 small/micro innovations achieved sharing and replication through the shared platform model. The Company led or jointly led the completion of 46 international standards in the year. The numbers of domestic invention patents and PCT applications increased by two times and eight times respectively, further enhancing the Company's sci-tech influence. The Company extensively carried out cooperative innovation with industry, academia, R&D institutes and customers such as that of key technologies with universities, scientific research institutes and other institutions. The Company further strengthened building of sci-tech team by cultivating and recruiting talents across all fronts.



3.3 Accelerating the construction of new information infrastructure based on cloud-network integration

The Company firmly seized opportunities arising from the development of the digital economy, propelled precise cloud-network construction based on user experience and business scenes, and strived to build the new information infrastructure that is high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon as well as secure and controllable.

Grasping the trend of cloud-network integration while steadily promoting “network adaptive to cloud, cloud and network as one”

The Company deepened network co-building and co-sharing with China Unicom, with the number of 5G base stations in use reaching approximately 690,000, and 5G network coverage extended to all cities and counties across the country as well as some developed towns. The Company also stepped up 4G network consolidation and resource sharing and further enhanced network

quality and resource utilisation efficiency. Aggregate savings of network investment exceeded RMB210 billion while that of network operating costs reached RMB20 billion per year. The Company sped up the construction of fibre network, strengthened gigabit’s leading role and the popularity of 300Mbps, and continued to enhance fibre network capabilities. The Company promoted IoT at high, medium and low speeds collaboratively and launched Tiantong IoT, offering customers with intelligent integrated information services featuring “space and ground unification, satellites and network integration, and Internet of Everything”. Integrating capabilities in cloud, network, AI and others, the Company built an e-Surfing Internet of Video Things platform with a “1+31+X” framework, creating standardised video capabilities that cover 31 provinces. The Company also launched standardised products and services such as e-Surfing Webcam for individual and household customers, as well as customised solutions combining standardised products with industry informatisation applications for government and enterprise customers to meet the demand for smart security and protection for vertical industries.



Chairman Ke Ruiwen presented at World Internet Conference

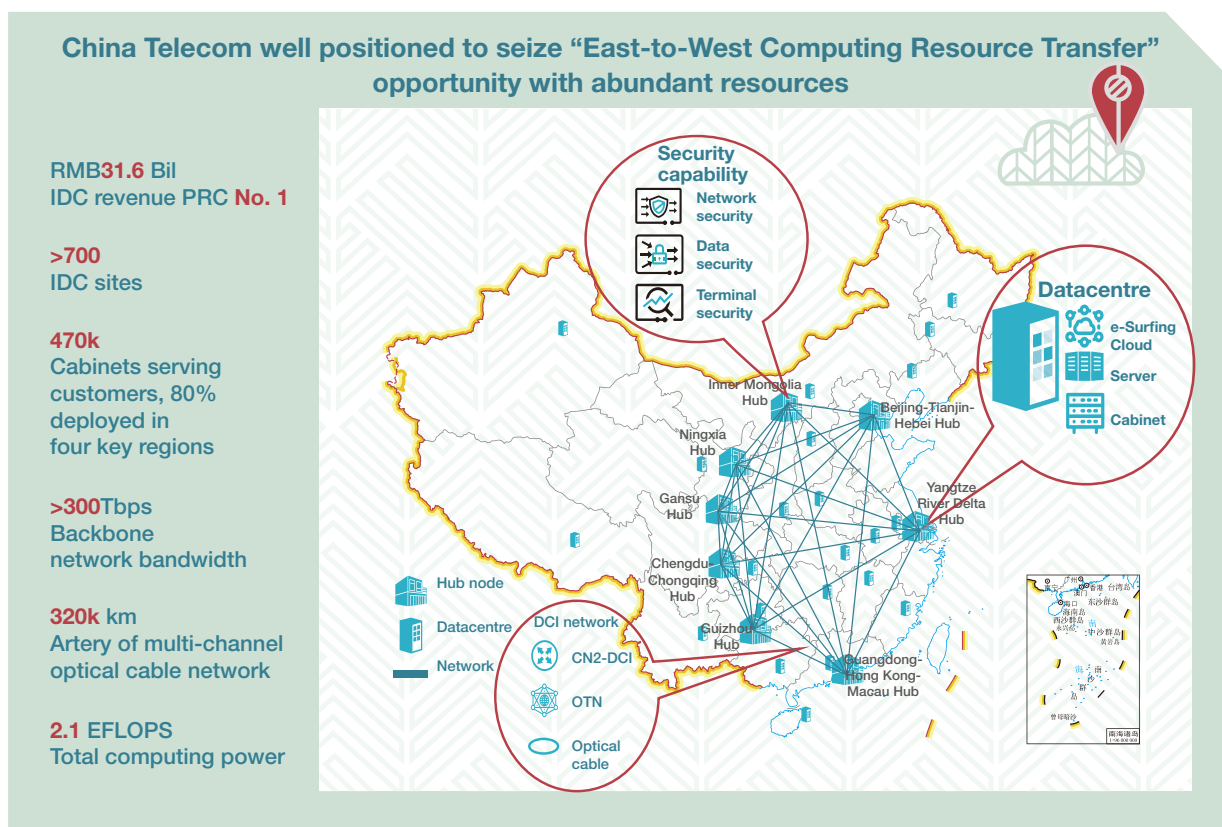


Adhering to the principles of allocating network resources and configuring network as required by cloud, as well as integrating deployment of network and cloud, the Company optimised the structure of its carrying network, completed the construction of an all-fibre transmission ROADM network with nationwide coverage and world's largest capacity, and expanded the scale deployment of the new metropolitan network to support business development. The Company accelerated the migration of core nodes to large-scale parks, with key parks being able to reach the backbone quickly. The Company built the cloud-network POP in accordance with cloud and achieved synchronised launch and activation of standardised and module-based cloud-network capabilities. The Company accelerated the control shift and separation of traditional networks as well as the cloudification of its capabilities, promoted the cloud migration of IT and strengthened the centralised service management and efficiency enhancement. The Company built the new generation cloud-network operating

system, elevated the level of intelligence of networks, and achieved “where cloud is located, where network is deployed” as well as one-stop processing, one-click activation and flexible customisation for its services. The Company also built the capabilities system for security situation awareness covering cloud, network, edge and terminal, to fortify the security foundation for its digital information infrastructure.

Striving to promote the effective implementation of the “East-to-West Computing Resource Transfer” project by fully leveraging its cloud-network edges

Pivoting on the nation’s “East-to-West Computing Resource Transfer” project and the deployment of an integrated Big Data centre, the Company deployed datacentres, DCI network, computing power and e-Surfing Cloud on all fronts and carried out advanced deployment of computing power network. The Company had more than 700 IDC sites with 470,000 cabinets serving customers, nearly 80% of which were deployed





in the four key regions, namely Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area and Chengdu-Chongqing, forming a resource layout of “2+4+31+X+O” which is highly consistent with the layout of the integrated national Big Data centre. The Company built an industry-leading high-speed Internet network connecting datacentres. Its CN2-DCI and the OTN network for government and enterprise customers cover all eight hub nodes and datacentres in major cities nationwide. The bandwidth of its backbone network exceeded 300Tbps. The Company built a 320,000km “artery” of multi-channel optical cable network covering four regions, six axes and eight hubs. The Company grasped the explosive growth momentum of computing power demands, deployed layer-based computing power nationwide, continuously uplifted the scale of its computing power in “2+4 hub nodes” and 31 provinces. The Company continued to strengthen near-field edge computing power as well as computing power at customer sites, with total computing power reaching 2.1 EFLOPS. e-Surfing Cloud was upgraded to a distributed cloud with breakthroughs in key core technologies. The Company launched a series of edge cloud products such as ACS, ECX and iStack, accelerated proprietary research of full-stack technologies, and rolled out an independent and self-controlled new generation cloud platform for e-Surfing Cloud, namely CloudOS4.0. The Company also

launched an independent and self-controlled e-Surfing Cloud operating system, namely CtyunOS, as well as a distributed database TeleDB. The Company teamed up with ecological cooperation partners in technology, application, service and channel to create full-stack products and services.

3.4 All-out ecological cooperation

The Company proactively built mutually beneficial ecosphere and transformed its development model and growth approach. The Company also strengthened strategic synergies and leveraged A Share Offering to introduce 20 strategic investors, thereby teaming up with upstream players with core capabilities and downstream



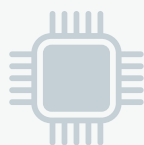
Continuous enhancement of 5G network coverage and quality

