



China Telecom Corporation Limited
HKEx Stock Code: 728



Go For Smart Future,
Grow With
China Telecom Cloud

Annual Report
2022



ABOUT CHINA TELECOM

China Telecom Corporation Limited (“China Telecom” or the “Company”, a joint stock limited company incorporated in the People’s Republic of China with limited liability, together with its subsidiaries, collectively the “Group”) is a leading large-scale integrated intelligent information services operator in the world whose principal business is the provision of fundamental telecommunications businesses including wireline and mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses. As at the end of 2022, the Company had mobile subscribers of about 391 million and wireline broadband subscribers of about 181 million. The Company’s A Shares and H Shares are listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively.

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IMPORTANT NOTICE

1. The financial statements of the Company for the year of 2022 prepared in accordance with the International Financial Reporting Standards (“IFRSs”) have been audited by PricewaterhouseCoopers, who has issued a standard unqualified audit report.
2. The profit distribution proposal or proposal for conversion of capital reserve into share capital for the Reporting Period approved by the Board

Pursuant to the previous decision of the Board, within three years after the A Share Offering and Listing, the profit to be distributed by the Company in cash for each year will gradually increase to 70% or above of the profit attributable to equity holders of the Company for that year. After fully considering the Company’s cash flow level, the cash return to shareholders, etc., the Board of Directors proposed a final dividend of RMB0.076 per share (pre-tax) in an aggregate amount of RMB6,955 million calculated based on 91,507 million shares, being the total number of issued share capital of the Company as at the end of 2022. The dividend distribution is derived from net profit realised in the current period. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full-year dividend of 2022 amounts to RMB0.196 per share (pre-tax) in an aggregate amount of RMB17,935 million which represents 65% of the profit attributable to equity holders of the Company for the year 2022. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The profit distribution plan shall be submitted to the 2022 Annual General Meeting of the Company for consideration.

3. Risk Statement of Forward-Looking Statements

Forward-looking statements, such as development strategies, future business plans and prospects, contained in the 2022 annual report of the Company do not constitute a commitment of the Company to investors. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause the Company’s actual performance, financial condition or results of operations to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, the Company will not update these forward-looking statements. Investors should be aware of the investment risks.

4. Significant Risk Warning

The Company has described in detail the economic and policy environment adaptation risks, business operation risks, network and information security risks and international operation risks in this report. Please refer to the “Management’s Discussion and Analysis (Report of the Directors)” in this report.

SECTION I DEFINITIONS

DEFINITIONS

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

2B	To Business, communication and informatisation services for government and enterprises
2C	To Customer, communication and informatisation services for individuals
2H	To Home, communication and informatisation services for households
5G	5th generation mobile communication technology
A Share(s)	Shares of the Company issued in mainland China, listed on domestic stock exchanges and subscribed and traded in RMB
AR	Augmented Reality
ARPU	Monthly average revenue per user
Artificial Intelligence/AI	Technology science that researches and develops theories, methodologies, technologies and application systems for simulating, extending and expanding human intelligence
Big Data	Massive, real-time and diversified data information that can be recorded, collected, developed and utilised, and big data-based mining and processing technology
Board/Board of Directors	The board of directors of the Company
CDN	Content Delivery Network. By adding a new layer of network architecture to the existing Internet, the content of the website is distributed to the edge of the network closest to the users, so that users can obtain the required content in the vicinity, improving the transmission speed of the network, solving the problem of Internet congestion and slow response

SECTION I DEFINITIONS

China Comservice/CCS	China Communications Services Corporation Limited (中國通信服務股份有限公司)
China Telecom Digital Intelligence Technology	China Telecom Digital Intelligence Technology Co., Ltd. (中電信數智科技有限公司)
China Telecom Finance	China Telecom Group Finance Co., Ltd. (中國電信集團財務有限公司)
China Telecom Global	China Telecom Global Limited (中國電信國際有限公司)
China Telecommunications	China Telecommunications Corporation (中國電信集團有限公司), formerly known as China Telecommunications Corporation (中國電信集團公司), the controlling shareholder of the Company
China Telecom/the Company	China Telecom Corporation Limited (中國電信股份有限公司), or where the context so requires, refers to China Telecom Corporation Limited and its subsidiaries
China Tower	China Tower Corporation Limited (中國鐵塔股份有限公司)
Chinese Accounting Standard/ China Accounting Standards for Business Enterprises	The Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the specific accounting standards, application guidelines, interpretations and other relevant regulations subsequently revised
Cloud Company	China Telecom Cloud Technology Co., Ltd (天翼雲科技有限公司)
Cloud Computing	An Internet technology that provides flexible and on-demand services to external users through the Internet with pooled cluster computing capabilities
Company Law	The Company Law of the PRC
CSRC	China Securities Regulatory Commission

DDoS Attack	Distributed Denial of Service Attack, which means multiple attackers in different locations attacking one or several targets at the same time, or an attacker controls multiple machines in different locations and uses these machines to attack the victim at the same time
Distributed cloud	A public cloud computing service that lets a user operate public cloud infrastructure in multiple different locations, and manage from a single control plane
East-to-West Computing Resource Transfer	The national project orderly directing computing power demand in Eastern part of PRC to Western part of PRC by building a new computing power network system consisting of datacentre, Cloud Computing and Big Data, with an aim to optimise the construction layout of datacentres and facilitate east-west coordination
E-surfing Pay	E-surfing Pay Co., Ltd (天翼電子商務有限公司)
EFLOPS	FLOPS, Floating-Point Operations Per Second, which is commonly used to estimate computer performance; “E” stands for “Exa” and means 10^{18} ; therefore EFLOPS implies 10^{18} times of floating-point operations per second
Fujian Investment Group	Fujian Investment & Development Group Co., Ltd. (福建省投資開發集團有限公司)
Guangdong Rising	Guangdong Rising Holdings Group Co., Ltd. (廣東省廣晟控股集團有限公司), formerly known as Guangdong Rising Assets Management Co., Ltd. (廣東省廣晟資產經營有限公司)
H Share(s)	Shares of the Company that are issued outside mainland China, listed on the Stock Exchange and subscribed and traded in Hong Kong dollars
IDC	Internet Datacentre

SECTION I DEFINITIONS

IFRSs/International Financial Reporting Standards	The International Financial Reporting Standards, amendments and interpretations issued from time to time by the International Accounting Standards Board
Internet of Things/IoT	Various sensory devices that are based on computer and communication technology, using cellular mobile network, wired network, wireless network, etc. to complete the transmission, coordination and processing of information, so as to realise the network of communication between objects and things, and communication between objects and people
IoT Company	Tianyi IoT Technology Co., Ltd. (天翼物聯科技有限公司)
Jiangsu Guoxin	Jiangsu Guoxin Group Limited (江蘇省國信集團有限公司), formerly known as Jiangsu Guoxin Investment Group Co., Ltd. (江蘇省國信資產管理集團有限公司)
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MIIT	Ministry of Industry and Information Technology
PCT	Patent Cooperation Treaty, an international treat that assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions
Prospectus	The prospectus in connection with the initial public offering of A Shares of China Telecom Corporation Limited
Quantum-encrypted Calls	The communication technology that is closely integrated with quantum information technology to achieve end-to-end voice calls and other encryption protection, and provide users with stable and reliable quantum protection secure communication services

Reporting Period	Period from 1 January 2022 to 31 December 2022
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
Securities Law	The Securities Law of the PRC
Security Company	Tianyi Safety Technology Co., Ltd. (天翼安全科技有限公司)
SSE	Shanghai Stock Exchange
SSE Listing Rules	The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
Stock Exchange/Hong Kong Stock Exchange/HKSE	The Stock Exchange of Hong Kong Limited
Tbps	Terabit per second
The Offering/A Share Offering	The public offering of RMB ordinary shares (A Shares) by the Company in 2021
Dual Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
VR	Virtual Reality
Zhejiang Financial Development	Zhejiang Provincial Financial Development Co., Ltd. (浙江省財務開發有限公司), formerly known as Zhejiang Financial Development Company (浙江省財務開發公司)

SECTION II COMPANY PROFILE

1. CORPORATE INFORMATION

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

2. CONTACT PERSONS AND CONTACT INFORMATION

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

3. GENERAL INFORMATION

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

4. STOCK INFORMATION

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

5. OTHER RELEVANT INFORMATION

Accountant engaged by the Company (mainland China)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
	Name of signing accountants	Song Shuang, Liu Yuanbo
Accountant engaged by the Company (overseas)	Name	PricewaterhouseCoopers
	Office Address	24/F, Prince's Building, Central, Hong Kong
Sponsor performing ongoing supervision duties during the Reporting Period	Name	China International Capital Corporation Limited
	Office Address	27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Names of signing sponsor representatives	Xu Shiyan, Liang Jingjing
	Period of ongoing supervision	20 August 2021 to 31 December 2023
Sponsor performing ongoing supervision duties during the Reporting Period	Name	CSC Financial Co., Ltd.
	Office Address	Building 4, No. 66 Anli Road, Chaoyang District, Beijing
	Names of signing sponsor representatives	Wang Chenning, Dong Junfeng
	Period of ongoing supervision	20 August 2021 to 31 December 2023

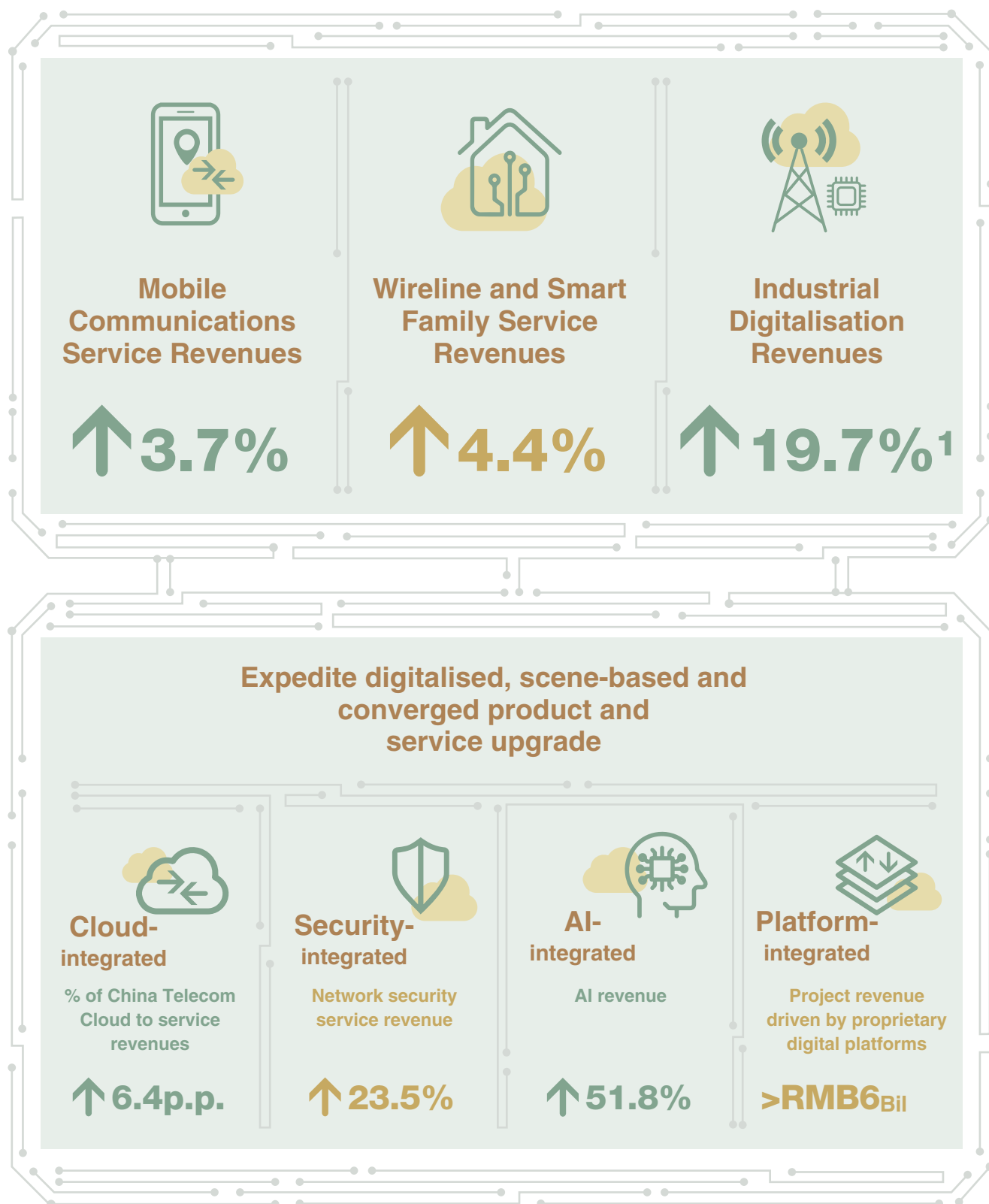
PERSONAL CLOUD TO ENABLE INFINITE POSSIBILITIES

2022 Highlights

- Fully implemented Cloudification and Digital Transformation taking high-quality development to a new level
- Fundamental Businesses and Industrial Digitalisation serve as dual engines and China Telecom Cloud revenue doubled again
- Insist on the leading role of sci-tech innovation with substantial progress in capability deployment
- Expedite promotion of cloud-network integration to solidify the foundation of digital infrastructure
- Fully deepen corporate reform and further enhance corporate vitality and impetus
- Develop world-class enterprise and fulfill the responsibility in building Digital China



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



¹ The Industrial Digitalisation revenue growth is on comparable basis by excluding the Internet Finance revenue for 2021 of E-surfing Pay Co., Ltd. (which was disposed in April 2021).



Ke Ruiwen
*Chairman and Chief
Executive Officer*

1. DISCUSSION AND ANALYSIS OF OPERATIONS

In 2022, the further advancement in the building of Digital China as well as the thriving development of digital economy brought new development opportunities to the industry. The Company implemented the new development principles completely, accurately and comprehensively based on the new development stage, while taking the initiative to serve and integrate into the new development pattern. The Company resolutely fulfilled its responsibilities in building Cyberpower and Digital China as well as safeguarding network and information security and fully implemented its

Cloudification and Digital Transformation strategy. The Company further advanced the deployment of capabilities led by sci-tech innovation and leveraged deepened reforms to propel the unleashing of development momentum continuously. The Company's corporate governance system has been further optimised. The Company spared no effort in developing a service-oriented, technology-oriented and secured enterprise, while sharing the new achievements of its high-quality development with shareholders, customers and society.