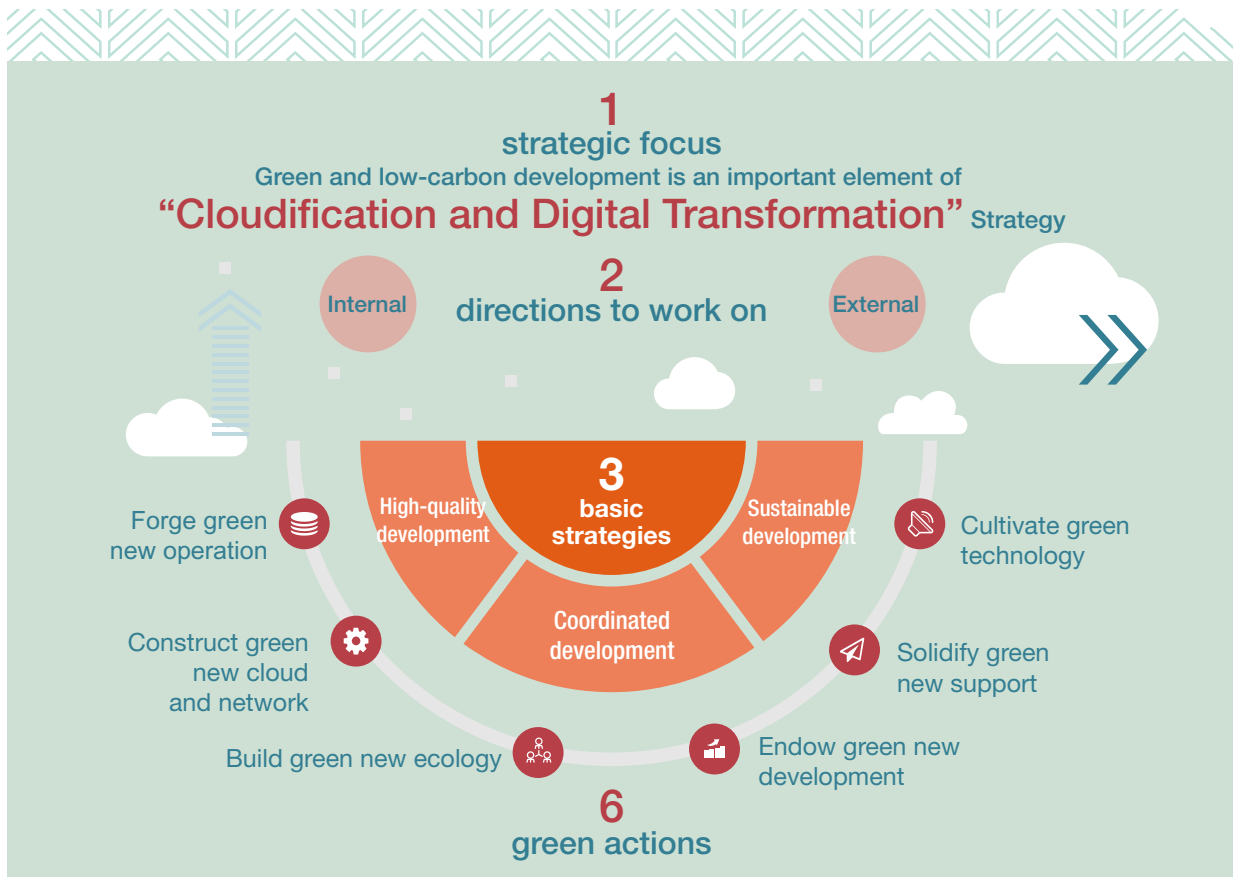


industry application companies at the country's most economically affluent urban areas to carry out in-depth cooperation in terms of R&D, solutions, service and capital in areas such as 5G industry applications, digital life, regional collaboration, cloud-network integration, and network and information security. The Company deepened network co-building and co-sharing, promoted joint procurement within the industry and proactively safeguarded the value of the industry, with an aim to create favourable environment for development. The Company also strengthened ecological cooperation in key business areas and promoted innovative R&D in 5G-related technologies, industries and terminals through the 5G Innovation Alliance, joint innovation centres and open laboratories. China Telecom Cloud Technology Co., Ltd. conducted shareholding diversification reforms by entering into a framework agreement to increase registered capital and shares with four large-scale state-owned enterprises (SOE), resulting in consolidation of ecological resources of Cloud Computing and further enhancement of market expansion capabilities in areas of Industrial Digitalisation such as digital society, digital government and vertical industries.

3.5 Deepened reforms with innovation of systems and mechanisms

The Company fully implemented the three-year action plan for SOE reforms, while continuing to enhance the modernisation level of its governance system and capabilities for its subsidiaries and optimising its modern corporate system. The Company deepened the promotion of three system reforms so that leading cadres can be promoted or demoted, compensation can be raised or reduced, as well as employees can be hired or let go. The Company motivated employees' pursuit for innovation and development, established a market-oriented incentive mechanism and offered higher compensation to sci-tech and Industrial Digitalisation areas. The Company stepped up recruiting talents and granted share appreciation rights to nearly 8,000 key personnel. The Company continued to deepen reforms of professional companies, established China Telecom Cloud Technology Co., Ltd., restructured digital life company, set up the security company and pushed forward "sci-tech reform" of its system integration company on all fronts. The Company carried out pilot reform of authority delegation within its Shenzhen branch





and pushed forward the establishment of regional professional company in Chengdu. The Company deepened government and enterprise reforms, optimised its industry Business Group (BG) operation model, introduced an “open competition mechanism” for human resources and innovated system and mechanisms to fully mobilise the vitality of its government and enterprise team. The Company created industrial research institutes, conducted proprietary R&D of digitalised platform, aggregated and exported its fundamental capabilities, enhanced solution and localised integration delivery capabilities. As a result, the Company’s operating vitality and informatisation expansion capabilities in the government and enterprise market significantly strengthened.

3.6 Undertaking social responsibilities while optimising corporate governance

Adhering to the original aspiration and founding mission, the Company proactively implemented social responsibility practices based on the promotion of the high-quality development of the Company, while promoting intelligence

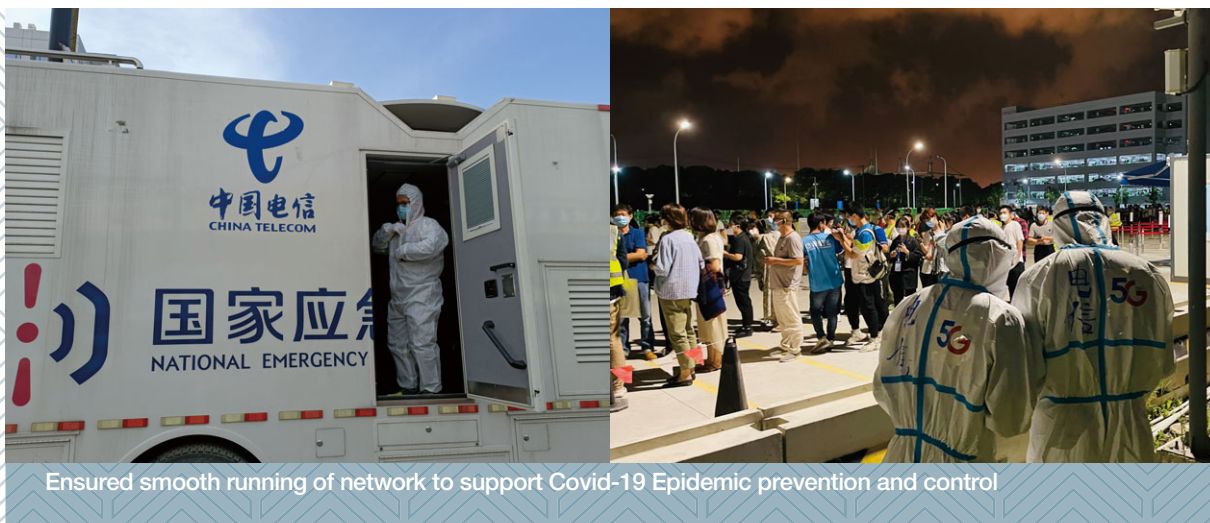
injection and endowment for the sustainable development of the economy and society. The Company insisted on development powered by sci-tech innovation, accelerated the construction of intelligent integrated digital information infrastructure, and has completed the construction of the world’s largest 5G SA co-built and co-shared network as well the world’s largest telco-operated cloud. The Company successfully completed the communications assurance tasks for key events and major emergencies and natural disasters. The Company proactively carried out network security governance, continuously enhanced the level of corporate network security capabilities, and ensured the security of customer services. Adhering to the customer-oriented approach, the Company expanded scene-based integrated intelligent information services, vigorously pushed forward the construction of digital entertainment and digital households, spared no efforts to build smart communities and digital villages, and continued to enrich the content of digital life services. The Company strengthened the innovation and application of digital information technologies to empower numerous walks of life. The Company spared no efforts to consolidate



and expand the effective connection between the achievements of poverty alleviation and rural revitalisation and continued to promote universal service, receiving national commendations including the National Poverty Alleviation Summary and Commendation Advanced Groups. The Company comprehensively forged a “China Telecom is trustworthy” reputation and image, maintaining the industry-leading position in terms of overall satisfaction with industry’s lowest valid complaint rate. Insisting on people-oriented approach, the Company deeply cared for its employees and strived to achieve mutual growth of employees and the Company. The Company enthusiastically participated in community services and established more than 6,000 “Caring Stations” to provide warm public welfare services. Leveraging emerging information and communications technologies, the Company supported sci-tech-based anti-epidemic measures as well as the normalised Epidemic prevention and control. Insisting on the green development principles, the Company launched the “1236” action plan for carbon

dioxide peaking and carbon neutrality. The Company reduced its carbon dioxide emissions by more than six million tons in a year through network co-building and co-sharing. The Company proactively established a green supply chain to support low-carbon production and green life.

Adhering to excellent, prudent, and effective corporate governance principles, the Company continued to strengthen internal control system, enhance the level of governance, standardise corporate operation to ensure that the Company’s operation is in line with the long-term interests of all shareholders. Meanwhile, the Company coordinated and promoted the development of the governance system of its subsidiaries and built a corporate governance mechanism with effective checks and balances. In 2021, the Company’s continuous efforts in corporate governance was widely recognised by the capital market and received a number of honours. The Company was voted as the “Most Honoured Companies



Ensured smooth running of network to support Covid-19 Epidemic prevention and control



in Asia” for the 11th consecutive year in the “The All-Asia-Executive-Team Poll” organised by *Institutional Investor*. The Company also received several awards in the same poll, including “Best Overall ESG” and “Best IR Program”. The Company was awarded the “Gold Award – Excellence in Environmental, Social and Governance” in the poll of “ESG Corporate Awards 2021” by *The Asset*. In addition, the Company was awarded “The Best of Asia – Icon on Corporate Governance” for the 14th time by *Corporate Governance Asia*. Furthermore, the Company was named “Most Outstanding Company in Hong Kong – Telecommunication Service Sector” in *Asiamoney’s* “Asia’s Outstanding Companies Poll 2021”. The Company was also accredited the “ESG Leading Enterprise Award” in the “ESG Leading Enterprise Awards 2021” poll organised by *Bloomberg Businessweek/Chinese Edition*.

4. OUTLOOK

At present, the society is entering into an intelligent digital age in an accelerated pace, driven by the new generation information and communications technologies. The prospects of the digital economy are boundless. AI has entered into an accelerated development stage while the development of the communications industry is seeing historic new opportunities. In the process of the new round of technological revolution and industrial transformation, the industry’s growth drivers will shift from fundamental connections to digitalised service innovation. Sci-tech innovation will become the core driver of high-quality corporate development, while green and low-carbon development is the inevitable path for high-quality corporate development. The Company made a promising start under the “14th Five-Year Plan” in 2021. In 2022, the Company will seize the valuable opportunities arising from the development of the digital economy, put all efforts into promoting high-quality development and jointly create a new pattern for the information and communications industry.



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Looking ahead, entering the new stage of its development, the Company will implement the new development principles completely, accurately and comprehensively, while proactively serving and integrating into the new development pattern. The Company will firmly seize the current vital strategic opportunities, implement the “Cloudification and Digital Transformation” strategy on all fronts, strengthen its R&D and problem-tackling efforts in key core areas. The Company will also optimise its R&D mechanism, strengthen its R&D talent team and increase its investment in sci-tech research resources. The Company will also create a customer-oriented operating system, proactively explore and plan for the metaverse and strive to create an intelligent and shared new digital life. The Company will deepen network co-building and co-sharing, reinforce its edges in holistic network connectivity covering land, sea, air and space, and fully realise its leading advantages of forward-looking resource deployment. The Company

will spare no efforts to promote the national project of “East-to-West Computing Resource Transfer”, speed up the construction of Computing Network, build intelligent integrated digital information infrastructure, and empower the transformation and upgrade of traditional industries. The Company will also adopt its green and low-carbon principles throughout its whole production process and workflow to enhance the green operation capability and empower the green development of the economy and society. The Company will also establish a highly efficient and secure operating system and reinforce the digital security barrier. The Company will deepen its system and mechanism reforms, stimulate employee’s vitality to pursue innovation, and push forward the enhancement of quality and efficiency as well as innovative development of the Company. The Company will also deepen the deployment of capital market ecology, expedite the shift of development and growth approach and share the results of its high-quality development with shareholders!