1. OVERALL RESULTS

In 2022, the Company's operating revenues amounted to RMB481.4 billion, representing an increase of 9.5% year-on-year. Service revenues² amounted to RMB434.9 billion, representing an increase of 8.0% year-on-year. Excluding the revenue impact from the disposals of its subsidiaries in 2021³, the year-on-year growth rate reached 8.1%. EBITDA⁴ amounted to RMB130.4 billion, representing an increase of 5.2% year-on-year. Net profit⁵ amounted to RMB27.6 billion, representing an increase of 6.3% year-on-year. Excluding the one-off after-tax gain from the disposals of its subsidiaries in 2021⁶, the year-on-year growth rate reached 12.5%. The basic earnings per share were RMB0.30. Capital expenditure was RMB92.5 billion and free cash flow⁷ reached RMB13.2 billion.

The Company attaches great importance to shareholder returns and strives to enhance its profitability and

cash flow generation capabilities, 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 a final dividend of 2022 of RMB0.076 per share (pre-tax) shall be declared. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full year dividend of 2022 amounts to RMB0.196 per share (pre-tax), and the aggregate amount of the full year dividend represents 65% of the profit attributable to equity holders of the Company for the year. Within the three years following the Company's 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, continuously creating more value to all shareholders.

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 RMB206.9 billion, representing an increase of 6.0% year-on-year; wireline service revenues amounted to RMB228.0 billion, representing an increase of 9.8% year-on-year.

³ Service revenues for 2021 excluded Internet Finance revenue prior to the disposal of E-surfing Pay Co., Ltd. which was completed in April 2021.

⁴ EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

⁵ Net profit represents profit attributable to equity holders of the Company.

⁶ The one-off after-tax gain from the disposals of E-surfing Pay Co., Ltd. and China Telecom Leasing Corporation Limited was approximately RMB1,416 million.

⁷ 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.

Strong Revenue Growth Remained, Profitability Further Enhanced



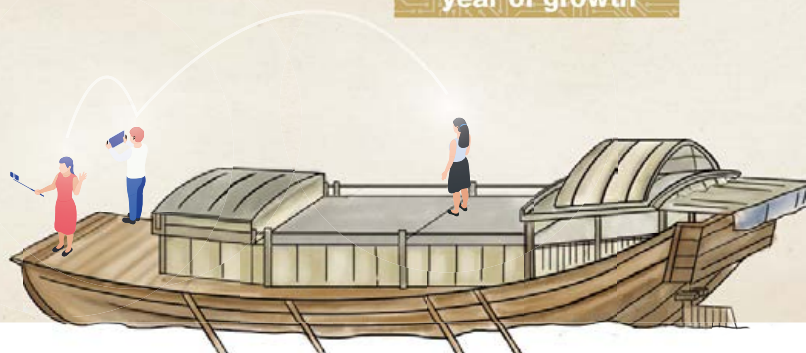
↑9.5%
Operating revenues

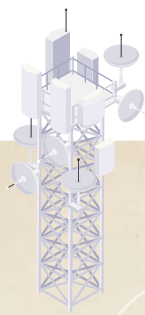
↑8.0%
Service revenues

10th consecutive
year of growth

↑12.5%
Comparable net profit

Maintained
double-digit growth
Surpassed
revenue growth



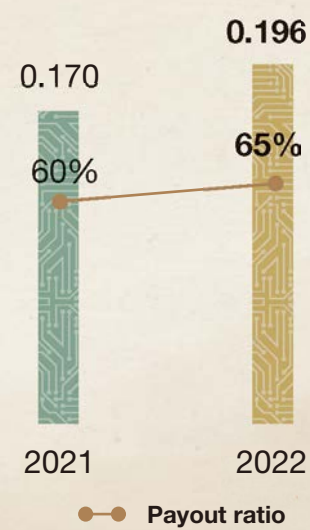


Full-year dividend
per share RMB**0.196**

Payout ratio
65%

Increase Dividend to Reward Shareholders

Dividend per share
RMB



2. FULLY IMPLEMENTING CLOUDIFICATION AND DIGITAL TRANSFORMATION STRATEGY, WHILE TAKING HIGH-QUALITY CORPORATE DEVELOPMENT TO A NEW LEVEL

In 2022, the Company comprehensively implemented its Cloudification and Digital Transformation strategy, and fully completed its deployment in the fields of businesses, capabilities, sci-tech innovation, cloud-network and reforms. The Company built new development momentum through cloud-, AI-, security- and platform-integrated initiatives and further enhanced its digital supply capabilities. The Company strived to develop an enterprise with “three orientations”⁸ while further advancing its high-quality development.

2.1 Further upgrade of integrated intelligent information products and services, with adherence to the customer-oriented approach

The Company further accelerated the transformation of its fundamental businesses, strengthened the promotion of digital products supply, and proactively expanded the new path featuring integrated development of Smart Family, Digital Village and Smart Community, enabling the whole society to enjoy a better digital life while promoting the steady growth of its fundamental businesses. The Company continued to strengthen its 5G network coverage, optimise network quality and enhance 5G user experience to promote mobile subscribers growth and value stabilisation. Leveraging the convergence of

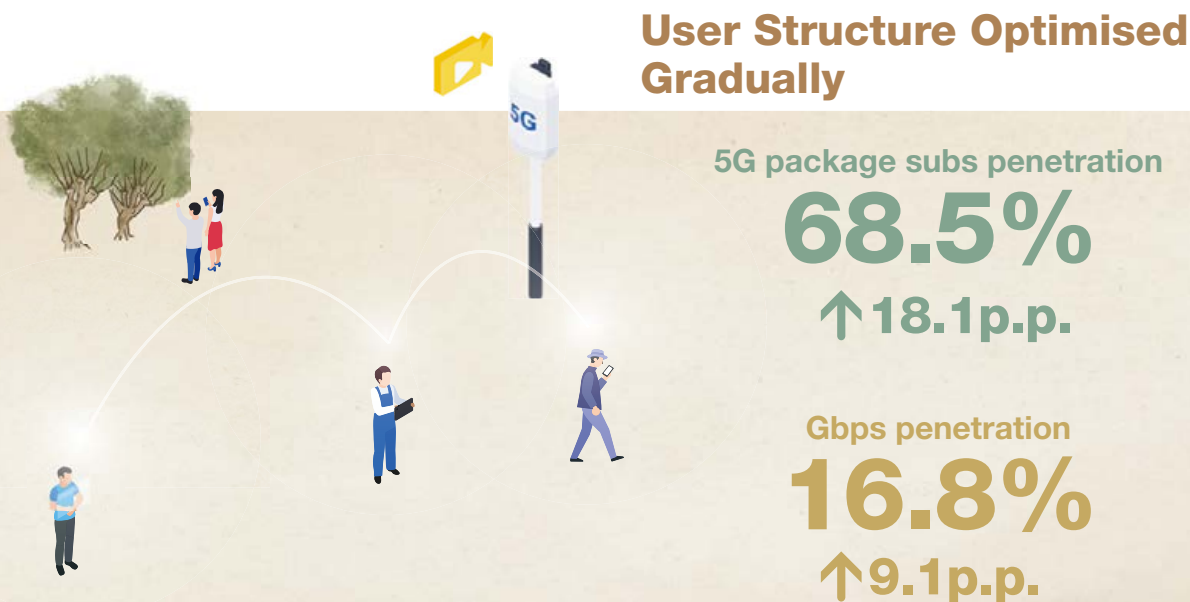
⁸ Enterprise with “three orientations”: service-oriented, technology-oriented and secured enterprise.

"5G + Gigabit broadband + Gigabit WiFi", as well as the incorporation of digital elements such as AI, security, cloud, the Company promoted the application expansion and service upgrade of broadband subscribers. With the creation of an open and integrated digital life platform, the Company provided communities and villages with leading capabilities in connecting households, communities and government, as well as abundant solutions for grassroots governance. The Company also provided integrated scene-based applications such as Video Door Access Control, Community Management and Village Governance. In 2022, the Company's mobile communications service revenues amounted to RMB191.0 billion, representing an increase of 3.7% year-on-year, maintaining favourable growth. The penetration

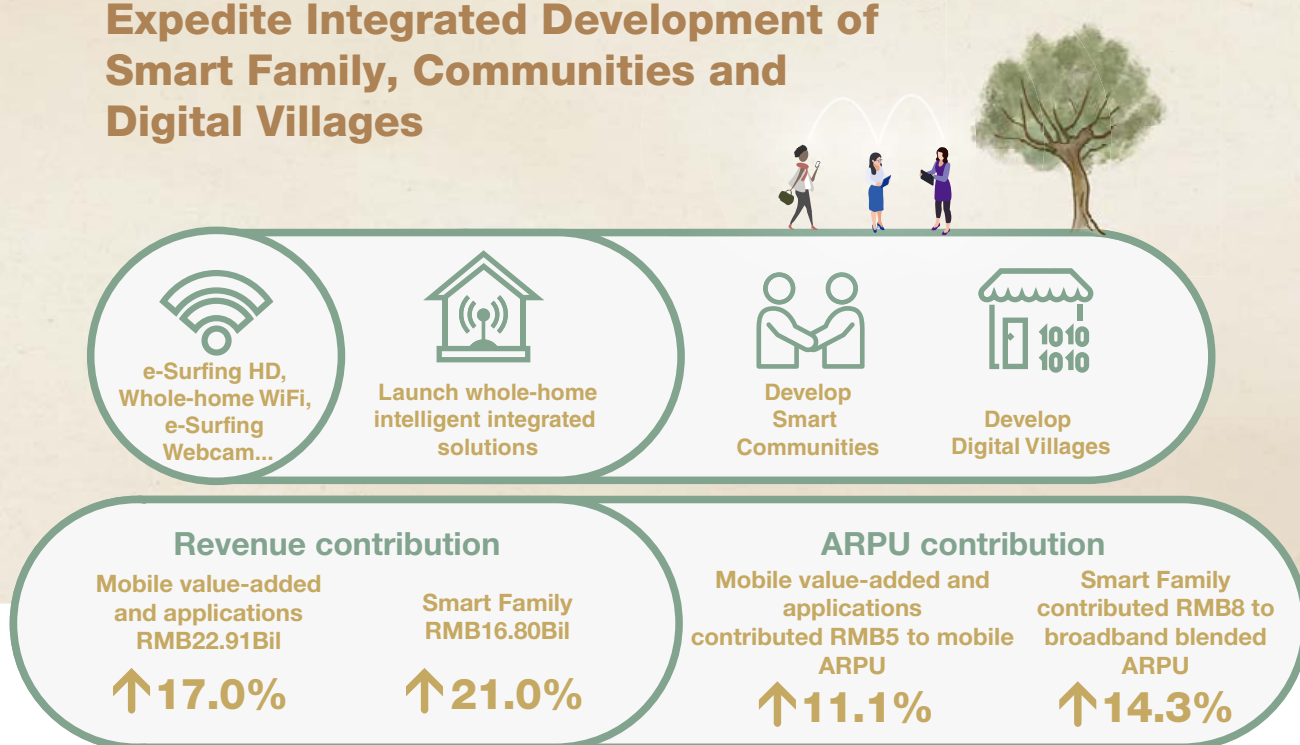
rate of 5G package subscribers reached 68.5%. The value contributions from mobile value-added services and applications continued to grow, with mobile ARPU⁹ reaching RMB45.2, representing an increase of 0.4% year-on-year. Wireline and Smart Family service revenues amounted to RMB118.5 billion, representing an increase of 4.4% year-on-year. The penetration rate of Gigabit broadband reached 16.8%. The number of Whole-home WiFi and e-Surfing Webcam subscribers increased by 45.8% and 52.7% respectively. The value contributions from Smart Family service continued to grow. Broadband blended ARPU¹⁰ reached RMB46.3, representing an increase of 0.9% year-on-year. The Company's overall customer satisfaction maintained an industry-leading position.

⁹ Mobile ARPU = monthly average revenues from mobile services/the average number of mobile subscribers.

¹⁰ Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services/the average number of broadband subscribers.



Expedite Integrated Development of Smart Family, Communities and Digital Villages



The Company proactively seized the current opportunities brought by the demands from various industries in the economy and society for network-based, digitalised, and smart integrated information services and created a model for Industrial Digitalisation development that deeply integrates “cloud-network capability foundation + industry application platforms”, providing digital integrated solutions for numerous walks of life. China Telecom Cloud has entered into a stage of 4.0 with full commercialisation after more than ten years of development. The market share of China Telecom Cloud continued to increase, becoming the world’s largest carrier cloud and China’s largest hybrid cloud. It has grown to rank among the top-three in China’s public cloud IaaS market and public cloud IaaS+PaaS market, while maintaining its No.1 position in the dedicated cloud market in terms of market share. The Company supported the digital transformation of the national

economy and society, achieving remarkable results in scale expansion in key areas of national economy and people’s livelihood. Focusing on 5G industry use cases, the cumulative number of 5G 2B commercial projects developed by the Company reached approximately 15,000, of which the number of newly added projects in 2022 exceeded 8,000. This fully unleashed new momentum of transformation for vertical industries. Meanwhile, emerging businesses, such as network security, Big Data, AI and digitalised platform, have gradually become new drivers for Industrial Digitalisation development. In 2022, revenue from Industrial Digitalisation of the Company amounted to RMB117.8 billion, representing a year-on-year growth of 19.7% on a comparable basis¹¹. Revenue from China Telecom Cloud reached RMB57.9 billion, representing an increase of 107.5% year-on-year. Revenue from network security services amounted to RMB4.7 billion, representing an increase of 23.5% year-on-year.

¹¹ Revenue for Industrial Digitalisation in 2021 has excluded the Internet Finance revenue before the disposal of E-surfing Pay Co., Ltd.



Chairman Ke Ruiwen presented at World 5G Convention

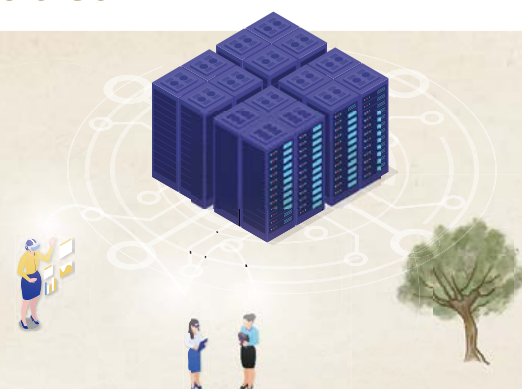
2.2 Seizing opportunities arising from the development of digital economy and bolstering the momentum of the second growth curve

The Company further deepened the forward-looking deployment of digital technologies to lay a solid foundation for the innovation and development of digital economy. The Company also built new development momentum through cloud-, AI-, security- and platform-integrated initiatives, and further advanced capability deployment of various emerging businesses. The Company promoted the rapid development of the second growth curve to empower the high-quality development of digital economy. The Company completed the upgrade to China Telecom Cloud 4.0 which is a distributed cloud with wide-area coverage, featuring the integration of “cloud, network, edge, terminal, data, intelligence and security” as a whole. A number of its proprietary core technologies in fundamental software and hardware of cloud computing, such as TeleCloudOS4.0 cloud operating system, CTyunOS server operating system, TeleDB database and Zijin DPU were fully launched and achieved scale commercialisation of products. This further consolidated the independent and controllable cloud foundation featuring polymorphism and multiple

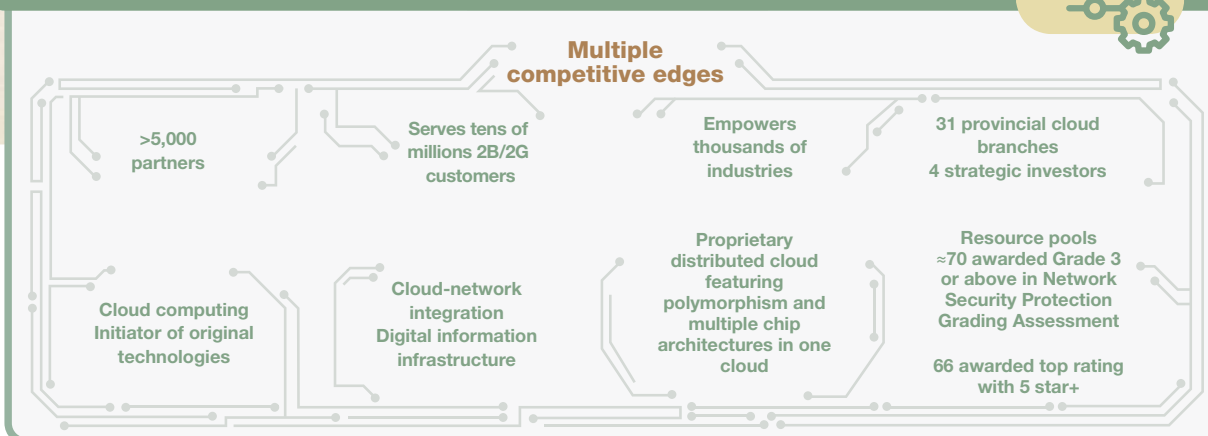
chip architectures in one cloud. The Company strengthened proprietary research and development (R&D) of AI core capabilities, built the industry’s first billion-parameter large-scale model for urban governance and promoted the expansion of large-scale models towards model hubs at the industry level. The Company strengthened the end-to-end supply of security products and services, completed the construction of “Cloud Dam” platform with full network coverage as well as a processing capacity of 10Tbps. The Company built an integrated security infrastructure platform, “Security Brain”, for industry customers. The Company accelerated the building of proprietary digital platform capabilities, and built the unified industry digitalised platform foundation. The Company enhanced the efficiency and quality of proprietary platform development, and promoted the development of Industry Digitalisation business. The number of Internet of Things (IoT) subscribers exceeded 400 million, achieving “IoT connections exceeding human connections”. e-Surfing Internet of Video Things (IoVT) achieved rapid development, with its number of subscribers exceeding 46 million. Use cases such as Kitchen Monitoring, Security Smart Eye, Smart Enterprise and e-Surfing Emergency Response achieved scale commercialisation.

China Telecom Cloud Revenue Doubled

RMB Mil



IaaS, IaaS + PaaS market shares industry top 3¹²



2.3 Insisting on the leading role of sci-tech innovation while further advancing the industrialisation upgrade of technological capabilities

Adhering to “science and technology constitute a primary productive force”, the Company strove to develop a technology-oriented enterprise. The Company was credited with the honorary title of “Enterprise with Outstanding Contribution to Sci-tech Innovation” by the State-owned Assets Supervision and Administration Commission (SASAC). The Company fully completed the

deployment of its R&D system for sci-tech innovation, RDO¹³, and proactively explored a development path featuring productisation of technological capabilities and industrialisation of innovative achievements. The Company built a platform for high-level sci-tech innovation, strengthened the fundamental support for R&D, and proactively forged the source of original cloud computing technologies while undertaking the construction of innovation platforms such as cloud-network infrastructure. The Company established joint sci-tech research institutions with key laboratories,

¹² Source of market share data: IDC Quarterly Public Cloud Services Tracker, 2022Q3.

¹³ RDO: fundamental research (R), applied technological research and development (D) and operational development (O).

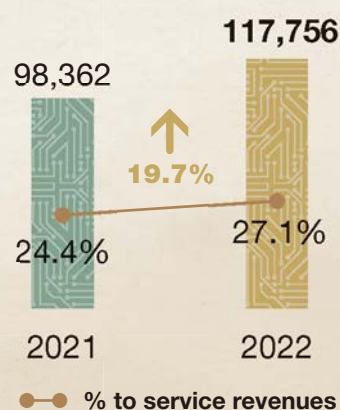
SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)

renowned universities and sci-tech research institutes for cutting-edge technologies such as 6G and next-generation network. The Company further strove for core technologies breakthroughs, with significant enhancement of capabilities in R&D of cloud-network technologies. The Company's achieved breakthroughs in key technologies of cloud computing such as software and hardware integration, operating system as well as database. The Company's computing power channelling of cloud storage and etc. has reached an advanced level within the industry. The computing power distribution network platform of China Telecom Cloud 4.0, "XiRang", was successfully selected as one of the "2022 Top 10 Super Projects of Central Enterprises". The Company also built China's largest quantum metropolitan network, the "Hefei Quantum Metropolitan Network". The Company further strengthened the industrialisation of

application achievements, realising the application of AI large-scale models under a number of scenes such as digital life and smart manufacturing. The Company also rolled out scale commercialisation of products such as Security Brain, Cloud Computer and CDN. Domestic invention patents and PCT patent applications were 1.4 times and 2 times, respectively, of the same period of last year. The Company achieved scale expansion and quality enhancement of its tech talents, with the introduction of leading talents in areas of cloud computing, AI and Big Data, among others. The number of chief experts being newly recruited or renewed exceeded 10. The Company also innovated its talent development mechanism and introduced a chief technician system, along with honouring awards for tech talents and the promotion of special talent pool systems, altogether creating a conducive ecology for innovation.



Revenue¹⁴
RMB Mil



¹⁴ The Industrial Digitalisation revenue and % to service revenues in 2021 as well as growth rate in 2022 are on comparable basis by excluding the Internet Finance revenue for 2021 of E-surfing Pay Co., Ltd. (which was disposed in April 2021).

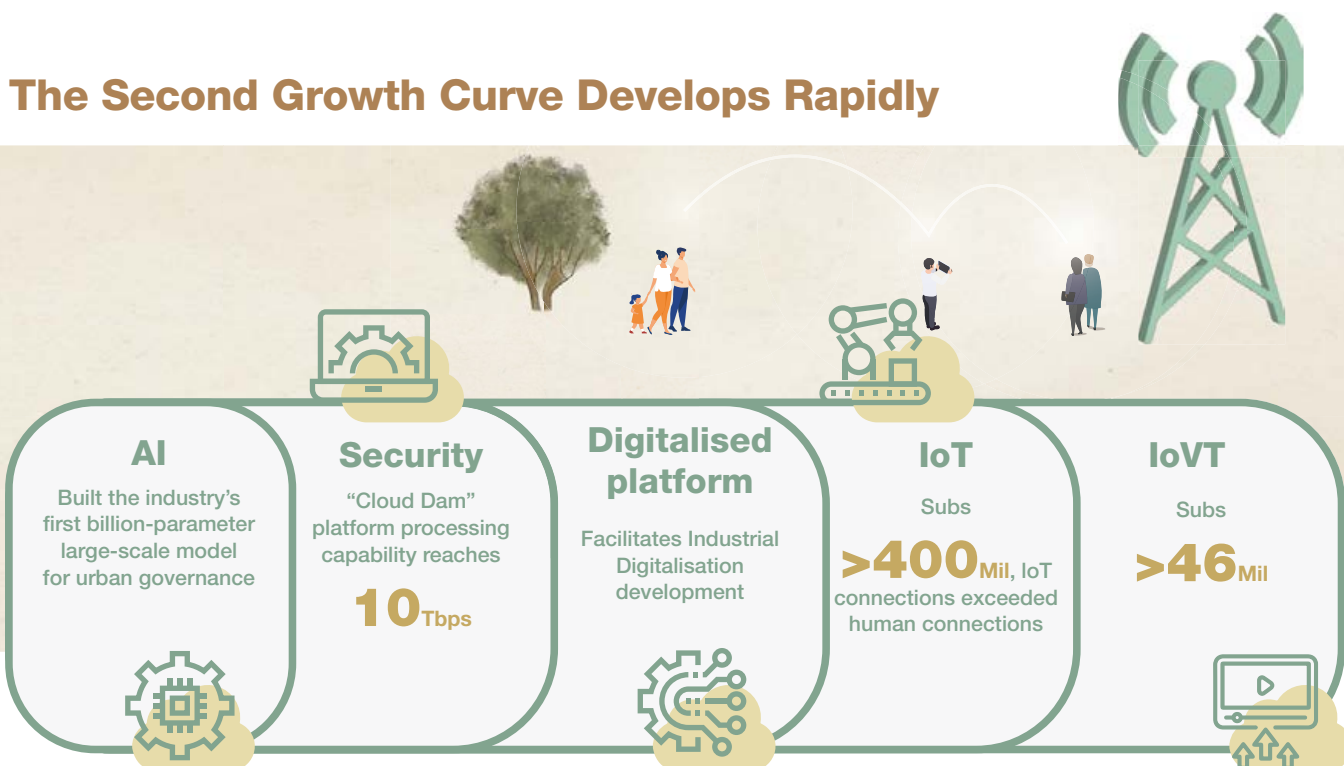


Chairman Ke Ruiwen introduced China Telecom's measures in promoting cloud-network integration and co-building the age of computing power

2.4 Expediting the promotion of cloud-network integration to consolidate the foundation of digital information infrastructure

The Company comprehensively advanced the overall planning and coordinated deployment of various digital elements such as “cloud, network, data, intelligence and security”. The Company also accelerated the transformation and upgrades of networks as well as the construction of 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. The Company further optimised the “2 + 4 + 31 + X + O” layout of its computing power and built proprietary multiple availability zones (AZs) capabilities of China Telecom Cloud 4.0 in central nodes of regions of Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-

The Second Growth Curve Develops Rapidly



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

Hong Kong-Macau Greater Bay Area and Chengdu-Chongqing. The number of cities covered by “One-City-One-Pool” exceeded 240, while the number of edge computing power nodes surpassing 800, providing customers with highly-efficient and efficiently-centralised distributed cloud service with ultra-low latency. In 2022, the newly added computing power of China Telecom Cloud was 1.7 EFLOPS, with its total computing power reaching 3.8 EFLOPS, representing an increase of 81% year-on-year. The Company built the four-level AI computing power comprising of “entire network-region-edge-terminal” with nationwide coverage. The Company also built an efficiently-centralised core platform for AI capabilities, achieving unified channelling of AI computing power, algorithms and data while aggregating more than 5,000 algorithms and over 100 scene-based solutions. The Company proactively responded to the national strategy of “East-to-West Computing Resource Transfer” and stepped up deployment with a focus on 8 hub nodes. The Company currently owns more than 700 IDC sites and over 3,000 edge DC, and the number of IDC cabinets amounted to 513,000 with a utilisation rate of over 70%. The Company has the greatest number and the most extensive distribution of IDC resources in China. Surrounding national datacentres, the Company

built interconnection networks for datacentres with large bandwidth, high reliability, wide coverage and multiple layers. The latency between AZs was below 1ms. The Company built the largest Gigabit fibre network in scale, with the number of 10G PON ports exceeding 6.30 million, covering over 250 million family users in the Company’s service region. The Company achieved interconnection between the mobile network and the satellite network and realised multiple functions for one single card. The Company continued to give full play to its role in safeguarding network and information security, formed security infrastructure capabilities covering cloud, network, edge and terminal, and completed the construction of “Cloud Dam” platform with full network coverage. The Company’s security capability pools covered more than 150 cities. The Company’s new-generation cloud-network operating system was fully launched, realising the integrated management of cloud, network and security as well as the automatic activation of the whole business process for cloud-network integration. The Company fully promoted the green and low-carbon transformation of cloud-network infrastructure, and adopted measures such as customised high-performance servers to enhance computing efficiency. The Company also applied various



Customers experiencing VR game application



Customers shopping for Smart Family products

Further Advancing the Industrialisation Upgrade of Technological Capabilities



Proactively forge the source of original cloud computing technologies



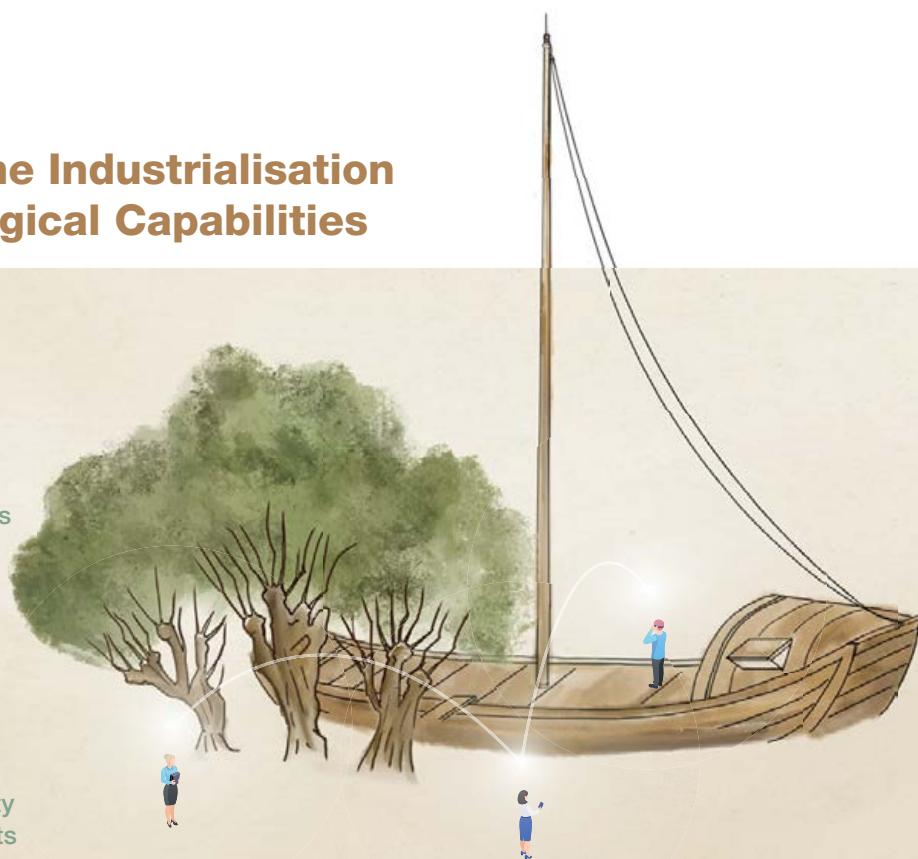
Strive for core technologies breakthroughs



Strengthen the industrialisation of application achievements



Scale expansion and quality enhancement of tech talents



new energy-saving technologies to enhance the energy efficiency of datacentres and telecommunications equipment rooms, and sped up the energy-saving application of AI technologies to mobile base stations and old equipment rooms, with a power saving of over 600 million kWh per year. The Company and China Unicom further promoted 4G/5G co-building and co-sharing. The cumulative number of 5G base stations co-built and co-shared by the two parties exceeded one million while the number of co-shared 4G stations exceeding 1.1 million. The co-building and co-sharing achieved remarkable results. The cumulative investment savings in network construction for both parties amounted to over RMB270 billion, while the annualised savings of operating costs exceeded RMB30 billion, contributing key technologies in co-building and co-sharing as well as operation and management experiences to the global communications industry.