Ke Ruiwen

Chairman and Chief Executive Officer
Beijing, China

17 March 2022



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

1. INDUSTRY OVERVIEW

At present, global technological innovation has entered a period of unprecedented intensity and activity, with the world picking up its pace towards the intelligent era of digitalisation and connectivity for all. As a fundamental, strategic and pioneering industry of the national economy, the information communications industry has played an important supporting role in promoting economic restructuring and economic and social development.

Accelerated construction of new infrastructure.

Entering the era of digital economy, telecommunications operators proactively grasp the development trend of the global information and communications industry and take "the construction of the intelligent integrated digital information infrastructure that is high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon

as well as secure and controllable" as their responsibility and mission to break through the information "artery" for economic and social development.

Continuously enhanced endowment capability for transformation.

To promote the deep integration of digital technology and the real economy, empower the transformation and upgrades of traditional industries, encourage the emergence of new industries, new business types and models, and continuously strengthen, optimise and expand PRC's digital economy. By fully leveraging technological capabilities in 5G, AI and cloud, telecommunications operators will promote the scale development of industry applications and provide solid support for digital transformation, intelligent upgrades, and integrated innovation in various fields of the economy and society.

Constant breakthroughs in sci-tech innovation capabilities.

The new generation of network information technologies led by 5G are the technological innovation fields with the most intensive R&D investment, the most active innovations, the most extensive application,



云网融合 数智相生

Chairman Ke Ruiwen introduced China Telecom's "Cloudification and Digital Transformation" strategy



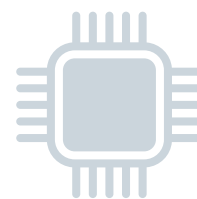
and the largest radiating effect in the world, attracting competition from global technological innovations. Telecommunications operators will continue to promote sci-tech innovation, shoulder the glorious historical mission to accelerate the high-level sci-tech self-reliance and self-improvement, with a focus on global sci-tech frontier, major economic battlefield, key national demands and people's wellbeing.

Increasing importance of cybersecurity. With the extensive development of new technologies and new applications, cybersecurity threats such as data leakage, Internet fraud, ransomware and security breaches are becoming increasingly prominent, posing new risks and challenges on cybersecurity work. Telecommunications operators will go all-out to strengthen the network security protection system and capability building, to maintain the stability of the economy and society and protect the interests of the general public.

Ongoing green and low-carbon development. To build an economic system for green and low-carbon development and promote comprehensive green transformation of economic and social development to achieve sustainable development. Telecommunications operators expedite the energy-saving and green modification of 5G base stations and datacentres, proactively promote network co-building and co-sharing, thoroughly explore the potential of green development, strengthen green empowerment and support the society in energy saving and carbon emission reduction.

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 industry policies were promulgated and implemented, introducing new requirements for the development and compliance operation of the industry.





On 10 June 2021, the Standing Committee of the National People's Congress considered and approved the *Data Security Law of the People's Republic of China* (the "Data Security Law"), which came into effect on 1 September 2021. The *Data Security Law* requires that risk monitoring shall be strengthened when conducting data processing activities, and remedial measures shall be taken immediately when risks such as data security defects and loopholes are found. In the event of a data security incident, immediate measures shall be taken, users shall be notified immediately and reported to the relevant competent authorities in a timely manner in accordance with the regulations.

On 11 March 2021, the *Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035* was approved at the 4th meeting of the 13th National People's Congress, which proposed to accelerate the digital development and construction of Digital China, embrace the digital era, activate the potential of data elements, promote the construction of Cyberpower, accelerate the construction of a digital economy, digital society and digital government, and drive the overall reform of production methods, lifestyle and governance methods through digital transformation.

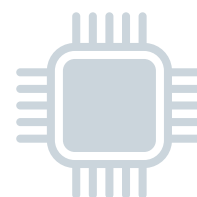
On 30 July 2021, the State Council promulgated the *Regulations on the Security Protection of Key Information Infrastructure*, which came into effect on 1 September 2021. The *Regulations on the Security Protection of Key Information Infrastructure* requires operators to take technical protection measures and other necessary measures to respond to network security incidents, prevent cyber-attacks and illegal and criminal activities, ensure the safe and stable operation of key information infrastructure, and maintain the integrity, confidentiality and availability of data in accordance with the provisions of these regulations, relevant laws, administrative regulations and mandatory requirements of national standards on the basis of network security level protection.





On 20 August 2021, the Standing Committee of the National People's Congress considered and approved the *Personal Information Protection Law of the People's Republic of China* (the "Personal Information Protection Law"), which came into effect on 1 November 2021. The *Personal Information Protection Law* stipulates that the processing of personal information shall have a clear and reasonable purpose, and shall be directly related to the processing purpose, with minimal impact on personal interests. The collection of personal information shall be limited to the minimum scope for processing purposes and shall not be excessive. The processing of personal information shall follow the principle of openness and transparency, with processing rules of personal information disclosed and the purpose, methods and scope of processing specified. The personal information processor is required to obtain individual consent in the process of handling sensitive personal information, providing or disclosing personal information to others, and cross-border transfer of personal information.

On 1 November 2021, the Ministry of Industry and Information Technology issued the *14th Five-Year Plan for Development of Information and Communications Industry*, which requires to unswervingly promote the construction of manufacturing power, Cyberpower and Digital China, expedite the digital development of the economy and society, systematically deploy new digital infrastructure, effectively promote the speed-up and quality improvement of the network, focus on strengthening the R&D and application and promotion of new technologies, establish and improve new industry management system, continuously improve the service quality and security assurance ability of the industry, effectively enhance the ability of the industry's risk resistance, achieve high-quality development of the industry, serve the people's living quality, comprehensively empower the transformation and upgrades of the economy and society, promote the formation of a new development pattern as soon as possible, realise the modernisation of the national governance system and governance ability as soon as possible, and mark a good start for the comprehensive construction of a modern socialist country.





On 28 December 2021, the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology and other departments jointly promulgated the revised *Cyber Security Review Measures*, which came into effect on 15 February 2022. *The Cyber Security Review Measures* clarify that network security review shall be conducted when critical information infrastructure operators purchase network products and services and network platform operators conduct data processing activities that affect or may affect national security.

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

3. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

In 2021, the Company seized the development opportunities of the digital economy and implemented the “Cloudification and Digital Transformation” strategy. Adhering to the proactive and progressive market development tactics, the Company insisted on the individual informatisation upgrade led by 5G and continued to enhance 5G operation capabilities. Through the convergence of “Gigabit Broadband + Whole-home WiFi + e-Surfing HD + Smart Home Application”, the Company accelerated the upgrade of family services to digital life and services. Leveraging “integration of cloud, security, 5G, data, and intelligence”, the Company developed scene-based integrated intelligent solutions to accelerate the development of Industrial Digitalisation. In 2021, The total number of the Company’s mobile subscribers reached 372 million, with subscribers’ net addition maintaining the industry-leading position for four consecutive years. The penetration rate of 5G package subscribers reached 50.4%. The number of wireline broadband subscribers reached nearly 170 million. The



Management introduced the Company’s vision of propelling digitalisation through deepened collaboration





penetration rate of subscribers of Smart Family services such as Whole-home WiFi and e-Surfing Webcam increased rapidly. Revenue from Industrial Digitalisation reached RMB98.9 billion, representing a year-on-year growth of 19.4% on a comparable basis, with its growth rate being significantly higher than that of 2020.

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

In 2021, in the face of new opportunities and challenges, China Telecom implemented the “Cloudification and Digital Transformation” strategy, coordinated the promotion of Epidemic prevention and control and production and operation, achieving significant progress and remarkable results in corporate reform and development.

1. INDUSTRY-LEADING CLOUD-NETWORK SERVICING CAPABILITIES

The Company pioneered in the industry to put forward the idea of cloud-network integration, built a leading new information infrastructure based on cloud-network integration, and continued to consolidate the edges of holistic network connectivity covering land, sea, air and space. The Company deepened co-building and co-sharing with its 5G network coverage being extended to all cities and counties across the country as well as some developed towns. The Company has built the world's largest 5G SA co-building and co-sharing network. The Company sped up the construction of its fibre network, strengthened gigabit's leading role and the popularity of 300Mbps, and continued to enhance the capabilities in fibre network. The Company launched the Tiantong IoT to provide customers with intelligent integrated information services featuring aerial-ground in one, satellite-network integration as well as Internet of Everything. The Company has built a nationwide ROADM all-fibre transmission network with the world's largest





capacity and expanded the deployment scale of new metropolitan network based on business development. The Company stepped up its efforts in the Cloud Computing field. China Telecom Cloud Technology Co., Ltd. was officially established, with four large-scale central state-owned enterprises (SOEs) being introduced to sign a framework agreement of shareholding diversification. The Company strived to build a national Cloud Computing team and e-Surfing Cloud brand, continuously enhancing its market influence. Adhering to the “customer-oriented” principle, the Company continued to build a “trustworthy” corporate image, provide high-quality informatised products and services, and enhance customer experience. The Company carried out special improvement programs for satisfaction services, maintaining the industry-leading position in terms of overall satisfaction with the lowest valid complaint rate in the industry.

2. SIGNIFICANT ENHANCEMENT OF SCI-TECH INNOVATION CAPABILITY

The Company fully achieved the integrated the tri-segment R&D system comprised three modules including fundamental research of applications, technological R&D of applications and operation-based development. Continuous breakthroughs have been seen in core capabilities and proprietary key technologies, such as e-Surfing Cloud 4.0 and 5G edge network. The Company has taken the initiative to assume the origin of original Cloud Computing technology and major national problem-tackling projects by carrying out extensive external cooperation and comprehensive cooperation with the four major national laboratories. The establishment of China Telecom Science and Technology Association serves as a bridge for technical exchange and sharing and a home for sci-tech practitioners. The Company gathered top experts in the industry and set up an expert committee for sci-tech innovation to form a high-end “external brain”.