2.5. Continuing to unlock reform momentum to significantly bolster corporate development vitality

With the satisfaction of customers' digitalisation demands as the core and the enhancement of corporate core competitiveness as the target, the Company comprehensively promoted the reform of corporate organisations, processes, and market-oriented operation mechanisms. The Company continued to deepen its enterprise service reform, solidly advanced the development of industrial research institute, cloud core platform, as well as local integration teams to establish a cloud-centric main business process and a highly

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



Management introduced the strong development momentum of China Telecom Cloud

efficient operating system. The Company stepped up its efforts and accelerated the reform of professional companies, making substantial progress in diversifying the equity ownership of its cloud company. It also achieved corporate operation of Big Data and AI centre, rapidly enhancing its level of market-orientation. The Company's cloud, security and IoT companies were shortlisted by SASAC in its list of "Sci-tech Reform Demonstration Enterprises", with its core competitiveness in sci-tech innovation continuing to strengthen. The Company fully leveraged its massive data resources to build a distributed Big Data lake and develop a Big Data storage and processing model with cloud-edge coordination. While empowering the digital transformation of its customers, the Company also accelerated its internal digital transformation of products, sales, service, operation and management to continuously promote costs reduction and efficiency enhancement, while further uplifting its operating efficiency. With in-

depth implementation of market-oriented operation mechanisms, the Company fully implemented a tenure system and contractual management at the managerial level. It also launched the "Talent Nurturing Programme" for the first time, while vigorously implementing incentive measures for talents such as special talent pools, expert incentives, equity and bonus sharing based on job positions. This continued to enhance employee vitality. The Company established a 4-in-1 integration system of "market insight, budget, assessment and incentive", with steady enhancement of the development as well as the value creation capability of various business units.

Adhering to the cooperation philosophy of "Broadest Scope, Best Service, Best Value, Farthest Growth", the Company carried out greater, broader and deeper ecological cooperation with its partners. The Company signed strategic cooperation agreements with governments of various provinces and cities to comprehensively support governments' informatisation construction. The Company expanded the informatisation service for the government affairs market, strengthened ecological cooperation with industry leaders, and opened up the digital platform of fundamental capabilities. The Company aggregated proprietary capabilities as well



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

as capabilities from ecological cooperation to provide customers with integrated “cloud-network + data-intelligence” solutions. The Company continuously expanded 5G Industry Innovation Alliance to explore 5G innovative applications and build 5G industry ecology. The number of member units exceeded 400. The Company commenced extensive cooperation with partners from four areas including technology, application, channel and service. The Company created a cloud computing community and fully opened up to co-build the national cloud ecology. The Company also carried out in-depth cooperation with leading vendors to push forward the construction of a security capability pool that effectively aggregates capabilities of various parties, while creating an open security ecology. By vigorous promotion of industry and research cooperation in the field of AI with domestically well-known universities and sci-tech research institutions, the Company spared no effort to jointly build an innovation ecology of AI industry. The Company conducted deployment in the capital ecology with a focus on key areas, and promoted coordinated development with companies within the capital ecology to give full play to the multiplier effect of capital investment and bring new momentum for the Company's value growth.



Management introduced the Company's achievements of innovations in cloud-network core capabilities





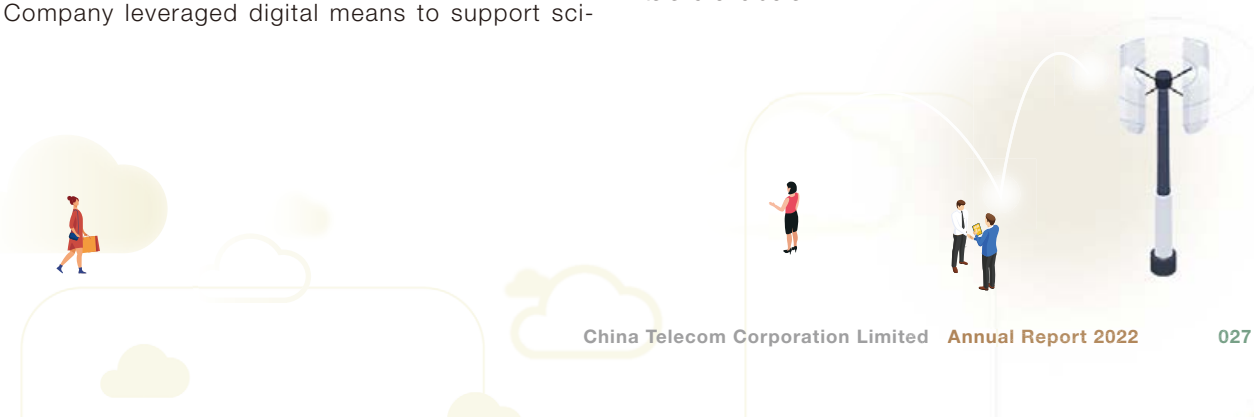
Successfully completed various major communications assurance tasks

3. UNDERTOOK SOCIAL RESPONSIBILITIES WHILE OPTIMISING CORPORATE GOVERNANCE

The Company proactively fulfilled its social responsibilities, successfully completed communications assurance tasks for important scenes and spared no effort to establish network “lifelines” during times of natural disasters. The Company also proactively promoted green cloud-network construction and operation. In 2022, through co-building and co-sharing and various energy saving measures, the Company reduced its greenhouse gas emissions by more than 13 million tons, while greenhouse gas emissions per unit of information flow decreased by 20.6% year-on-year. It built the country’s first “zero-carbon datacentre” in Qinghai. The Company served rural revitalisation, promoted universal service and bridged the digital divide. The Company also proactively participated in social welfare, and provided informatised products for Covid-19 Epidemic (“Epidemic”) prevention such as e-Surfing Cloud Broadcasting, Cloud Conference, Cloud Computer, Cloud SaaS applications and Display of Caller Name Card, among others. The Company leveraged digital means to support sci-

tech based Epidemic prevention and assisted small and medium-sized enterprises (SMEs) to overcome challenges. The Company strengthened employee care and promoted the mutual development of both employees and the Company.

Insisting on high-standard corporate governance while adhering to excellent, prudent and effective corporate governance principles, the Company continued to optimise its corporate governance system, standardise its corporate operations, strengthen its internal control system and implement refined governance and disclosure measures. In addition to the compliance and efficient operation of its Shareholders Meeting, Board of Directors and Supervisory Committee, the Company fully achieved the establishment of Board of Directors on various levels of its subsidiaries where appropriate. The Company further realised lean management and stable operation. The Company continued to optimise its internal control and comprehensive risk management to effectively ensure stable operation of the Company. The level of its corporate governance continued to strengthen to effectively protect the best and long-term interests of its shareholders.



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

In 2022, the Company received high affirmation and recognition from domestic and international capital markets and industry organisations. Of which, the Company was voted as the “Most Honoured Companies in Asia” for the 12th consecutive year by *Institutional Investor*. The Company also ranked No.1 in categories such as “Best Investor Relations”, “Best IR Team” and “Best Overall ESG”. In addition, the Company received a number of awarded such as “Asia’s Best Corporate Social Responsibility”, “Best Corporate Communications”, “Best Environmental Responsibility” and “Best Investor Relations Company” in the “Asian Excellence Award 2022” organised by *Corporate Governance Asia*, a renowned journal on corporate governance in Asia. Moreover, the Company was voted as “Most Outstanding Company in China – Telecommunication Services Sector” in *Asiamoney’s* “Asia’s Outstanding Companies Poll 2022”. The Company was further awarded with the “Overall Most Outstanding Company in China” among all winners from different sectors in China. At the same time, the Company was also awarded with “Best Practice of Office of Board of Directors for Public Companies in 2022” as well as “Best Practice Award of 2021 Annual Results Briefing for Public Companies” by China Association for Public Companies.

4. OUTLOOK

The building of Digital China is an important driver for the advancement of Chinese modernisation in the digital era. The Company will firmly seize the valuable strategic development opportunities, proactively fulfill its responsibility in building Digital China and insist on seeking progress while maintaining stability. With high-quality development as the theme, digital transformation as the main line, reform, opening and innovation as the driving force, the Company will comprehensively and deeply implement the Cloudification and Digital Transformation strategy while further striving for breakthroughs in key core technologies of digitalisation. The Company will create the supply of digital products with a focus on customer demands, and strive to build a digital service platform that is open and co-shared. The Company will also speed up the construction of the digital information infrastructure, stimulate the potential of data elements and proactively promote reforms of organisations and mechanisms that are adaptable to digital transformation. The Company will tangibly enhance its core competitiveness and accelerate the building of a world-class enterprise.



Ke Ruiwen

Chairman and Chief Executive Officer
Beijing, China

22 March 2023



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

1. INDUSTRY OVERVIEW

In 2022, the communications industry comprehensively promoted the implementation of the "14th Five-Year Plan". The revenue of telecommunications business maintained its relatively rapid growth momentum, showing the development characteristics of positive trends, optimised structure and enhanced momentum. The Company appropriately advanced the deployment of 5G, Gigabit and other new infrastructure construction and continuously enhanced the supporting role of digital development. The quality enhancement and upgrade of information service supply continued to inject new digital momentum into the economic development.

In 2022, China's telecommunications service revenue accumulated to RMB1.58 trillion, representing an increase of 8.0% over the previous year. The business structure was further optimised, and the role of emerging businesses in driving revenue growth continued to strengthen. Emerging digital services, which mainly include datacentres, cloud computing, Big Data, IoT, etc., developed rapidly, contributing 64.2% to the revenue growth of telecommunications services. The traditional businesses, which mainly include mobile data traffic, broadband access, voice and SMS, still played the stabiliser role, accounting for 66.8% of the revenue from telecommunications services.

In 2022, the investment in the industry maintained growth. The total investment in fixed assets in the telecommunications industry amounted to RMB419.3 billion, and the investment in 5G exceeded RMB180.3 billion. The wireline network has gradually leaped from 100Mbps to Gigabit, and the number of 10G PON ports with Gigabit service capabilities exceeded 15 million. Mobile network maintained a global leading position in terms of 5G construction. China has built and activated 2,312,000 5G base stations. The fundamental telecommunications enterprises stepped up their efforts in the construction of their own computing power. The net addition of cabinets in self-used datacentres was 160,000 for the year. They also strove to build service capabilities with the integration of network, connectivity, computing power, data and security, laying the foundation for providing high-quality new digital services.

In 2022, there were continuous achievements of integrated applications from fields such as smart manufacturing, smart healthcare, smart education, digital government administration and others. The number of "5G + Industrial Internet" projects invested and constructed nationwide exceeded 4,000, creating a batch of full 5G-connected factories and providing over 14,000 5G virtual private networks. The whole industry successfully completed major communications service assurance tasks such as the Beijing Winter Olympics, carried out special actions in the Internet industry and strengthened app governance, continuously enhanced the support capability of Big Data in communications, and further uplifted the service level.

Note: The above data are from MIIT's Statistical Communique of the Communications Industry in 2022.



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

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

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

On 24 June 2022, the Standing Committee of the National People's Congress considered and approved *the Decision to Amend the Anti-monopoly Law of the People's Republic of China*, which came into effect on 1 August 2022. According to the amended *Anti-monopoly Law of the People's Republic of China* (the "Anti-monopoly Law"), operators shall not use data and algorithms, technologies, capital advantages and platform rules to engage in monopolistic activities prohibited by the Anti-monopoly Law; they shall not organise other operators to enter into monopoly agreements or provide substantive assistance for other operators to enter into monopoly agreements; operators with dominant market positions shall not engage in actions that abuse their dominant market positions through the use of data and algorithm, technologies and platform rules.

On 7 July 2022, the Cyberspace Administration of China published *the Measures for the Security Assessment of Outbound Data Transfer*, which came into effect on 1 September 2022. The *Measures for the Security Assessment of Outbound Data Transfer* specify: the circumstances under which data processors shall report the security assessment of outbound data transfer and the procedures for the security assessment of outbound data transfer; data processors shall conduct self-assessment of outbound data transfer risks before reporting the security assessment of outbound data transfer; and the legal documents entered into with overseas receivers shall clearly stipulate the responsibilities for data security protection.

On 2 September 2022, the Standing Committee of the National People's Congress considered and approved *the Law of the People's Republic of China on Anti-Telecom and Online Fraud* (the "Anti-Telecom and Online Fraud Law"), which came into effect on 1 December 2022. According to the *Anti-Telecom and Online Fraud Law*, telecommunications business operators shall fully implement the real identity information registration system for telephone users in accordance with the law, standardise the transmission of real call numbers and the lease of telecommunications lines, and block, intercept and trace phone calls made with changed numbers; no excessive telephone cards shall be processed; no support or assistance shall be provided to others for the execution of telecom and online fraud activities; technical measures shall be taken to timely identify and block illegal equipment and software access to the network, and report to the public security authorities and relevant industry authorities.