3. CONTINUOUS REINFORCEMENT OF NETWORK AND INFORMATION SECURITY CAPABILITY

Internally, the Company continued to improve the network and information security system and established efficiently-centralised security and network channeling capabilities. The Company increased the procurement scale of domestic independent products, fully safeguarded the safety of the supply chain and continuously increased the procurement proportion of domestic systems, software and network equipment. The protection of personal information has been strengthened with full use of informatisation measures to ensure the security of user data and applications. The Company continued to carry out anti-fraud, fraud prevention and anti-telephone harassment, with its anti-fraud work achieving industry-leading position on all fronts. Externally, the Company continuously developed security products and services, empowered social and economic security and strengthened core security products. The Company also proactively expanded its product and service series, such as e-Surfing Security Brain, Graded Protection Assistant, Quantum-encrypted Calls, and Internet Fraud Prevention, among others, and offered products such as e-Surfing Anti-harassment and Security Butler for individual and household markets. The Company has built great security service system, strengthened the collaboration of security company, Beijing Global Safety Technology and QuantumCTek, forming the development synergy and jointly expanding and strengthening security services.



Management introduced the Company's network and information security products





5. MAJOR OPERATION DURING THE REPORTING PERIOD

In 2021, the Company proactively explored the market, upgraded its products, enhanced its services and continued to meet individual and household customers' demands emerging from consumption upgrade in digital life as well as enterprise customers' demands emerging from transformation in Industrial Digitalisation. The Company spared no efforts to promote high-quality development. The Company's operating revenues amounted to RMB439.6 billion, representing an increase of 11.7% year-on-year. Of which, service revenues amounted to RMB402.8 billion, representing an increase of 7.8% over last year. Excluding the revenue impact from the disposals of its subsidiaries the year-on-year growth rate reached 8.1%, remaining above the industry's average growth rate for five consecutive years.

1. CONTINUING TO STRENGTHEN THE LEADING ROLE OF 5G SERVICES, WITH THE SCALE AND VALUE OF MOBILE SUBSCRIBERS MAINTAINING FAVOURABLE GROWTH

The Company proactively seized the window of 5G service development and insisted on developing individual market led by 5G. The Company continued to enrich the content of 5G packages and took the lead in launching the 5G Cloud Package within the industry by leveraging its "cloud-network integration" edges, offering secure and reliable cloud services for 5G customers through "connectivity + cloud drive". The Company also continuously optimised its content, applications and experience, stepped up the scale expansion of 5G applications, with the scale of applications such as Colour Ring back Tone with Video, Ultra HD, Cloud

VR/AR, Cloud Games and cloud handsets becoming considerable while DOU continuing to rise. The Company continuously optimised its privilege operating system and provided customers with "more convenient, more preferential, more intelligent and more secure" digitalised privilege products and services. The Company offered better quality 5G network services to customers by optimising network configuration leveraging digital means and enhancing network coverage. In 2021, the Company's mobile subscriber number reached 372 million, representing a net addition of 21.41 million and continuous increase in its market share. Mobile ARPU was RMB45.0, representing an increase of 2.0% year-on-year. The number of 5G package subscribers reached 188 million, with the penetration rate reaching 50.4% which maintained the industry-leading position. DOU of 5G network customers in December 2021 reached 24.1GB.



Customers shopping for Smart Family products



2. CONTINUING TO ACCELERATE THE UPGRADE OF HOUSEHOLD SERVICES, WHILE STEADILY ENHANCING BROADBAND SERVICING CAPABILITIES AND BLENDED ARPU

The Company proactively grasped the development trend of the digital economy, gave full play to its own resource endowment, continued to upgrade household business and services to continuously meet the integrated informatisation needs of household customers. The Company accelerated the comprehensive upgrade of broadband speed for household customers, with the penetration rate of gigabit users continuing to increase. The Company continued to leverage its first-mover advantage in Smart Family services, while continuing to optimise its services, enhance its product capabilities and accelerate the scale development of Smart Family products. The number of subscribers of e-Surfing Webcam and Whole-home WiFi maintained leading position in the industry. The Company proactively seized vantage point in digital life, accelerated the upgrade of Smart Family to whole-home intelligence, and provided family customers with customised services such as whole-home intelligent network and intelligent home. The Company accelerated the connected digital upgrade of household and public services, took the lead in the industry to publish a digital village white paper and continued to upgrade the functions of smart communities and digital village platforms to provide communities and rural customers with abundant digital services such as intelligent management, intelligent monitoring and intelligent security. In 2021, the number of broadband subscribers for the Company reached nearly 170 million, representing a net addition of 11.18 million, with broadband access ARPU recording a positive year-on-year growth. Revenues from Smart Family increased by 25.1%. Driven by Smart Family services, broadband blended ARPU amounted to RMB45.9, representing a year-on-year increase of 3.4%.

3. EXPEDITING CLOUD-NETWORK INTEGRATION TO EMPOWER NUMEROUS WALKS OF LIFE, WITH THE REVENUE OF INDUSTRIAL DIGITALISATION ACHIEVING RAPID GROWTH

Fully leveraging its edges in cloud-network integration, and the “integration of cloud, security, 5G, data, and intelligence”, the Company proactively empowered the transformation and upgrades of traditional industries. The Company also accelerated the enhancement of cloud product capabilities, with e-Surfing Cloud being upgraded to a distributed cloud. The Company created differentiated edges such as cloud-network integration, independence and controllability, localised service, security and reliability, so as to maintain a good market brand recognition and a leading position in the public cloud market for government administration. The Company accelerated the development of cloud-network integration products, launched a series of leading and pioneering products such as premium OTN dedicated lines, FIRST dedicated lines, and promoted the rapid growth of multi-cloud access, multi-cloud interconnection and DCI. The Company accelerated the enhancement of industry solution capabilities and delivery capabilities, continued to deepen the implementation of the government and enterprise system reform, further subdivided the industry BG and conducted in-depth research on demands of industry customers. The Company built nearly 30 group-level digital platforms for key industries, provided scene-based integrated intelligent solutions, and strengthened the integration and delivery team and capabilities at local level. Leveraging industry platforms, 5G customised networks and IoT, the Company extensively serves key areas and vertical industries such as smart cities, digital



government and industrial Internet. In 2021, revenue from the Company's Industrial Digitalisation reached RMB98.9 billion, representing an increase of 19.4% year-on-year on a comparable basis, a substantial growth acceleration compared to 2020. Revenue from e-Surfing Cloud continued to grow at a rapid pace, amounting to RMB27.9 billion, doubled year-on-year.

4. ACCELERATING DIGITAL TRANSFORMATION AND UPGRADES, SIGNIFICANTLY ENHANCING DIGITAL SALES AND SERVICING CAPABILITIES

The Company proactively promoted digital transformation and upgrades and continuously enhanced the digital management level such as digital R&D and design, intelligent production and operation, integrated operation and management, agile customer service, and ecological product coordination. The Company continued to accelerate the construction of digital sales core to achieve rapid product loading, autonomous consumption, cross-region acceptance and processing and empower various online and offline touchpoints. The Company continued to promote the enhancement of data-based intelligent sales and marketing servicing capabilities, strengthened the application of data tags, and enhanced AI-driven and data-based intelligent sales and marketing capabilities to build accurate user profiles. As a result, the sales conversion rates, sales and marketing resource utilisation efficiency and customer perception were significantly enhanced. The Company sped up the upgrade of data-based intelligent servicing capabilities and built intelligent and online based customer servicing capabilities, achieving dual enhancement of service efficiency and customer perception. In 2021, the Company maintained the industry-leading position in overall satisfaction rate.

5. CONTINUING TO ACCELERATE THE CONSTRUCTION OF NEW INFORMATION INFRASTRUCTURE AND FURTHER ENHANCE CLOUD-NETWORK INTEGRATION CAPABILITIES

Adhering to "Cloud Central, Network Around, Network Adaptive to Cloud, Cloud and Network as One", the Company accelerated the construction of digital information infrastructure that is cloud-network integrated, green and low-carbon. The Company continued to strengthen 5G construction and deepened co-building and co-sharing. The number of 5G base stations in use reached approximately 690,000, while 5G network coverage extended to cover all cities and counties and certain developed towns nationwide. The Company built 5G customised networks through front- and back-ends lineage and set the best practices for industry applications. The Company also deepened the promotion of fibre network construction and continued to enhance fibre network capabilities. The Company completed the construction of an all-fibre transmission ROADM network with nationwide coverage and the largest capacity in the world and expanded the scale deployment of the new metropolitan network to support business development. The Company strengthened the construction of cloud-network fundamental capabilities. Pivoting on the nation's "East-to-West Computing Resource Transfer" project and the deployment of an integrated Big Data centre, the Company deployed datacentres, DCI network, computing power and e-Surfing Cloud on all fronts. The Company realised a "2+4+31+X+O" layout for its cloud resources and became the first cloud service provider in the country to achieve "one pool for each province". The Company coordinated and deployed the largest cloud-based security capabilities pool within the industry and built the capabilities system for security situation awareness covering cloud, network, edge and terminal, to fortify the security foundation for its digital information infrastructure.



6. FINANCIAL OVERVIEW

In 2021, the Company proactively seized the strategic opportunities brought by the new round of technological revolution and industrial transformation and implemented its “Cloudification and Digital Transformation” strategy. The Company also deepened reforms and innovation and strengthened operation and management, with significant acceleration of operation and development. The Company optimised resource allocation, appropriately increased investment in Industrial Digitalisation and R&D, which effectively supported its business development. At the same time, the Company continued to implement refined cost management and continued to promote efficiency enhancement. In 2021, both the revenues and profit of the Company achieved double-digit growth, with the full year results achieving a new high. In 2021, operating revenues were RMB439,552 million, representing an increase of 11.7% from year 2020. Service revenues¹⁴ were RMB402,827 million, representing an increase of 7.8% from year 2020. Excluding the revenue impact from the disposals of its subsidiaries¹⁵, the growth rate reached 8.1% year-on-

year, remaining above the industry's average growth rate for five consecutive years. Operating expenses were RMB408,605 million, representing an increase of 12.0% from year 2020. The Company's profitability continued to enhance. Profit attributable to equity holders of the Company was RMB25,948 million, representing an increase of 24.5% from year 2020. Excluding the one-off after-tax gain from the disposals of its subsidiaries¹⁶, the year-on-year growth was 17.7%. Basic earnings per share were RMB0.31. EBITDA¹⁷ was RMB123,912 million, representing an increase of 4.2% from year 2020 and the EBITDA margin¹⁸ was 30.8%.

OPERATING REVENUES

In 2021, the Company leveraged its edges in cloud-network service capabilities, accelerated the development of Industrial Digitalisation service, with its revenues continuing to maintain favourable growth while its revenue structure continuing to optimise. Operating revenues in 2021 were RMB439,552 million, representing an increase of 11.7% from year 2020. Service revenues were RMB402,827 million, representing an increase of 7.8% from year 2020.