On 8 December 2022, the Ministry of Industry and Information Technology issued *the Administrative Measures for Data Security in the Field of Industry and Information Technology (for Trial Implementation)* (the "Administrative Measures for Data Security (Trial)"), which came into effect on 1 January 2023. According to the *Administrative Measures for Data Security (Trial)*, data processors in the industry and information technology field shall regularly sort out the data and file the catalogues of important data and core data of their units with the regional industry regulatory authorities; a lifecycle data security management system should be established; data security risk monitoring should be carried out, potential safety hazards should be identified in a timely manner, and necessary measures should be taken to prevent data security risks.



Management presented at Cloud Ecology Conference

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

3. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

In 2022, the Company proactively integrated into the overall situation of digital economy construction, fully implemented the development strategy of “Cloudification and Digital Transformation”, and focused on building a service-oriented, technology-oriented and secured enterprise, elevating its high-quality development to a new level.

The Company seized opportunities arising from the development of digital economy, continued to accelerate the transformation of fundamental businesses, strengthened the supply of digital products, and promoted the steady growth of fundamental businesses. The Company continuously enhanced 5G network coverage and network quality, upgraded 5G-featured applications, strengthened the incorporation of new differentiated elements such as AI, security and cloud, to promote subscriber growth and value stabilisation. Leveraging the convergence of “5G + Gigabit Broadband + Gigabit WiFi”, the Company continued to accelerate the upgrade of broadband speed, enriched the supply of scene-based applications for households, and proactively expanded the new development path featuring integrated development of Smart Family, Digital Village and Smart Community. In 2022, the Company’s mobile subscribers reached 391 million, representing a net increase of 18.75 million. 5G package subscribers reached 268 million, with its penetration rate reaching 68.5%, representing a year-on-year increase of 18.1 percentage points. Mobile ARPU reached RMB45.2, representing a year-on-year increase of 0.4%. Broadband subscribers reached 181 million, representing a net increase of 11.19 million. The penetration rate of Gigabit subscribers reached 16.8%, representing a year-on-year increase of 9.1 percentage points. Broadband blended ARPU reached RMB46.3, representing a year-on-year increase of 0.9%.



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

The Company firmly grasped the demand for network-based, digitalised, and smart integrated information services in the era of digital economy, created a model for Industrial Digitalisation development that deeply integrates “cloud-network capability foundation + industry application platforms”, providing digital integrated solutions for numerous walks of life. Insisting on the driving force from cloud-, AI-, security- and platform-integrated initiatives, the Company further advanced the capability deployment of emerging businesses, boosted the rapid development of the second growth curve, and empowered the high-quality development of digital economy. China Telecom Cloud has entered into a stage of 4.0 with full commercialisation, with continuous increase in market share. The number of 5G 2B commercial projects increased rapidly, fully unleashing new momentum of transformation for vertical industries. Emerging businesses, such as network security, Big Data, AI and digitalised platform, have gradually become new drivers for Industrial Digitalisation development. In 2022, revenue from Industrial Digitalisation of the Company amounted to RMB117.8 billion, representing a year-on-year growth of 19.7% on a comparable basis. Revenue from China Telecom Cloud reached RMB57.9 billion, representing an increase of 107.5% year-on-year. Revenue from network security services amounted to RMB4.7 billion, representing an increase of 23.5% year-on-year.

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

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

In 2022, China Telecom fully implemented its “Cloudification and Digital Transformation” strategy, and achieved new results in high-quality development.

CONTINUOUS OPTIMISATION OF BUSINESS DEPLOYMENT, WITH INDUSTRIAL DIGITALISATION AND CHINA TELECOM CLOUD BECOMING IMPORTANT DRIVERS FOR REVENUE GROWTH

The Company continued to optimise its business deployment, and Industrial Digitalisation and China Telecom Cloud have become important drivers for revenue growth. By creating a model for Industrial Digitalisation development that deeply integrates “cloud-network capability foundation + industry application platforms”, the Company provided digital integrated solutions for numerous walks of life. China Telecom Cloud has entered into a stage of 4.0 with full commercialisation after more than ten years of development. The market share of China Telecom Cloud continued to increase, becoming the world’s largest carrier cloud and China’s largest hybrid cloud. It has grown to rank among the top-three in China’s public cloud IaaS market and public cloud IaaS+PaaS market, while maintaining its No.1 position in the dedicated cloud market in terms of market share. Focusing on 5G industry use cases, the cumulative number of 5G 2B commercial projects developed by the Company reached approximately 15,000, of which the number of newly added projects in 2022 exceeded 8,000. This fully unleashed new momentum of transformation for vertical industries. Meanwhile, emerging businesses, such as network security, Big Data, AI and digitalised platform, have gradually become new drivers for Industrial Digitalisation development.



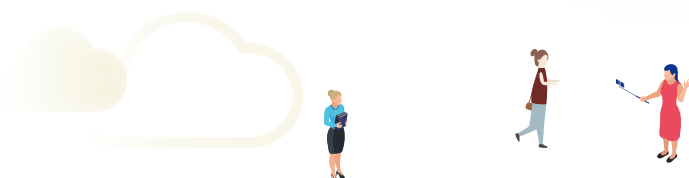
FURTHER ADVANCEMENT OF CAPABILITY DEPLOYMENT AND RAPID GROWTH OF NEW MOMENTUM FOR MARKET DEVELOPMENT

The Company's further advanced its capability deployment, built new development momentum through cloud-, AI-, security- and platform-integrated initiatives, and boosted the rapid development of the second growth curve. The Company completed the upgrade to China Telecom Cloud 4.0 which is a distributed cloud with wide-area coverage, featuring the integration of "cloud, network, edge, terminal, data, intelligence and security" as a whole. A number of its proprietary core technologies in fundamental software and hardware of cloud computing, such as TeleCloudOS4.0 cloud

operating system, CTyunOS server operating system, TeleDB database and Zijin DPU were fully launched and achieved scale commercialisation of products. This further consolidated the independent and controllable cloud foundation featuring polymorphism and multiple chip architectures in one cloud. The Company strengthened proprietary R&D of AI core capabilities, built the industry's first billion-parameter large-scale model for urban governance and promoted the expansion of large-scale models towards model hubs at the industry level. The Company strengthened the end-to-end supply of security products and services, completed the construction of "Cloud Dam" platform with full network coverage as well as a processing capacity of 10Tbps. The Company built an integrated security infrastructure platform, "Security Brain", for industry customers. The Company accelerated the building of proprietary digital platform capabilities, and built the unified industry digitalised platform foundation. The Company enhanced the efficiency and quality of proprietary platform development, and promoted the development of Industry Digitalisation business. The number of IoT subscribers exceeded 400 million, achieving "IoT connections exceeding human connections". e-Surfing IoT achieved rapid development, with its number of subscribers exceeding 46 million. Use cases such as Kitchen Monitoring, Security Smart Eye, Smart Enterprise and e-Surfing Emergency Response achieved scale commercialisation.



Rapid replication of 5G smart agriculture projects



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

CONSTANT DEEPENING OF THE REFORM DEPLOYMENT AND SIGNIFICANT ENHANCEMENT OF EMPLOYEES' VITALITY

With the satisfaction of customers' digitalisation demands as the core and the enhancement of corporate core competitiveness as the target, the Company comprehensively promoted the reform of corporate organisations, processes, and market-oriented operation mechanisms. The Company continued to deepen its enterprise service reform, solidly advanced the development of industrial research institute, cloud core platform, as well as local integration teams to establish a cloud-centric main business process and a highly efficient operating system. The Company stepped up its efforts and accelerated the reform of professional companies, making substantial progress in diversifying the equity ownership of its cloud company. It also achieved corporate operation of Big Data and AI centre, rapidly enhancing its level of market-orientation. The Company's three subsidiaries were shortlisted by SASAC in its list of "Sci-tech Reform Demonstration Enterprises", with its core competitiveness in sci-tech innovation continuing to strengthen. The Company also accelerated its internal digital transformation of products, sales, service, operation and management to continuously promote costs reduction and efficiency enhancement, while further uplifting its operating efficiency. With in-depth implementation of market-oriented operation mechanisms, the Company fully implemented a tenure system and contractual management at the managerial level. It also launched the "Talent Nurturing Programme" for the first time, while vigorously implementing incentive measures for talents such as special talent pools, expert incentives, equity and bonus sharing based on job positions. This continued to enhance employee vitality. The Company established a 4-in-1 integration system of "market insight, budget, assessment and incentive", with steady enhancement of the development as well as the value creation capability of various business units.

SOLID PROMOTION OF CLOUD- NETWORK DEPLOYMENT AND CONTINUOUS ENHANCEMENT OF OPERATION CAPABILITY

The Company accelerated the construction of digital information infrastructure with cloud-network integration as the core feature. The Company further optimised the "2 + 4 + 31 + X + O" layout of its computing power and built proprietary multiple AZs capabilities of China Telecom Cloud 4.0. The number of cities covered by "One-City-One-Pool" exceeded 240. In 2022, the total computing power of China Telecom Cloud reached 3.8 EFLOPS. The Company built the four-level AI computing power comprising of "entire network-region-edge-terminal" with nationwide coverage. The Company also built an efficiently-centralised core platform for AI capabilities. The Company proactively responded to the national strategy of "East-to-West Computing Resource Transfer". The Company has the greatest number and the most extensive distribution of IDC resources in China. Surrounding national datacentres, the Company built interconnection networks for datacentres with large bandwidth, high reliability, wide coverage and multiple layers. The Company built the largest Gigabit fibre network in scale, with the number of 10G PON ports exceeding 6.30 million. The Company achieved interconnection between the mobile network and the satellite network. The Company completed the construction of "Cloud Dam" platform with full network coverage. The Company's security capability pools covered more than 150 cities. The Company's new-generation cloud-network operating system was fully launched, realising the integrated management of cloud, network and security as well as the automatic activation of the whole business process for cloud-network integration. The Company fully promoted the green and low-carbon transformation of cloud-network infrastructure. The Company sped up the energy-saving

application of AI technologies to mobile base stations and old equipment rooms, with a power saving of over 600 million kWh per year. The Company and China Unicom further promoted 4G/5G co-building and co-sharing. The cumulative number of 5G base stations co-built and co-shared by the two parties exceeded one million while the number of co-shared 4G stations exceeding 1.1 million. The cumulative investment savings in network construction for both parties amounted to over RMB270 billion.

ADHERING TO THE PEOPLE-ORIENTED DEVELOPMENT PHILOSOPHY AND CONTINUOUSLY STRENGTHENING SERVICE CAPABILITIES

The Company adhered to the people-oriented and problem-oriented principles, regarded customer perception as the starting point and foothold of all work, and comprehensively enhanced service quality. The Company strengthened the new supply of digital products, proactively promoted the digitalisation of production methods, lifestyle and social governance, and strove to meet the new digital needs of customers. The Company deepened the service mechanism of “customers have the final say”, promoted the construction of a “customer-centric” production and operation organisation, established long-term mechanisms such as service review, service red flags, supervision and accountability, and quickly resolved the difficult and hot issues that customers were concerned about. Customer satisfaction has reached the best level in recent years, while the service quality of networks, products and channels continuing to strengthen and customer reputation continuing to become more positive.



INSISTING ON SELF-RELIANCE AND SELF-IMPROVEMENT OF HIGH-LEVEL TECHNOLOGIES, WHILE ACHIEVING BREAKTHROUGHS IN SCI-TECH INNOVATION

Adhering to “science and technology constitute a primary productive force”, the Company strove to develop as a technology-oriented enterprise and was credited with the honorary title of “Enterprise with Outstanding Contribution to Sci-tech Innovation”. The Company fully completed the deployment of its R&D system for sci-tech innovation, RDO. The Company built a platform for high-level sci-tech innovation, strengthened the fundamental support for R&D, and proactively forged the source of original cloud computing technologies while undertaking the construction of innovation platforms such as cloud-network infrastructure. The Company established joint sci-tech research institutions with key laboratories, renowned universities and sci-tech research institutes for cutting-edge technologies. The Company further strove for core technologies breakthroughs, achieving breakthroughs in key technologies of cloud

computing such as software and hardware integration. The Company’s computing power channelling of cloud storage and etc. has reached an advanced level within the industry. The computing power distribution network platform of China Telecom Cloud 4.0, “XiRang”, was successfully selected as one of the “2022 Top 10 Super Projects of Central Enterprises”. The Company also built China’s largest quantum metropolitan network, the “Hefei Quantum Metropolitan Network”. The Company further strengthened the industrialisation of application achievements, realising the application of AI large-scale models under a number of scenes such as digital life and smart manufacturing. The Company also rolled out scale commercialisation of products such as Security Brain, Cloud Computer and CDN. Domestic invention patents and PCT patent applications were 1.4 times and 2 times, respectively, of the same period of last year. The Company achieved scale expansion and quality enhancement of its tech talents. The Company also innovated its talent development mechanism, altogether creating a conducive ecology for innovation.



ADHERING TO THE OVERALL NATIONAL SECURITY CONCEPT AND STEADILY ENHANCING SECURITY CAPABILITIES

The Company gave play to its role as the fundamental assurance in the field of network and information security, and accelerated the improvement in supply of security products and services supply. Focusing on the industrial chain, innovation chain and supply chain, the Company stepped up its expansion efforts, aggregated open and integrated core capabilities, and gradually optimised its security-oriented corporate strategy. The Company established a security technologies system, enhanced the security operation system and accountability system with strengthened security talents, and continuously optimised the deployment of security work. The Company established a big security products system to continuously enhance the capabilities of network security, cloud security, data security and public security products. The Company continued to enhance the effectiveness of security governance, with its AI + anti-fraud technology capabilities becoming significantly strengthened.

5. MAJOR OPERATION DURING THE REPORTING PERIOD

The Company proactively integrated into the overall situation of digital economy construction, deeply implemented the customer-centric operation principles, and continued to enhance digital products and services supply capabilities for various customer groups such as individuals, households, governments and enterprises. The Company strove to build a service-oriented, technology-oriented and secured enterprise, elevating its high-quality development to a new level. In 2022, the Company's operating revenues amounted to RMB481.4 billion, representing an increase of 9.5% year-on-year. Of which, service revenues amounted to RMB434.9 billion, representing an increase of 8.0% year-on-year. Excluding the revenue impact from the disposals of its subsidiaries in 2021, the year-on-year growth rate reached 8.1%, maintaining favourable growth.



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

FURTHER ACCELERATING THE UPGRADE OF 5G NETWORK AND APPLICATIONS, AND ENRICHING DIGITAL PRODUCTS SUPPLY, ACHIEVING STEADY GROWTH AS WELL AS SCALE AND QUALITY ENHANCEMENT OF MOBILE BUSINESS

The Company deeply explored customer needs and application scenes in the digital era, continued to upgrade integrated intelligent information products and services by leveraging the further strengthened 5G cloud-network capabilities, and continuously promoted the steady development of its mobile business. **The Company continued to strengthen 5G network coverage and network quality** to provide users with a “more secure, more reliable and more intelligent” mobile communications experience. **The Company continued to upgrade 5G-featured applications**, constantly optimised large bandwidth applications such as 5G Ultra HD, 5G Cloud VR/AR and 5G Cloud Games, and accelerated the promotion of new applications such as 5G Messaging and 5G New Calls to meet the diversified application demands of customers. **The Company continued to strengthen the incorporation of new differentiated elements such as AI, security and cloud**, and launched AI-integrated products such as AI

Communications Assistant and AI Colour Ringback Tone with Video for individual customers. The Company also rolled out security-integrated products such as Quantum-encrypted Calls and e-Surfing Anti-Harassment, as well as cloud-integrated products such as China Telecom Cloud Mobile Phone and Cloud Drive, so as to further enhance the high-quality supply capabilities in the field of information consumption. **The Company continued to build the digitalised platforms**, constantly responded to changes in customer consumption habits and the needs for quality upgrade in the digital era. Focusing on various consumption scenes such as people’s livelihood payment, catering and travel, the Company enriched the new model of mobile digital consumption, and drove the continuous enhancement of both scale and value of mobile subscribers.

In 2022, the Company’s mobile communications service revenues amounted to RMB191.0 billion, representing an increase of 3.7% year-on-year, maintaining favourable growth. Mobile subscribers reached 391 million, representing a net addition of 18.75 million. 5G package subscribers reached 268 million, representing a penetration rate of 68.5% and a year-on-year increase of 18.1 percentage points. Mobile ARPU reached RMB45.2, representing a year-on-year increase of 0.4%.



Continuous
enhancement of
5G network coverage
and quality



Management introduced new measures to enhance customer service

FURTHER ACCELERATING THE SERVICE UPGRADE AND INTEGRATED DEVELOPMENT OF SMART FAMILY, SMART COMMUNITY AND DIGITAL VILLAGE, WITH STEADY GROWTH OF BROADBAND BLENDED ARPU AND CONSTANT ENHANCEMENT OF THE VALUE OF SMART FAMILY BUSINESS

The Company seized opportunities arising from the development of the digital economy, and continued to meet the needs of the whole society to enjoy a better digital life by leveraging the comprehensive advantages of continuously upgraded and optimised networks, applications, services and platforms. **The Company continued to accelerate the upgrade of broadband speed**, strengthened the integrated development of “5G + Gigabit Broadband + Gigabit WiFi”, built a solid foundation for high-speed access for Smart Family, and further promote the uplifting of the penetration rate of Gigabit subscribers as well as

subscriber value. **The Company continued to enrich the supply of applications under family scenes**, accelerated the construction of a smart, secure, convenient and comfortable digital home information service system, and constantly enhanced the “terminal + application + service” whole-home intelligent solutions to promote the evolution from Smart Home to Whole-home Intelligence. **The Company continued to promote the platform integration and connected development of Smart Family, Smart Community and Digital Village.** The Company accelerated the construction of a digitalised application platform integrating all scenes of “family-community-village-city”, providing communities and villages with leading capabilities in connecting households, communities and government, as well as abundant solutions for grassroots governance. The Company also provided integrated scene-based applications such as Video Door Access Control, Community Management and Village Governance, to establish a new scene featuring CHBG connection. Leveraging its digital capabilities and intelligent applications, the Company empowered and enhanced the quality of the modernised transformation of grassroots social governance, while supporting the digital transformation of lifestyle and social governance.

In 2022, the Company's Wireline and Smart Family service revenues amounted to RMB118.5 billion, representing an increase of 4.4% year-on-year. The number of broadband subscribers reached 181 million, representing a net addition of 11.19 million. The penetration rate of Gigabit broadband subscribers reached 16.8%, representing a year-on-year increase of 9.1 percentage points. Broadband blended ARPU reached RMB46.3, representing a year-on-year increase of 0.9%.

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

CONTINUOUSLY ACCELERATING THE DEVELOPMENT OF THE SECOND GROWTH CURVE DRIVEN BY THE “FOUR-INTEGRATED” STRATEGY, ENABLING THE INDUSTRIAL DIGITALISATION BUSINESS TO GROW RAPIDLY AND CHINA TELECOM CLOUD TO DOUBLE ITS REVENUE

The Company firmly grasped the demand for network-based, digitalised, and smart integrated information services in the era of digital economy, and accelerated the building of the “second growth curve” driven by cloud-, AI-, security- and platform-integrated initiatives.

Continuously maintaining the rapid development of China Telecom Cloud. The Company strove to forge the source of original cloud computing technologies, and achieved breakthroughs in more than 50 key core technologies such as distributed database and cloud operating system. China Telecom Cloud 4.0 has entered the stage of full commercialisation, and its market share has continued to rise, becoming the world’s largest carrier cloud and China’s largest hybrid cloud. It has grown to rank among the top-three in China’s public cloud IaaS market and public cloud IaaS+PaaS market, while maintaining its No.1 position in the dedicated cloud market in terms of market share.

Continuously expanding deployment in emerging fields such as AI and security.

In terms of AI, the Company built the industry’s first billion-parameter large-scale model for urban governance, with core algorithm capabilities covering image, voice, semantics and other fields, and launched more than 5,000 AI algorithms. In terms of security, the Company further strengthened product and service capabilities, and built a “Cloud Dam” platform with full network coverage and an integrated-security infrastructure platform, “Security Brain”. The Company continued to optimise its proprietary quantum security service platform and launched the first quantum security phone product in the industry – Quantum-encrypted Calls.

Continuously building new advantages in 5G industry applications and digital platforms.

Leveraging its proprietary core capabilities such as 5G, cloud, IoT and Internet of Videos, the Company further upgraded 5G 2B businesses, accelerated the construction of a self-service operation platform for 5G customised network customers, and pushed forward the building of proprietary digital platforms capabilities. The Company also built a unified industry digital platform foundation, continued to accumulate fundamental capabilities, and further advanced the business capabilities and service level of 5G industry applications



Thriving development of Industrial Digitalisation, supporting “the cloud migration, the use of data and intelligence injection” for numerous walks of life

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

and digital platforms. The cumulative number of 5G 2B commercial projects developed by the Company reached approximately 15,000, of which the number of newly added projects in 2022 exceeded 8,000. This fully unleashed new momentum of transformation for vertical industries.

In 2022, revenue from Industrial Digitalisation of the Company amounted to RMB117.8 billion, representing a year-on-year growth of 19.7% on a comparable basis. Revenue from China Telecom Cloud reached RMB57.9 billion, representing an increase of 107.5% year-on-year. Revenue from network security services amounted to RMB4.7 billion, representing an increase of 23.5% year-on-year.

CONTINUOUSLY ACCELERATING THE DIGITAL TRANSFORMATION OF PRODUCTS, CHANNELS, SALES AND MARKETING AND SERVICES, WHILE SIGNIFICANTLY ENHANCING THE DIGITAL OPERATION AND SERVICE CAPABILITIES

Adhering to the service principles of “Customer First and Service Foremost”, the Company accelerated the enhancement of key capabilities such as digitalisation of products, channels, sales and marketing and services, with a focus on changes in customer demands in the digital era. The Company also further promoted business innovation and service transformation, and strove to build a service-oriented enterprise.

The Company continued to enhance its loading of products in digitalised forms, while optimising its online activation and digital operating capabilities, to empower various online and offline contact points. It continued to deepen the online product supply, business processing and online and offline integrated delivery capabilities, optimised the digital management system of sales expenses such as channels, and increased the operation efficiency and effectiveness of channels. The Company further enhanced precision marketing and service capabilities based on AI and Big Data technologies. By strengthening the application of data labels, the Company generated accurate user profiles, and optimised its full-chain digital management of customer value insight, operation and retention as well as expansion and upgrade. The Company further stepped up the application of new technologies based on data and intelligence, introduced AI digital employees, and accelerated the enhancement of service efficiency of 10000 service hotline. This created a 24/7 and all-round new intelligent service experience, facilitated the combination of traditional services with smart innovation, and promoted the continuous upgrade of service efficiency and customer perceptions.

In 2022, the service quality of the Company's networks, products and channels further strengthened, and customer reputation continued to become more positive, while its overall customer satisfaction maintained an industry-leading position.



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

CONTINUOUSLY ACCELERATING THE CONSTRUCTION AND UPGRADE OF DIGITAL INFORMATION INFRASTRUCTURE, WHILE FURTHER ENHANCING CLOUD-NETWORK INTEGRATION CAPABILITIES

The Company resolutely fulfilled its responsibilities as the major force in building Cyberpower and Digital China, as well as in safeguarding network and information security. With the full implementation of its Cloudification and Digital Transformation strategy, the Company accelerated the construction of 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, and secure and controllable.

In the field of computing power, the Company further optimised the “2 + 4 + 31 + X + O” layout of its computing power and built proprietary multiple AZs capabilities of China Telecom Cloud 4.0 in central nodes of regions of Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area and Chengdu-Chongqing. The number of cities covered by “One-City-One-Pool” exceeded 240, while the number of edge computing power nodes surpassing 800. The Company built the four-level AI computing power comprising of “entire network-region-edge-terminal” with nationwide coverage. The Company aggregated more than 5,000 algorithms and over 100 scene-based solutions. The Company proactively responded to the national strategy of “East-to-West Computing Resource Transfer” and stepped up deployment with a focus on 8 hub nodes. The Company has the greatest number and the most extensive distribution of IDC resources in China.



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

In the field of Gigabit fibre network, the Company continued to accelerate the construction of Gigabit network and built the largest Gigabit fibre network in scale, with the number of 10G PON ports exceeding 6.30 million, covering over 250 million family users in the Company's service region.

In the field of 4G/5G network, the Company and China Unicom comprehensively deepened co-building and co-sharing. The cumulative number of 5G base stations co-built and co-shared by the two parties exceeded one million while the number of co-shared 4G stations exceeding 1.1 million, contributing key technologies in co-building and co-sharing as well as operation and management experiences to the global communications industry.

In the field of satellite communications, the Company continued to promote breakthroughs in key core technologies of the information network featuring aerial-ground in one. The Company achieved interconnection between the mobile network and the satellite network and realised multiple functions for one single card.

In the field of security, the Company continued to give full play to its role in safeguarding network and information security, formed security infrastructure capabilities covering cloud, network, edge and terminal, and completed the construction of "Cloud Dam" platform with full network coverage. The Company's security capability pools covered more than 150 cities.

In the field of green and low-carbon, the Company fully promoted the green and low-carbon transformation of cloud-network infrastructure, and adopted measures such as customised high-performance servers to enhance computing efficiency. The Company also applied various new energy-saving technologies to enhance the energy efficiency of datacentres and telecommunications equipment rooms, and sped up the energy-saving application of AI technologies to mobile base stations and old equipment rooms, with a power saving of over 600 million kWh per year, contributing to the green and low-carbon transformation of the economy and society.



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



Management introduced the Company's market-oriented talent incentive mechanism

6. FINANCIAL OVERVIEW

In 2022, adhering to the new development principles, the Company seized opportunities arising from the development of digital economy and comprehensively implemented the “Cloudification and Digital Transformation” strategy. The Company increased investment in key areas such as sci-tech innovation and Industrial Digitalisation. At the same time, the Company strengthened digital operation to reduce costs and enhance efficiency, further increased resource efficiency, and supported the long-term value creation of the Company. The Company achieved new results in high-quality development. In 2022, operating revenues were

RMB481,448 million, representing an increase of 9.5% from year 2021¹⁵. Service revenues¹⁶ were RMB434,928 million, representing an increase of 8.0% from year 2021. Excluding the revenue impact from the disposals of its subsidiaries in 2021¹⁷, the year-on-year growth rate reached 8.1%, maintaining continuous growth for ten consecutive years. Operating expenses were RMB448,021 million, representing an increase of 9.6% from year 2021. The Company continued to enhance its profitability. Profit attributable to equity holders of the Company was RMB27,593 million, representing an increase of 6.3% from year 2021. Excluding the one-off after-tax gain from the disposals of its subsidiaries in 2021¹⁸, the year-on-year growth rate reached 12.5%. Basic earnings per share were RMB0.30. EBITDA¹⁹ amounted to RMB130,359 million, representing an increase of 5.2% from year 2021. EBITDA margin²⁰ was 30.0%.

OPERATING REVENUES

In 2022, the Company leveraged its edges in cloud-network servicing capabilities, accelerated the development of Industrial Digitalisation service, further upgraded its integrated intelligent information products and services, and strengthened the new supply of digital products. As a result, its revenues continuously maintained favourable growth while its revenue structure further optimised. In 2022, operating revenues were RMB481,448 million, representing an increase of 9.5% from year 2021. Service revenues were RMB434,928 million, representing an increase of 8.0% from year 2021.

¹⁵ In 2022, the Group acquired Beeya (Shanghai) Technology Co., Ltd.. As a business combination under common control, comparative figures of the prior year have been restated.

¹⁶ Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment, and other non-service revenues.

¹⁷ Service revenues for 2021 excluded Internet Finance revenue prior to the disposal of E-surfing Pay Co., Ltd. which was completed in April 2021.

¹⁸ The one-off after-tax gain from the disposals of E-surfing Pay Co., Ltd. and China Telecom Leasing Corporation Limited in 2021 was approximately RMB1,416 million.

¹⁹ 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.

²⁰ EBITDA margin is calculated based on EBITDA divided by service revenues.

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

The following table sets forth a breakdown of the operating revenues for year 2022 and 2021, together with their respective rates of change:

<i>(RMB million, except percentage data)</i>	For the year ended 31 December		
	2022	2021 (Restated)	Rates of change
Service revenues	434,928	402,828	8.0%
Of which: Mobile communications service revenues	191,026	184,158	3.7%
Wireline and Smart Family service revenues	118,534	113,522	4.4%
Industrial Digitalisation service revenues	117,756	98,945	19.0%
Other service revenues	7,612	6,203	22.7%
Revenues from sales of goods and others	46,520	36,725	26.7%
Total operating revenues	481,448	439,553	9.5%

Mobile communications service revenues

In 2022, the Company continued to strengthen its 5G network coverage, optimise network quality and enhance 5G user experience to promote mobile subscribers growth and value stabilisation as well as the stable growth of fundamental businesses. In 2022, revenues from mobile communications services were RMB191,026 million, representing an increase of 3.7% over the same period of last year and accounting for 39.7% of operating revenues.