¹⁴ Service revenues are calculated based on operating revenues minus sales of mobile terminals (2021: RMB24,001 million; 2020: RMB10,711 million), sales of wireline equipment (2021: RMB7,330 million; 2020: RMB5,430 million), and other non-service revenues (2021: RMB5,394 million; 2020: RMB3,622 million).

¹⁵ The Company completed the disposals of E-surfing Pay and China Telecom Leasing in April 2021.

¹⁶ The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1,416 million.

¹⁷ EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure, the level of gearing and finance costs may have a significant impact on the net profit of companies with similar operating results. Therefore, we believe EBITDA may be helpful in analysing the operating results of a telecommunications service provider such as the Company. 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 International Financial Reporting 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.

¹⁸ EBITDA margin is calculated based on EBITDA divided by service revenues.



The following table sets forth a breakdown of the operating revenues for year 2021 and 2020, together with their respective rates of change:

<i>(RMB million, except percentage data)</i>	For the year ended 31 December		
	2021	2020	Rates of change
Service revenues	402,827	373,798	7.8%
Of which: Mobile communications service revenues	184,157	175,564	4.9%
Wireline and Smart Family service revenues	113,522	109,018	4.1%
Industrial Digitalisation service revenues	98,945	83,968	17.8%
Other service revenues	6,203	5,248	18.2%
Revenue from sales of goods and others	36,725	19,763	85.8%
Total operating revenues	439,552	393,561	11.7%

Mobile communications service revenues

In 2021, revenues from mobile communications services were RMB184,157 million, representing an increase of 4.9% over the same period of last year, accounting for 41.9% of operating revenues. The increase was mainly due to the increase in handset Internet access revenue. In 2021, the Company deeply integrated its edges in 5G and e-Surfing Cloud, continued to enhance 5G network quality, enriched 5G application and privilege portfolio, and propelled the dual enhancement of the scale and value of its mobile subscribers, with its subscriber net addition maintaining the industry-leading position for four consecutive years. In 2021, handset Internet access revenue was RMB140,270 million, representing a year-on-year increase of 7.4%.

Wireline and Smart Family service revenues

In 2021, the Company's wireline and Smart Family service revenues were RMB113,522 million, representing an increase of 4.1% over the same period of last year and accounting for 25.8% of operating revenues. The increase was mainly due to the increase in revenues from wireline broadband access and Smart Family. The Company gave full play to its edge in cloud-network integration with a focus on digital life under all scenes. In 2021, broadband access ARPU achieved positive year-on-year growth. In addition, leveraging its cloud-network fundamental capabilities, the Company converged "Gigabit broadband + Whole-home WiFi + e-Surfing HD + Smart Family applications" while constantly enriching content of Smart Family services, with its subscriber scale achieving the industry-leading position. In 2021, wireline broadband access revenue amounted to RMB76,548 million, up by 6.5% over last year. Revenue from Smart Family reached RMB13,885 million, representing an increase of 25.1% over last year.



Industrial Digitalisation service revenues

In 2021, the Company's Industrial Digitalisation service maintained rapid growth, with revenue reaching RMB98,945 million, representing an increase of 17.8% over last year and a year-on-year increase of 19.4% on a comparable basis¹⁹, and accounting for 22.5% of operating revenues. The increase was mainly due to the increase in revenues from IDC and Industry Cloud. In 2021, the Company deeply integrated the key elements of digital economy with the real economy, proactively empowered the transformation and upgrades of traditional industries, and adopted a wide range of innovative business models. Digitalised platform accelerated its module-based transition, while the growth rate was significantly higher compared to that of 2020. Revenue from Industry Cloud reached RMB21,328

million, representing an increase of 90.9% over last year, while revenue from IDC reached RMB31,600 million, representing an increase of 13.0% over last year, continuing to rank No.1 in the industry in terms of scale.

Other service revenues

In 2021, revenues from other services amounted to RMB6,203 million, representing an increase of 18.2% from year 2020, mainly due to the increase in revenues from property rental.

Revenue from sales of goods and others

In 2021, revenue from sales of goods and others amounted to RMB36,725 million, representing an increase of 85.8% from year 2020, mainly due to the significant increase in the sales volume of mobile terminals, such as 5G mobile phones.

OPERATING EXPENSES

The Company firmly seized the opportunity of 5G scale development, accelerated digital transformation and development, and continued to increase investment in government and enterprise service and R&D system. At the same time, the Company strengthened the internal deployment of the digitalised platform, took various measures to continue to strengthen precision cost control, and improved the efficiency of resource utilisation. In 2021, operating expenses were RMB408,605 million, representing an increase of 12.0% from year 2020. Operating expenses accounted for 93.0% of operating revenues, representing an increase of 0.3 percentage point from year 2020.



¹⁹ Revenues from Industrial Digitalisation in 2020 and 2021 are both calculated on the basis of excluding the revenue impact from disposals of subsidiaries.



The following table sets forth a breakdown of the operating expenses in 2021 and 2020 and their respective rates of change:

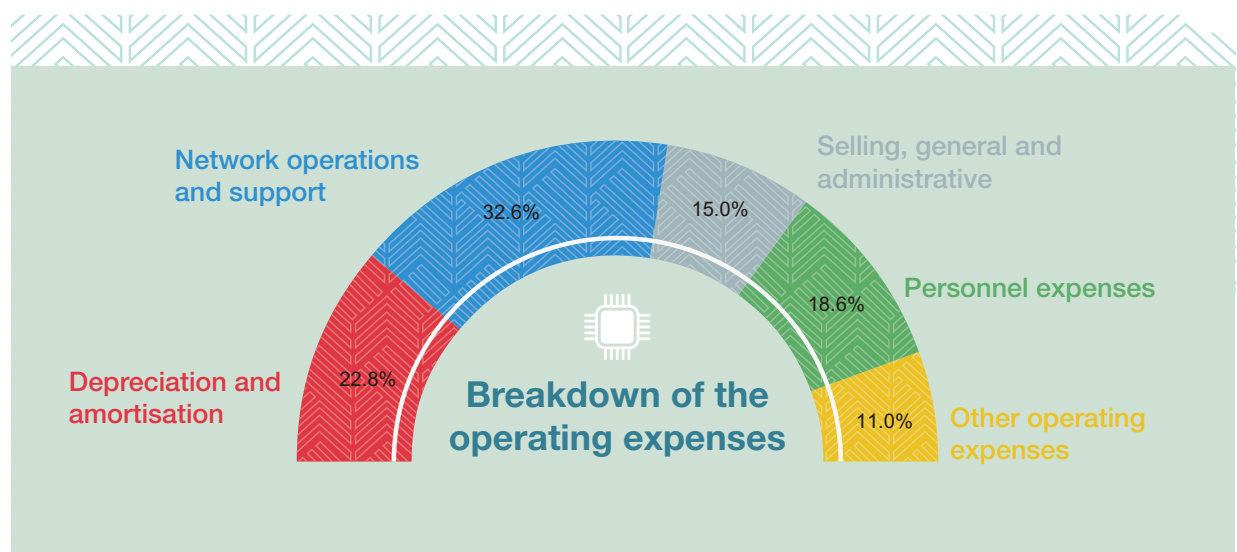
<i>(RMB million, except percentage data)</i>	For the year ended 31 December		
	2021	2020	Rates of change
Depreciation and amortisation	92,965	90,240	3.0%
Network operations and support	133,342	119,517	11.6%
Selling, general and administrative	61,155	55,059	11.1%
Personnel expenses	76,055	65,989	15.3%
Other operating expenses	45,088	29,074	55.1%
Impairment loss on property, plant and equipment	–	5,042	N/A
Total operating expenses	408,605	364,921	12.0%

Depreciation and amortisation

In 2021, the Company further promoted 5G co-building and co-sharing as well as 4G network co-sharing. At the same time, the Company maintained necessary capital expenditure to support the construction of 5G network at scale. Depreciation and amortisation amounted to RMB92,965 million, representing an increase of 3.0% from year 2020 and accounting for 21.1% of operating revenues.

Network operations and support

In 2021, the Company continued to optimise its network quality and enhance customer experience. The Company appropriately increased investment in capabilities build-up to support the development of 5G and Industrial Digitalisation service. Network operations and support expenses amounted to RMB133,342 million, representing an increase of 11.6% from year 2020 and accounting for 30.3% of operating revenues.





Selling, general and administrative

In 2021, selling, general and administrative expenses amounted to RMB61,155 million, representing an increase of 11.1% from year 2020 and accounting for 13.9% of operating revenues. Selling expenses were RMB48,597 million, representing an increase of 6.9% from year 2020. The increase was mainly due to the Company seizing the development opportunities of 5G and maintaining the necessary investment in marketing resources, and at the same time, strengthening online and offline coordination, stepping up precision marketing and improving the efficiency of selling expenses utilisation. General and administrative expenses amounted to RMB12,558 million, representing an increase of 30.6% from year 2020, which was mainly due to the increase in R&D as the Company proactively promoted sci-tech innovation and strived to build a sci-tech company.

Personnel expenses

In 2021, personnel expenses amounted to RMB76,055 million, representing an increase of 15.3% from year 2020 and accounting for 17.3% of operating revenues. The Company firmly seized the opportunities arising from the development of the digital economy, strengthened the recruitment of high-tech talents and increased incentives for frontline employees and high-performance team, and implemented a new phase of share appreciation rights to enhance employees' vitality. Investments in personnel expenses were in line with the transformation of the Company towards a sci-tech company in the future. For details regarding the number of employees, remuneration policy and training programs, please refer to *2021 Corporate Social Responsibility Report*.

Other operating expenses

In 2021, other operating expenses amounted to RMB45,088 million, representing an increase of 55.1% from year 2020 and accounting for 10.3% of operating revenues. The increase was mainly due to the significant increase in the scale of mobile terminals sold.

Net finance costs

In 2021, net finance costs amounted to RMB1,293 million, representing a decrease of 57.1% from year 2020, mainly because the Company maintained sound operating cash flows, while A Share Offering effectively covered the capital needs of key investment projects, and the scale of interest-bearing debt was effectively reduced.

PROFITABILITY LEVEL

Income tax

The Company's statutory income tax rate is 25%. In 2021, income tax expenses were RMB7,716 million while the effective tax rate was 22.8%, representing a decrease of 0.2 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, was not subject to tax during the period of the investment held, 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 reform and innovation and strived to improve quality and efficiency, resulting in a significant increase in profit attributable to equity holders. In 2021, the profit attributable to equity holders of the Company was RMB25,948 million, representing an increase of 24.5% from year 2020, and a year-on-year increase of 17.7% excluding the one-off after-tax gain of disposals of its subsidiaries²⁰.

²⁰ The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1,416 million.



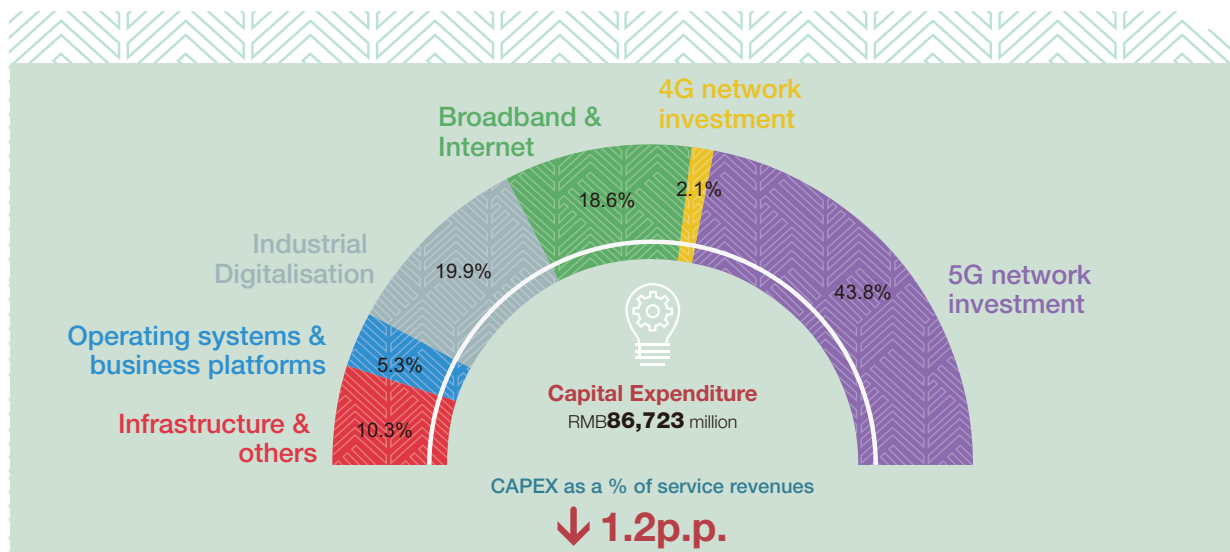
CAPITAL EXPENDITURE AND CASH FLOWS

Capital expenditure

In 2021, the Company maintained the necessary investment scale in 5G network construction, continuously enhanced 5G network coverage capabilities, and expanded the construction of e-Surfing Cloud and IDC. At the same time, the Company strictly controlled capital expenditure and continually promoted the 5G network co-building and co-sharing as well as 4G network co-sharing with China Unicom. Capital expenditure for the year was RMB86,723 million, representing an increase of 2.3% from year 2020.

Cash flows

The net increase in cash and cash equivalents for year 2021 was RMB49,724 million and net increase in cash and cash equivalents for year 2020 was RMB3,076 million.



The following table sets forth the cash flow position in 2021 and 2020:

(RMB million)	For the year ended 31 December	
	2021	2020
Net cash from operating activities	137,533	132,260
Net cash used in investing activities	(80,287)	(87,077)
Net cash used in financing activities	(7,522)	(42,107)
Net increase in cash and cash equivalents	49,724	3,076



In 2021, the net cash inflow from operating activities was RMB137,533 million, representing an increase of 4.0% from year 2020, mainly due to the increase in cash inflow resulting from the increase in operating revenues.

In 2021, the net cash outflow used in investing activities was RMB80,287 million, representing a decrease of 7.8% from year 2020, mainly due to the increase in net cash inflow from the disposal of E-surfing Pay.

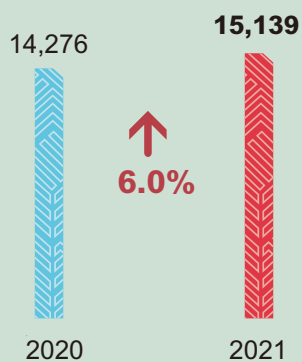
In 2021, the net cash outflow used in financing activities was RMB7,522 million, representing a decrease of 82.1% from year 2020, mainly due to the impact of the proceeds from the Company's A Share Offering.

WORKING CAPITAL

The Company consistently upheld stable and prudent financial principles and stringent fund management policies. At the end of 2021, the working capital (total current assets minus total current liabilities) deficit was RMB137,712 million, representing a decrease in deficit of RMB49,414 million compared to the end of 2020. The liquidity of the Company continuously improved. As at 31 December 2021, the unutilised credit facilities were RMB276,483 million (2020: RMB244,326 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 2021, cash and cash equivalents amounted to RMB73,281 million, among which cash and cash equivalents denominated in Renminbi accounted for 89.6% (2020: 73.0%).

Free Cash Flow

RMB Mil





ASSETS AND LIABILITIES

In 2021, the Company continued to maintain a solid financial position. At the end of 2021, the total assets increased by 6.6% from RMB715,096 million as at the end of 2020 to RMB762,234 million. Total indebtedness²¹ decreased to RMB16,496 million from RMB53,342 million at the end of 2020. Gearing ratio²² decreased to 3.7% from 12.8% at the end of 2020.

Indebtedness

The indebtedness analysis as at the end of 2021 and 2020 is as follows:

(RMB million)	For the year ended 31 December	
	2021	2020
Short-term debts	2,821	27,994
Long-term debts maturing within one year	6,280	1,126
Long-term debts	7,395	24,222
Total indebtedness	16,496	53,342

As at the end of 2021, the total indebtedness was RMB16,496 million, representing a decrease of RMB36,846 million from the end of 2020, which was mainly because the proceeds from A Share Offering 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 98.2% (2020: 99.3%), 1.1% (2020: 0.4%) and 0.7% (2020: 0.3%), respectively. 95.9% (2020: 90.1%) of the indebtedness are loans with fixed interest rates while the remaining portion of the indebtedness represented loans with floating interest rates.

As at 31 December 2021, neither the Company nor any of its subsidiaries pledged any assets as collateral for debt (2020: Nil).

Most of the revenues received and expenses paid in the course of the Company's business were denominated in Renminbi, therefore there were no significant risk exposures arising from foreign exchange fluctuations.

²¹ Total indebtedness refers to interest-bearing debts excluding lease liabilities.

²² Gearing ratio is calculated based on total indebtedness divided by total capital, while total capital is calculated based on total equity attributable to equity holders of the Company plus total indebtedness.



Significant investment

As at 31 December 2021, the Company's external investments mainly included interests in associates and joint ventures and equity instruments at fair value through other comprehensive income, with carrying amounts of RMB41,166 million and RMB1,216 million, respectively. The Company's investment in China Tower, an associate of the Company, constituted its significant investment. Details of such investment are set out below:

Company name	Stock Code	Principal businesses	Place of incorporation	Investment cost (RMB million)	As at 31 December 2021			Fair value (RMB million)	Size of fair value relative to total assets of the Group
					Number of shares held	Percentage of shares held	Carrying amount (RMB million)		
China Tower	0788.HK	Include the tower business and indoor Distributed Antenna System (DAS) business for telecommunications industry, and the Trans-sector Site Application and Information (TSSAI) business and energy operation business for customers from various industries across wider society	China	36,087	36,087,147,592	20.5%	38,250	25,374	3.3%

As at 31 December 2021, the carrying amount of the Group's interests in China Tower, an associate of the Company, was RMB38,250 million, accounting for 5.0% of the Group's total assets. In 2021, share of unrealised profits of China Tower recognised by the Company amounted to RMB1,651 million, and dividends received amounted to RMB807 million. In the future, the Company can enjoy more fundamental network resources through China Tower. As one of the shareholders of China Tower, it is expected that the Company can benefit from the long-term enhancement of profits and values from China Tower.

Contractual obligations

Contractual obligations as at 31 December 2021 are as follows:

(RMB million)	Total	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	Thereafter
Short-term debts	2,870	2,870	–	–	–
Long-term debts	15,038	6,415	3,218	3,201	2,204
Lease liabilities	46,068	15,193	9,556	15,560	5,759
Capital commitments	20,773	20,773	–	–	–
Total contractual obligations	84,749	45,251	12,774	18,761	7,963

Note: Amounts of short-term debts, long-term debts and lease liabilities include recognised and unrecognised interest payable, and are not discounted.



7. INDUSTRY OPERATION ANALYSIS

In 2021, China's communications industry proactively promoted the construction of Cyberpower and Digital China, with full acceleration of the construction and application popularity of new information infrastructure, such as 5G and gigabit fibre networks, laying a solid foundation for the development of the 14th Five-Year Plan.

In 2021, revenue of China's telecommunications industry increased steadily, amounting to RMB1.47 trillion, representing an increase of 8.0% and the growth rate increase of 4.1 percentage points over last year. The revenue from fixed data and Internet services amounted to RMB260.1 billion, representing an increase of 9.3% over the previous year, with a proportion of the revenue from telecommunications services increasing to 17.8%. Revenue from mobile data and Internet services amounted to RMB640.9 billion, representing an increase of 3.3% over last year.

The number of subscribers continued to expand. As of the end of 2021, China's mobile phone subscribers reached 1,643 million, representing a net increase of 48.75 million over the previous year. The total number of wireline broadband access subscribers of the three fundamental telecommunications enterprises reached 536 million, representing a net increase of 52.24 million as compared to the previous year, of which the number of subscribers with access speed of 1000Mbps or above recorded a net increase of 28.16 million for the year, reaching 34.56 million, accounting for 6.4% of the total number of users.

The mobile Internet traffic grew rapidly. Under the impact of the Covid-19 Epidemic, users' demand for online office and shopping continued to increase. Combined with the increasingly flourishing application scenarios for large data traffic, the potential for traffic consumption was further released. In 2021, the mobile Internet access traffic reached 221.6 billion GB, representing an increase of 33.9% as compared with last year. DOU reached 13.36 GB/user, representing an increase of 29.2% as compared with last year.

The development of emerging businesses accelerated, with technologies accelerated, including the innovation of Big Data, Cloud Computing and Artificial Intelligence, while the integration with various industries also accelerated. In 2021, the wireline value-added service revenue reached RMB222.5 billion, representing a year-on-year increase of 27.8% with growth rate continuing to increase, accounting for 15.2% of the revenue from telecommunications services. Among them, revenue from Cloud Computing increased by 91.5% and revenue from Big Data business increased by 35.5% over last year.