Wireline and Smart Family service revenues

In 2022, leveraging the convergence of "5G + Gigabit broadband + Gigabit WiFi", the Company promoted the speed upgrade of broadband subscribers as well as the upgrade from Whole-home Intelligence to family DICT. The value contribution from Smart Family services continued to grow, with broadband blended ARPU maintaining favourable growth. In 2022, the Company's Wireline and Smart Family service revenues were RMB118,534 million, representing an increase of 4.4% over the same period of last year and accounting for 24.6% of operating revenues.

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

Industrial Digitalisation service revenues

In 2022, the Company proactively seized the current opportunities brought by the demands from various industries in the economy and society for network-based, digitalised, and smart integrated information services. Leveraging its own resources in the whole process and whole network, the Company empowered the digital transformation of numerous walks of life and promoted “the cloud migration, the use of data and intelligence injection” for more enterprises. In 2022, the Company's Industrial Digitalisation service revenues were RMB117,756 million, representing an increase of 19.0% over last year and accounting for 24.5% of operating revenues.

Other service revenues

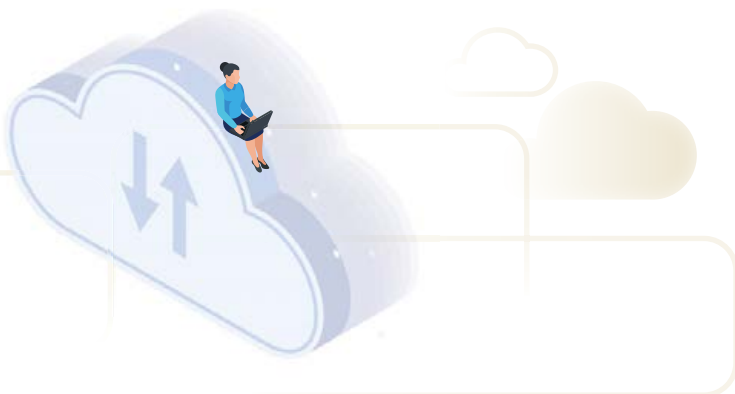
In 2022, revenues from other services amounted to RMB7,612 million, representing an increase of 22.7% from year 2021, mainly due to the increase in revenues from property rental.

Revenues from sales of goods and others

In 2022, revenues from sales of goods and others amounted to RMB46,520 million, representing an increase of 26.7% from year 2021, mainly due to the rapid growth in the sales volume of mobile terminals, such as 5G mobile phones.

OPERATING EXPENSES

Seizing the opportunities arising from the development of digital economy, the Company increased investment in key areas such as sci-tech innovation and Industrial Digitalisation. At the same time, the Company strengthened digital operation to reduce costs and enhance efficiency, further increased resource efficiency, and supported the high-quality development and long-term value creation of the Company. In 2022, operating expenses were RMB448,021 million, representing an increase of 9.6% from year 2021. Operating expenses accounted for 93.1% of operating revenues.



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

The following table sets forth a breakdown of the operating expenses in 2022 and 2021 and their respective rates of change:

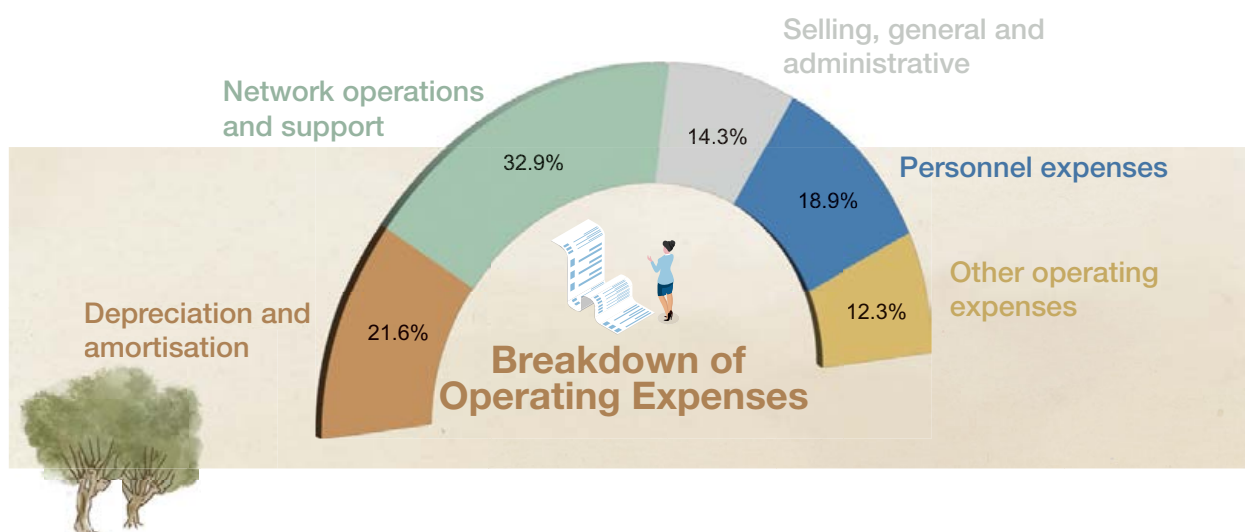
<i>(RMB million, except percentage data)</i>	For the year ended 31 December		
	2022	2021 (Restated)	Rates of change
Depreciation and amortisation	96,932	92,966	4.3%
Network operations and support	147,589	133,340	10.7%
Selling, general and administrative	64,277	61,154	5.1%
Personnel expenses	84,772	76,057	11.5%
Other operating expenses	54,451	45,088	20.8%
Total operating expenses	448,021	408,605	9.6%

Depreciation and amortisation

In 2022, the Company further promoted 5G co-building and co-sharing as well as 4G network co-sharing. At the same time, in order to support the construction of 5G network at scale and expand the deployment of new infrastructure such as datacentres and cloud, the Company continued its capital expenditure input. Depreciation and amortisation amounted to RMB96,932 million, representing an increase of 4.3% from year 2021 and accounting for 20.1% of operating revenues.

Network operations and support

In 2022, the Company proactively supported the rapid development of 5G, Industrial Digitalisation business and Smart Family business, and appropriately increased investment in the build-up of capabilities. At the same time, with the continuous expansion of the Company's network, operating costs such as electricity charge and tower rental fees increased accordingly. Network operations and support expenses amounted to RMB147,589 million, representing an increase of 10.7% from year 2021 and accounting for 30.7% of operating revenues.



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

Selling, general and administrative

In 2022, selling, general and administrative expenses amounted to RMB64,277 million, representing an increase of 5.1% from year 2021 and accounting for 13.4% of operating revenues. The Company firmly seized the development opportunities of 5G and maintained the necessary input in marketing resources. At the same time, the Company deepened channel transformation and upgrades, accelerated the construction of a new digital marketing service channel system, and strengthened online and offline coordination. The Company also stepped up precision marketing and enhanced the efficiency of selling expenses. In 2022, selling expenses were RMB50,486 million, representing an increase of 3.9% from year 2021. The Company proactively promoted sci-tech innovation to accelerate its transformation towards a technology-oriented enterprise, with appropriate increase in R&D initiatives. In 2022, general and administrative expenses amounted to RMB13,791 million, representing an increase of 9.8% from year 2021.

Personnel expenses

The Company firmly seized the opportunities arising from the development of the digital economy, boosted sci-tech innovation, strengthened the recruitment of high-tech talents and increased incentives for frontline employees and high-performance team. Inputs in personnel expenses were aligned with the development direction of the Company to transform itself to be a technology-oriented enterprise in the future. In 2022, personnel expenses amounted to RMB84,772 million, representing an increase of 11.5% from year 2021 and accounting for 17.6% of operating revenues. For details regarding the number of employees, remuneration policy and training programs, please refer to Corporate Social Responsibility Report 2022 ("CSR Report 2022").

Other operating expenses

In 2022, other operating expenses amounted to RMB54,451 million, representing an increase of 20.8% from year 2021 and accounting for 11.3% of operating revenues. The increase was mainly due to the increase in the sales volume of mobile terminals, such as 5G mobile phones.

Net finance costs

In 2022, net finance costs amounted to RMB7 million, representing a decrease of 99.4% from year 2021, 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 taxes

The Company's statutory income tax rate is 25%. In 2022, income tax expenses were RMB8,038 million while the effective tax rate was 22.5%, representing a decrease of 0.3 percentage point from last year. The reasons for the effective tax rate being lower than the statutory tax rate were because income from investment in the associate company, China Tower was not subject to tax during the period of the investment held, the application of preferential policies such as additional tax deduction from research and development expenses, and some subsidiaries and some branches located in the western region of China enjoyed low tax rates.

Profit attributable to equity holders of the Company

The Company firmly seized the strategic opportunities arising from the booming digital economy, deepened reform and innovation and strived to enhance quality and efficiency, resulting in a significant increase in profit attributable to equity holders. In 2022, the profit attributable to equity holders of the Company was RMB27,593 million, representing an increase of 6.3% from year 2021. Excluding the one-off after-tax gain of disposals of its subsidiaries in 2021²¹, the year-on-year growth rate was 12.5%.

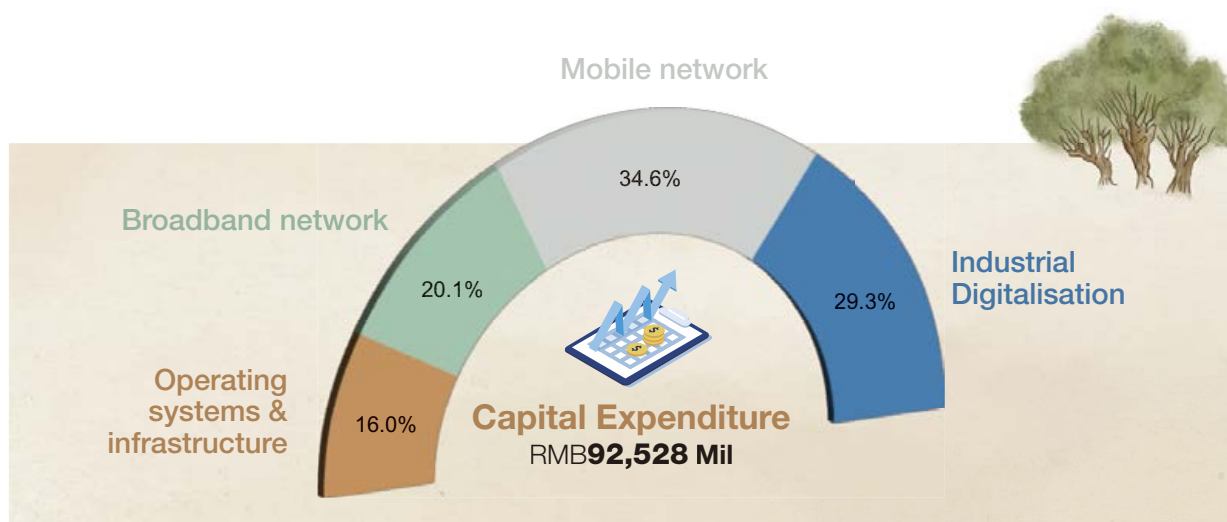
²¹ The one-off after-tax gain from the disposals of E-surfing Pay Co., Ltd. and China Telecom Leasing Corporation Limited in 2021 was approximately RMB1,416 million.

CAPITAL EXPENDITURE AND CASH FLOWS

Capital expenditure

In 2022, in order to support the construction of 5G network at scale and strengthen its network competitive advantages, the Company proactively expanded the deployments of new infrastructure such as datacentres and cloud, built the intelligent integrated digital

information infrastructure, and expedited the construction of cloud-network foundation in the computing power era. At the same time, the Company further promoted 5G network co-building and co-sharing as well as 4G network co-sharing with China Unicom. Capital expenditure for the year was RMB92,528 million, representing an increase of 6.7% from year 2021.



Cash flows

The net decrease in cash and cash equivalents for year 2022 was RMB1,270 million.

The following table sets forth the cash flow position in 2022 and 2021:

(RMB million)	For the year ended 31 December	
	2022	2021 (Restated)
Net cash flow from operating activities	136,432	137,533
Net cash used in investing activities	(96,796)	(80,288)
Net cash used in financing activities	(40,906)	(7,518)
Net (decrease)/increase in cash and cash equivalents	(1,270)	49,727

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

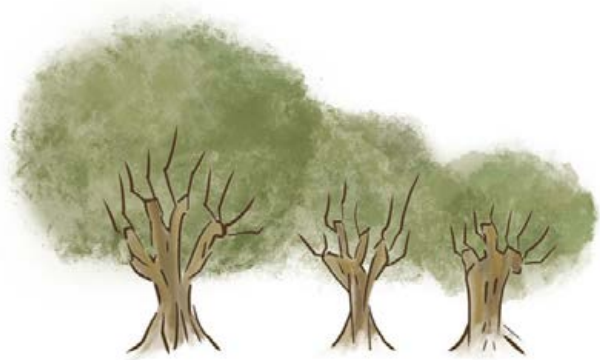
In 2022, the net cash inflow from operating activities was RMB136,432 million, representing a decrease of 0.8% from year 2021, mainly due to the increase in accounts receivable and the decrease in user prepaid service fees for the year as a result of the change in business structure.

In 2022, the net cash outflow used in investing activities was RMB96,796 million, representing an increase of 20.6% from year 2021, mainly due to the increase in capital expenditure of the Company, as well as the increase in loans granted by its finance company.

In 2022, the net cash outflow used in financing activities was RMB40,906 million, representing an increase of 444.1% from year 2021, mainly due to the impact of the proceeds from the Company's A Share Offering last year.

WORKING CAPITAL

The Company consistently upheld stable and prudent financial principles and stringent fund management policies. At the end of 2022, the working capital (total current assets minus total current liabilities) deficit was RMB140,665 million, representing an increase in deficit of RMB2,957 million compared to the end of 2021. As at 31 December 2022, the unutilised credit facilities were RMB233,639 million (2021: RMB276,483 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 2022, cash and cash equivalents amounted to RMB72,465 million, among which cash and cash equivalents denominated in Renminbi accounted for 94.3% (2021: 89.6%).



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

ASSETS AND LIABILITIES

In 2022, the Company continued to maintain a solid financial position. At the end of 2022, the total assets increased by 6.0% from RMB762,239 million as at the

end of 2021 to RMB807,698 million. Total indebtedness²² decreased to RMB10,484 million from RMB16,496 million as at the end of 2021. Debt to asset ratio as at the end of 2022 was 46.0%.