The network infrastructure continued to evolve and upgrade and the construction of 5G and gigabit fibre networks was accelerated. As of the end of 2021, the length of optical cable in China reached 54.88 million kilometers, and the number of Internet broadband access ports reached 1,018 million. Among them, the number of fibre access (FTTH/O) ports reached 960 million, representing a net increase of 80.17 million compared with the end of the previous year; The total number of mobile communications base stations in China reached 9.96 million. Over 650,000 new 5G base stations were built throughout the year, and a total of 1.425 million 5G base stations were built and operated.



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

1. INDUSTRY LANDSCAPE AND TREND

The unprecedented changes of the world have been evolving in an accelerated speed, seeing a new round of sci-tech revolution and industrial transformation and the wave of digitalisation sweeping the world. The Covid-19 Epidemic has further accelerated the progress of these trends. Although the development of the information and communications industry is subject to risks and challenges, there are broad prospects and opportunities.

The new generation of information communications technology drives the human society towards the era of digital intelligence. The information and communications technology has gone through the Internet era represented by All IP and entered the whole cloud era represented by All Cloud, and is gradually moving towards the fully intelligent era represented by All Intelligence. Transforming from connecting personal computers, connecting people and mobile applications to the Internet of Everything, the perception of Everything and the intelligence of Everything.

The core of intelligent integrated digital information infrastructure is "high-speed and ubiquitous, ariel-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon, and secured and controllable". The new generation of information communications technology represented by 5G, fibre network, cloud and Artificial Intelligence, as the basic elements of new information infrastructure, has become the foundation and necessity for economic and social development.

In the intelligent and digital era, user needs are becoming more intelligent, diversified and scene-based. The digital-driven demand of users has been continuously upgraded,

from identical basic needs such as voice, SMS and traffic to customised needs such as content, applications and solutions, and continues to shift towards the scene-based needs of every individual.

The evolution of new technologies and the stimulation of customer needs require the provision of new digital products and services to drive the digital transformation of the whole society. The digital transformation of various industries has brought huge room for industrial digitalisation, causing the boundaries of traditional industries to fade out gradually. Internet companies, software companies, equipment manufacturers and other companies have entered the market. As a result, enhancing industry collaboration and industry chain cooperation became the common choice for global mainstream enterprises.

2. DEVELOPMENT STRATEGY OF THE COMPANY

China Telecom proactively implements the original mission of building a Cyberpower, Digital China and safeguarding network information security, fully implements the "Cloudification and Digital Transformation" strategy and insists on the customer-oriented principle. The Company strengthens the core capability of sci-tech innovation, accelerates the construction of new information infrastructure which is cloud-network integrated, green and secure and consolidates the foundation of green development and network information security. The Company builds a digital platform hub, creates a win-win cooperation ecosystem, deepens the reform of systems and mechanisms, provides customers with flexible, diversified, integrated, convenient, quality experience, green and secure integrated intelligent information services, meets the information needs of people for a better life, and continues to promote the Company to grow stronger, better and bigger, to become a world-class enterprise and create greater value for shareholders.



3. BUSINESS PLAN

In 2022, the Company will firmly seize the strategic opportunities arising from the development of the digital economy, fully implement the “Cloudification and Digital Transformation” strategy, vigorously promote sci-tech innovation and continue to deepen corporate reform. Adhering to the customer-oriented principle, the Company will continue to accelerate subscribers’ upgrade to 5G and gigabit users, proactively participate in the digital upgrades of residential and community facilities, provide customers with a new and shared digital life to promote the quality upgrade of living consumption. The Company will accelerate the promotion of smart communities and digital villages while using digital means to improve the level of urban and rural public services. Leveraging the advantages of cloud-network integration, the Company will continuously enrich “the cloud migration, the use of data and intelligence injection” services based on the characteristics of different industries and differentiated needs, with an aim to facilitate the digital transformation and upgrades of enterprise customers and strive to promote high-quality development.

4. POTENTIAL RISKS

Risks of adapting to economic and policy environment

The impact of the global Covid-19 Epidemic is far-reaching, while protectionism and unilateralism have affected the stability of the global landscape, with increasing sources of turbulence and risk points. The Company may be exposed to restrictions, sanctions or other legal or regulatory measures in different jurisdictions. The domestic economy is facing the “triple pressure” of shrinking demand, supply shocks and weakening expectations. The increasingly stringent regulatory environment and policies such as market entry, speed upgrade and tariff reduction and mobile number portability may bring risks and challenges to the Company’s business development and revenue

growth. The Company will strengthen the analysis and determination of the external environment, actively prevent and respond to the risks brought by environmental changes, implement the requirements of regulatory policies, comprehensively deepen reform, promote the strategy of “Cloudification and Digital Transformation”, innovate business models, accelerate technological innovation, improve the compliance management system and solidly promote the high-quality development of the Company.

Business operation risks

The Nation requires to give full play to the supporting role of sci-tech innovation strategy, which will bring new opportunities and challenges to the sci-tech innovation of enterprises. With the rapid development of the digital economy, the upgrading and iteration of products and services have accelerated towards the more diversified and personalized needs of customer. There is a certain gap between the Company’s products and services in terms of varieties, performance and experience and customer’s needs, as well as between the level of industrial digitalisation and the requirements of digital economy development. Market competition further intensified, with the growth rate of subscribers in the telecommunications industry under downward pressure and lagging technological and innovation development. The Company will further strengthen the research and development and the transformation of achievements of sci-tech innovations, increase the dual driving forces of fundamental business and digital industrialisation business and the mutual promotion of dual circulation of domestic and international markets, make efforts in the research and development and promotion of supply-side products, promote the improvement of 5G business model and industry chain, accelerate the scale development of 5G, increase the capital deployment intensity, expand the “circle of friends” in the ecology and continuously improve the market competitiveness of product supply to meet the diversified and personalised needs of customers.



Network and information security risks

The accelerated evolution of information and communication networks and the growing number of cyber-attacks for different purposes have brought new challenges to network security operations. With the promulgation, revision and implementation of relevant laws and regulations including the *Data Security Law*, the *Personal Information Protection Law*, the *Regulations on the Protecting the Security of Critical Information Infrastructure* and the *Cyber Security Review Measures*, the Nation has further strengthened the supervision over relevant fields. Amid the network illegal and criminal acts widely concerned by the society, the Company put forward higher requirements for the data security and personal information protection, and will further consolidate the security foundation of new information infrastructure, improve the independence and controlling capability of core network technologies, improve the supply chain security management system and improve the emergency response and sourcing capability. At the same time, the Company will further strengthen the protection of key information infrastructure, deepen data security and user personal information protection, accelerate the use of data and intelligence injection in the security core, continue to carry out network security risk investigation, effectively ensure security reliability of network operation as well as data and personal information security.

International operation risks

The recurrence of the global Epidemic has brought greater challenges to overseas operations. Factors such as changes in the policy environment in the countries/regions where the Company operates have brought risks to overseas business expansion. There is still a gap between product and service and demands of customers. The overseas subsidiaries will further strengthen market analysis and study on policies and laws of relevant countries/regions, strengthen overseas compliance management, improve risk response capabilities and continue to improve the overseas Epidemic prevention and control and risk prevention responsibility system.

9. OTHER DISCLOSURES

1. PRINCIPAL BUSINESS

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

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 proposes a final dividend in the amount to RMB0.170 (pre-tax) per share, totaling RMB15,568,915,025 for the year ended 31 December 2021. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on Thursday, 19 May 2022 (the "2021 AGM"). Dividends will be denominated and declared in Renminbi. Details of the profit distribution of the Company for 2021 are set out in the "Corporate Governance Report" of this annual report.

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 2021 AGM. The proposed final dividends are expected to be paid on or before 18 July 2022 upon approval at the 2021 AGM.

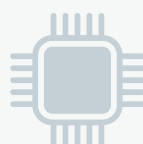
Pursuant to the "Enterprise Income Tax Law of the People's Republic of China", the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China" and the "Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident 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 2021 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 Tuesday, 7 June 2022.

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 Tuesday, 7 June 2022 (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 Wednesday, 1 June 2022. 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 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 depository 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	58	Executive Director, Chairman and Chief Executive Officer	30 May 2012
Li Zhengmao	59	Executive Director, President and Chief Operating Officer	26 May 2020
Shao Guanglu	58	Executive Director	26 May 2020
Liu Guiqing	55	Executive Director and Executive Vice President	19 August 2019
Tang Ke	47	Executive Director and Executive Vice President	22 March 2022
Chen Shengguang	58	Non-Executive Director	23 May 2017
Tse Hau Yin, Aloysius	74	Independent Non-Executive Director	9 September 2005
Xu Erming	72	Independent Non-Executive Director	9 September 2005
Wang Hsuehming	72	Independent Non-Executive Director	29 May 2014
Yeung Chi Wai, Jason	67	Independent Non-Executive Director	26 October 2018

* Date of appointment as Director

References are made to the announcements in relation to the changes of Directors and senior management published by the Company on the following dates: on 19 January 2021, Mr. Chen Zhongyue resigned from his positions as an Executive Director and Executive Vice President of the Company due to change in work arrangement. On 30 September 2021, Mr. Zhang Zhiyong resigned from his position of Executive Vice President of the Company due to change in work arrangement. On 29 November 2021, Mr. Tang Ke was appointed as an Executive Vice President of the Company. He was subsequently appointed as an Executive Director of the Company at the Extraordinary General Meeting of the Company held on 22 March 2022. The relevant appointment became effective from the date of approval at the Extraordinary General Meeting until the Annual General Meeting of the Company for the year of 2022 to be held in the year of 2023. On 27 December 2021, Madam Zhu Min resigned from her positions as an Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board of the Company due to change in work arrangement.



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	48	Chairlady of the Supervisory Committee and Shareholder Representative Supervisor	22 March 2022
Zhang Jianbin	56	Employee Representative Supervisor	16 October 2012
Dai Bin	53	Employee Representative Supervisor	26 May 2020
Xu Shiguang	42	Shareholder Representative Supervisor	26 October 2018
Wang Yibing	55	Shareholder Representative Supervisor	22 March 2022

* Date of appointment as Supervisor

References are made to the announcements in relation to the changes of Supervisors published by the Company on the following dates: on 17 December 2021, Mr. Sui Yixun and Mr. You Minqiang resigned from their positions as Supervisors due to reason of age and change in work arrangement respectively, and their resignations took effect on the date of election of the new Supervisors at the Extraordinary General Meeting of the Company held on 22 March 2022. Madam Han Fang and Madam Wang Yibing were subsequently appointed as the Shareholder Representative Supervisors of the seventh session of the Supervisory Committee of the Company at the Extraordinary General Meeting of the Company held on 22 March 2022. The relevant appointments became effective from the date of approval at the Extraordinary General Meeting until the Annual General Meeting of the Company for the year of 2022 to be held in year of 2023. Madam Han Fang was elected as the Chairlady of the seventh session of the Supervisory Committee at a meeting of the Supervisory Committee held on 29 March 2022, with a term commencing from 29 March 2022 until the Annual General Meeting of the Company for the year of 2022 to be held in the year of 2023.

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

As at 31 December 2021, 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). In order to seize the opportunities of digital development, improve corporate governance, broaden financing channels, accelerate reform and development, promote the implementation of strategies and achieve high-quality development, 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, where the total nominal value of the initial issuance was approximately RMB10,396 million. 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). A total of 67,054,958,321 Domestic Shares held by the existing domestic shareholders of the Company were converted into 67,054,958,321 A Shares. 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 (or the net price) per share amounted to approximately RMB4.49 before the exercise of the Over-allotment Option. The exercise period of the Over-allotment Option for the A Share Offering expired on 22 September 2021. On the basis of the initial issuance of 10,396,135,267 A Shares, the Company issued an additional 178,635,111 A Shares (with a nominal value of RMB1.00 each) at an issue price of RMB4.53 per share, where the total nominal value of the additional A Shares issued was approximately RMB179 million. The total increase in gross proceeds amounted to approximately RMB809 million. Together with the proceeds from the initial issuance of A Shares, the final gross proceeds from the issuance amounted to approximately RMB47,904 million, the net proceeds after deducting the issuance expenses amounted to approximately RMB47,516 million, and the net proceeds



(or the net price) per share amounted to approximately RMB4.49. As disclosed in the Prospectus, the above proceeds will be used on the three investment projects of the Company, namely 5G 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. Details of the A Share Offering are set out in "Changes in Shares and Information on Shareholders" of this annual report. The total amount of proceeds invested as of the end of the Reporting Period was approximately RMB14,895 million. The use of proceeds is as follows:

Projects invested with proceeds	Total committed investment of proceeds (RMB million)	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)	Expected timeline for use of proceeds
5G Industrial Internet Construction Project	9,957	2,797	7,160	2023 or before
Cloud-network integration new information infrastructure project	23,583	9,437	14,146	2023 or before
Research and development project of sci-tech innovation	13,976	2,661	11,315	2023 or before
Total	47,516	14,895	32,621	–

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

As at 31 December 2021, 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	57,783,972,256 (Long Position)	A Share	74.43%	63.14%	Beneficial owner
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653 (Long Position)	A Share	7.25%	6.14%	Beneficial owner
GIC Private Limited	1,945,047,702 (Long Position)	H Share	14.02%	2.12%	Investment manager

* The information disclosed above is based on the 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 2021 may be different from those as disclosed above.

Save as disclosed above, as at 31 December 2021, 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.



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

Save as disclosed below, as at 31 December 2021, 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 10 of the Listing Rules.

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

During the year 2021, 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

On 26 March 2021, the Company had entered into agreements with China Telecommunications, pursuant to which the Company had agreed to sell, and China Telecommunications had agreed to purchase all the share capital in E-surfing Pay with an investment amount of RMB500 million held by the Company for a consideration in the amount of RMB3,897 million. On the same date, the Company and its wholly owned subsidiary, China Telecom Global Limited ("China Telecom Global"), had entered into agreements with China Telecommunications and Guang Hua Properties Limited ("Guang Hua Properties"), a wholly-owned subsidiary of China Telecommunications, respectively, pursuant to which, the Company and China Telecom Global had respectively agreed to sell, and China Telecommunications and Guang Hua Properties had agreed to purchase, 75% of the share capital in China Telecom Leasing from the Company and 25% of the share capital in China Telecom Leasing from China Telecom Global for a consideration in the amount



of RMB131 million and RMB44 million, respectively. As Mr. Ke Ruiwen also served as the Chairman of China Telecommunications and Mr. Li Zhengmao and Mr. Shao Guanglu also served as Directors of China Telecommunications, all of them had abstained from voting on the relevant board resolutions to approve the disposals of the subsidiaries.

On 29 April 2021, the Company and E-surfing Pay had entered into the Payment and Digital Finance Related Services Framework Agreement, pursuant to which E-surfing Pay and its subsidiaries provided payment and digital finance related services to the Group. The term of the agreement continued until 31 December 2021. As Mr. Ke Ruiwen also served as the Chairman of China Telecommunications, Mr. Li Zhengmao and Mr. Shao Guanglu also served as Directors of China Telecommunications, Mr. Liu Guiqing also served as a Vice President of China Telecommunications, and Madam Zhu Min also served as the Chief Accountant of China Telecommunications, all of them had abstained from voting on the relevant board resolutions to approve the Payment and Digital Finance Related Services Framework Agreement.

On 22 October 2021, the Company and China Telecommunications had entered into the New Engineering Framework Agreement, the New Ancillary Telecommunications Services Framework Agreement, the New Interconnection Settlement Agreement, the New Community Services Framework Agreement, the New Centralised Services Agreement, the New Property and Land Use Right Leasing Framework Agreement, the New IT Services Framework Agreement, the New Supplies Procurement Services Framework Agreement, the New Internet Applications Channel Services Framework Agreement, the Lease Financing Framework Agreement, the Telecommunications Resources Leasing

Agreement, the New Trademark License Agreement and the Intellectual Property License Framework Agreement with a term from 1 January 2022 to 31 December 2024. On the same day, the Company and E-surfing Pay had entered into the New Payment and Digital Finance Related Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. In addition, on 22 October 2021, financial services framework agreements were entered into between the Company and China Telecom Finance, China Telecom Finance and China Telecommunications, China Telecom Finance and CCS, China Telecom Finance and New Guomai Digital Culture Co., Ltd, China Telecom Finance and Beijing Global Safety Technology Co., Ltd, respectively. The respective terms of all these financial services framework agreements are effective from 1 January 2022 until 31 December 2024. As Mr. Ke Ruiwen also served as the Chairman of China Telecommunications, Mr. Li Zhengmao and Mr. Shao Guanglu served as Directors of China Telecommunication, Mr. Liu Guiqing also served as a Vice President of China Telecommunications and Madam Zhu Min also served as the Chief Accountant of China Telecommunications and the Chairlady of China Telecom Finance, all of them had therefore abstained from voting on the relevant board resolutions in respect of the above respective agreements.

Save as disclosed above and the service agreements entered into between the Company and the Directors and Supervisors, for the year ended 31 December 2021, 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 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 2021.

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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

14. ISSUE OF DEBENTURES

In 2021, the Company successfully issued three tranches of super short-term commercial papers in an aggregate amount of RMB8 billion. The proceeds were used to replenish the Company's working capital in the course of business operations. Details are set out in the section headed "Relevant Information on Bonds" in this annual report.

15. MATERIAL ACQUISITIONS AND DISPOSALS

On 26 March 2021, the Company had entered into agreements with China Telecommunications, pursuant to which, the Company had agreed to sell, and China Telecommunications had agreed to purchase all the share capital in E-surfing Pay with an investment amount of RMB500 million held by the Company for a consideration in the amount of RMB3,897 million. On the same date, the Company and its wholly owned subsidiary, China Telecom Global, had entered into agreements with China Telecommunications and Guang Hua Properties, a wholly-owned subsidiary of China Telecommunications, respectively, pursuant to which, the Company and China Telecom Global had respectively agreed to sell, and China Telecommunications and Guang Hua Properties had agreed to purchase, 75% of the share capital in China Telecom Leasing from the Company and 25% of the share capital in China Telecom Leasing from China Telecom Global for a consideration in the amount of RMB131 million and RMB44 million, respectively. The disposals had been completed in April 2021 in accordance with the terms of the agreement.

Save as disclosed above, for the year ended 31 December 2021, the Company had no material acquisitions and disposals.

16. 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.



17. SUMMARY OF FINANCIAL INFORMATION

Please refer to pages 288 to 290 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 2021.

18. 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.

19. CHARGE ON ASSETS

As at 31 December 2021, no fixed assets was pledged to banks as loan security (31 December 2020: Nil).

20. 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 2021.

21. 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 2021.

22. RESERVES

Pursuant to Article 190 of the Articles of Association, where the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and regulations materially differ from those prepared in accordance with either the International Financial Reporting Standards or accounting standards at a place outside mainland China where the Company's shares are listed, the after-tax profit for distribution for the relevant fiscal year shall be deemed to be the lesser of the amounts shown in those respective financial statements. Distributable reserves of the Company as at 31 December 2021, calculated on the above basis and before deducting the proposed final dividends for 2021, amounted to RMB158,723 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 2021.

23. 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 2021.

24. DONATIONS

For the year ended 31 December 2021, the Group made charitable and other donations with a total amount of RMB11.93 million.

25. 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 2021.

26. PERMITTED INDEMNITY

For the year ended 31 December 2021 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.

27. CHANGES IN EQUITY

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

28. RETIREMENT BENEFITS

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



29. 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.

30. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, 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 2021, 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.

31. 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.

32. 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.

33. 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.

34. BUSINESS REVIEW

The details of the material development of the Group in 2021, 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 2021, 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 *2021 Corporate Social Responsibility Report* (the "CSR Report") 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 CSR Report. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.



35. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

36. DELISTING OF ADSs FROM THE NYSE AND TERMINATION OF THE ADS PROGRAM

The NYSE Regulation of The New York Stock Exchange LLC (the “NYSE”) had determined to proceed with the delisting (the “Determination”) of the ADSs of the Company (NYSE stock ticker: CHA) and that a Committee of the Board of Directors of the NYSE had affirmed the Determination. The delisting of the Company’s ADSs became effective on 18 May 2021. In light of the delisting, the Board resolved to terminate the ADS program on 9 September 2021 and the ADS program was terminated on 8 December 2021 (U.S. eastern time). The Company filed a Form 15F with the Securities and Exchange Commission of the United States on 25 February 2022 to deregister the ADSs and terminate its reporting obligations under the U.S. Securities Exchange Act of 1934, as amended.

For details, please refer to the announcements of the Company dated 4 January 2021, 5 January 2021, 7 January 2021, 21 January 2021, 28 January 2021, 7 May 2021, 10 September 2021 and 25 February 2022.

37. AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the external auditors of the Company for the year ended 31 December 2021. PricewaterhouseCoopers has audited the consolidated financial statements set out in this report, which have been prepared in accordance with the International Financial Reporting 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 appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2021 was approved at the Annual General Meeting for the year of 2020. 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 2022 and would propose the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP at the Annual General Meeting for the year of 2021 of the Company for consideration.

By Order of the Board

Ke Ruiwen

Chairman and Chief Executive Officer

Beijing, China

17 March 2022