Indebtedness

The indebtedness analysis as at the end of 2022 and 2021 is as follows:

(RMB million)	For the year ended 31 December	
	2022	2021
Short-term debts	2,840	2,821
Current portion of long-term debts	3,160	6,280
Long-term debts	4,484	7,395
Total indebtedness	10,484	16,496

As at the end of 2022, the total indebtedness was RMB10,484 million, representing a decrease of RMB6,012 million from the end of 2021, which was mainly due to the impact of the Company's listing in the A-share market, as the proceeds satisfied the capital requirements of key projects, leading to decreased external financing needs. Of the total indebtedness, loans denominated in Renminbi, US Dollars and Euro accounted for 97.4% (2021: 98.2%), 1.7% (2021: 1.1%) and 0.9% (2021: 0.7%), respectively. 95.8% (2021: 95.9%) of the indebtedness were loans with fixed interest rates while the remaining portion of the indebtedness represented loans with floating interest rates.

As at 31 December 2022, neither the Company nor any of its subsidiaries pledged any assets as collateral for debt (2021: 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.

²² Total indebtedness refers to interest-bearing debts excluding lease liabilities.

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

Significant investment

As at 31 December 2022, the Company's external investments mainly included interests in associates and joint ventures, and equity instruments measured at fair value with the change in the fair value included

in other comprehensive income, with book values of RMB42,220 million and RMB885 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 2022			Fair value (RMB million)	Size of fair value relative to total assets of the Group
					Number of shares held	Percentage of shares held	Book value (RMB million)		
China Tower	0788.HK	Principally engaged in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor Distributed Antenna Systems (DAS), and to provide energy application services such as information application and intelligent battery exchange and power backup to the society	The PRC	36,087	36,087,147,592	20.5%	39,271	27,078	3.4%

As at 31 December 2022, the book value of the Group's interests in China Tower, an associate of the Company, was RMB39,271 million, accounting for 4.9% of the Group's total assets. In 2022, share of unrealised attributable profits of China Tower recognised by the Company amounted to RMB1,954 million, and

dividends received amounted to RMB947 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 enhancement of profits and values from China Tower in the future.

Contractual obligations

Contractual obligations as at 31 December 2022 are as follows:

(RMB million)	Total	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	Thereafter
Short-term debts	2,884	2,884	–	–	–
Long-term debts	8,595	3,226	1,187	2,509	1,673
Lease liabilities	73,034	16,163	14,685	38,195	3,991
Capital commitments	16,607	16,607	–	–	–
Total contractual obligations	101,120	38,880	15,872	40,704	5,664

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

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

1. INDUSTRY LANDSCAPE AND TREND

At present, there are new strategic opportunities for the development of the information communications industry. The information communications industry should make proactive and accurate analysis and judgment, proactively respond to changes, cultivate opportunities, and start a new situation.

Firstly, the world is living through accelerating changes unseen in a century, bringing new strategic opportunities for China's development. As the Chinese economy has strong resilience, great potential and full vitality, the key conditions for building a new development pattern are relatively sufficient. The momentum of effective demand recovery is becoming increasingly obvious, and the effects of various policies continue to become apparent. The overall economic operation is expected to rebound in 2023, and the long-term positive fundamentals of China's economy remain unchanged.

Secondly, digital economy has become an important support and key engine to promote the high-quality development of the economy and society. The digital transformation of the economy and society has become a general trend. The new thinking, new technologies and new models brought by digitalisation will reconstruct the technology systems, business models and industrial formats of human society. The digital development momentum in key areas such as industrial Internet, smart city, smart healthcare and smart commerce is strong. As the main force of the digital economy, the information communications industry not only maintains its own high growth, but also provides strong support for the stable economic growth.

Thirdly, the continuous expansion of information consumption scenes has created a new trend of digital

life and new demands for service quality. Currently, users are shifting from physical to online contactless services, with rapid growth of the number of various online users, while the all-round digital lifestyle is becoming a reality. User demand has been upgraded from standardised products to typical scenes, and then to customised services. Large-scale and rapid satisfaction of personalised customisation demands has become a new trend and new requirement for products and services. 2B, 2C and 2H have opened up multiple identities of customers, with continuously deepened integration of multi equipment and multi screens. This promoted the integrated development of information services and products.

Fourthly, science and technology constitute a primary productive force, while the scale commercialisation of the new generation digital technologies is accelerating. At present, the human society has entered the digital era after the agricultural era, the industrial era and the information era. The scale commercialisation of the new generation digital technologies such as cloud computing, Big Data and AI is accelerating. Cloud computing and AI have unlimited potential, and are accelerating the transformation of various industries from the bottom. Cloud computing has grown rapidly in terms of market size. AI is at a key turning point for the transition from small-scale verification to large-scale application, and is about to enter a stage of spurt and large-scale implementation.

Fifthly, the challenges of security risks have increased, and security demands have become more urgent. The cloud-network security operation is under severe situation, with the number of global DDoS attacks increasing rapidly, and major network failures occurring frequently. The cost of security incidents continued to rise, and the security market expenditure continued to grow rapidly. All kinds of security incidents in the world became alarm bells for the information communications industry.

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

Sixthly, green and low-carbon development has become a general consensus and are integrated into the products and services of enterprises at all fronts. Promoting green and low-carbon development of the economy and society is key to achieve high-quality development. Green development puts forward new requirements for the information communications industry. At the same time, the digital technology empowers the green and low-carbon development, creating a huge market while bringing huge opportunities to the information communications industry.

The changes in the world, times and history are unfolding in an unprecedented manner. Facing new changes of situation and new requirements of tasks, the Company will accurately grasp its historical orientation, firmly seize the new strategic opportunities for its corporate development, fully and deeply implement its "Cloudification and Digital Transformation" strategy, accelerate the construction of a world-class enterprise, and continuously create greater value for shareholders.

2. DEVELOPMENT STRATEGY OF THE COMPANY

China Telecom resolutely fulfils its missions and responsibilities in building a Cyberpower and Digital China, as well as in safeguarding network and information security. Adhering to the customer-centric approach, the Company strengthens the core capabilities in sci-tech innovation, accelerates the construction of new information infrastructure featuring cloud-network integration, greenness and security, and consolidates the foundation for green development and network and information security. The Company builds a digitalised platform hub, creates a win-win cooperation ecology, and deepens the reform of systems and mechanisms. The Company also provides customers with integrated intelligent services that are flexible and diversified, integrated and convenient, of quality experience, green and secure. The Company meets people's demands for a better information life and continues to advance the building of a service-oriented, technology-oriented and secured enterprise. The Company effectively enhances

its corporate core competitiveness and accelerates the construction of a world-class enterprise leveraging accelerated development with higher quality, higher level of sci-tech innovation, more comprehensive and deepened reforms, greater efforts in opening up and cooperation, more emphasis on risk prevention, as well as more pragmatic work style and unity in hard work.

3. BUSINESS PLAN

In 2023, the Company will firmly seize the strategic opportunities arising from the building of Digital China and the development of digital economy. Insisting on high-quality development as the theme, digital transformation as the main line, and reform, opening and innovation as the driving force, the Company will comprehensively and deeply implement the Cloudification and Digital Transformation strategy, and continue to increase the supply of high-quality digital products such as cloud, AI, security and digitalised platforms. The Company will accelerate the quality and scale enhancement of 5G and Gigabit subscribers, and speed up the integrated development of businesses such as Smart Family, Smart Community, Digital Village and e-Surfing IoVT. The Company will build the full-stack solution capabilities for various industries, strengthen ecological cooperation, promote the acceleration and upgrade of Industrial Digitalisation, and empower and inject intelligence into the digital transformation of numerous walks of life. The Company will continue to build the digital information infrastructure with cloud-network integration as the core feature, strengthen data integration and sharing, promote the deep integration of digital economy and real economy, and strive to achieve high-quality development that is more efficient, more sustainable and more secure.

4. POTENTIAL RISKS

Risks of adapting to economic and policy environment

At present, the recovery of the world economy is weak, with frequent regional conflicts and turmoil, and the global problem is intensifying. The foundation for China's economic recovery is not yet solid, and the "triple pressure" of shrinking demand, supply shocks and

weakening expectations remain high. The increasingly stringent regulatory environment may bring risks and challenges to the Company's business development and revenue growth. The Company will strengthen the analysis and judgment of the external environment, proactively prevent and respond to the risks brought by environmental changes, comprehensively deepen reform, promote the Cloudification and Digital Transformation strategy, innovate business models, accelerate technological innovation, optimise the compliance management system, and solidly promote the high-quality development of the Company.

Business operation risks

The Nation puts forward requirements to give full play to the supporting role of sci-tech innovation strategy, which will bring new opportunities as well as 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, while customer demands become more diversified and personalised. There is a certain gap between the Company's products and services and customer's demands in terms of varieties, performance and experience, 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 facing a downward pressure and corresponding in technological and innovative development having deficiencies. The Company will further strengthen sci-tech innovation and R&D as well as the transformation of achievements, increase the dual driving forces of fundamental businesses and Industrial Digitalisation business, and step up efforts in R&D and promotion of supply-side products. The Company will promote the optimisation of 5G business model and industry chain, accelerate the scale development of 5G, and step up efforts in capital deployment intensity to expand the "circle of friends" in the ecology. This will further enhance the market competitiveness of product supply and meet the diversified and personalised customer demands.

Network and information security risks

The accelerated evolution of information and communications networks and the growing number of cyber-attacks for different purposes have brought new challenges to network security operations. With the implementation of *the Cybersecurity Law of the People's Republic of China*, *the Data Security Law of the People's Republic of China*, *the Personal Information Protection Law of the People's Republic of China*, *the Anti-Telecom and Online Fraud Law* and other relevant laws and regulations, the Nation continues to strengthen the supervision over relevant fields. Illegal and criminal acts on the Internet become concerns to the wider society, thus putting forward higher requirements for the data security and personal information protection for the Company. The Company will further consolidate the security foundation of new information infrastructure, strengthen the independent and self-controlled capabilities in core network technologies, enhance the supply chain security management system, and strengthen the emergency response and sourcing capabilities. Meanwhile, the Company will deepen data security and user personal information protection, accelerate the use of data and intelligence injection for the security core platform, continue to carry out network security risks screening, effectively ensure reliable operation of network security as well as data and personal information security.

International operation risks

The complex and volatile international situation 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 products and services and demands of customers. The Company will further strengthen market analysis and study the policies and laws of relevant countries/regions, strengthen overseas compliance management, enhance risk response capabilities and continue to optimise the overseas risk prevention responsibility system.

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

8. OTHER DISCLOSURES

1. PRINCIPAL BUSINESS

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

2. DIVIDEND POLICY

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

- (1) The Company attaches great importance to reasonable investment returns to investors, and the Company's profit distribution policy will take into account the overall interests of all shareholders, the Company's long-term interests and the Company's sustainable development;
- (2) Under the premise that the Company's profit distribution does not exceed the cumulative distributable profit and that the Company takes into account the continuous profits, meets regulatory requirements, operates regularly and develops in the long term, the Company will give priority to cash distribution of dividends.

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

3. DIVIDENDS

The Board of Directors proposed a final dividend of RMB0.076 per share (pre-tax) in an aggregate amount of RMB6,955 million calculated based on 91,507 million shares, being the total number of issued share capital of the Company as at the end of 2022. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full-year dividend of the year 2022 amounts to RMB0.196 per share (pre-tax) in an aggregate amount of RMB17,935 million which represents 65% of the profit attributable to equity holders of the Company for the year 2022. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on Tuesday, 23 May 2023 (the "2022 AGM"). Dividends will be denominated and declared in Renminbi. Details of the profit distribution of the Company for 2022 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 2022 AGM. The proposed final dividends are expected to be paid on or before 21 July 2023 upon approval at the 2022 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

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

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 2022 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 Thursday, 8 June 2023.

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 Thursday, 8 June 2023 (the "Registered Address"). If the country of domicile of an individual H share shareholder is not the same as the Registered Address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 1 June 2023. 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

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

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	59	Executive Director, Chairman and Chief Executive Officer	30 May 2012
Shao Guanglu	59	Executive Director, President and Chief Operating Officer	26 May 2020
Liu Guiqing	56	Executive Director and Executive Vice President	19 August 2019
Tang Ke	48	Executive Director and Executive Vice President	22 March 2022
Xia Bing	49	Executive Director and Executive Vice President	6 January 2023
Li Yinghui	52	Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board	6 January 2023
Chen Shengguang	59	Non-Executive Director	23 May 2017
Ng, Kar Ling Johnny	62	Independent Non-Executive Director	6 January 2023
Wang Hsuehming	73	Independent Non-Executive Director	29 May 2014
Yeung Chi Wai, Jason	68	Independent Non-Executive Director	26 October 2018
Chen Dongqi	66	Independent Non-Executive Director	6 January 2023

* Date of appointment as Director

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

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

Mr. Tang Ke, an Executive Vice President of the Company, was 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 22 March 2022 until the Annual General Meeting of the Company for the year of 2022 to be held in the year of 2023.

On 26 April 2022, Mr. Xia Bing has been appointed as an Executive Vice President of the Company. Meanwhile, Mr. Li Yinghui has been appointed as an Executive Vice President and the Chief Financial Officer of the Company. The above proposed appointments became effective from 26 April 2022 until the Annual General Meeting of the Company for the year 2022 to be held in year 2023.

Due to his age, Mr. Li Zhengmao has retired from his positions as an Executive Director, the President and Chief Operating Officer of the Company with effect from 12 July 2022. On 16 August 2022, Mr. Shao Guanglu, an Executive Director of the Company, has been appointed as the President and Chief Operating Officer of the Company. The relevant appointments became effective from 16 August 2022 until the Annual General Meeting of the Company for the year 2022 to be held in year 2023.

On 5 September 2022, Mr. Li Yinghui, an Executive Vice President and the Chief Financial Officer of the Company, has been appointed as the Secretary of the Board of the Company. The relevant appointment became effective from 5 September 2022 until the Annual General Meeting of the Company for the year 2022 to be held in year 2023.

Reference is made to the announcement of the Company dated 16 August 2022 and the circular of the Company dated 13 December 2022. Pursuant to the relevant requirement issued by China Securities Regulatory Commission that the term of independent directors should not exceed six years, as Mr. Tse Hau Yin, Aloysius ("Mr. Tse"), Mr. Xu Erming ("Mr. Xu") and Madam Wang Hsuehming ("Madam Wang") have served as Independent Non-Executive Directors for more than 6 years, Mr. Tse, Mr. Xu and Madam Wang resigned from their positions as Independent Non-Executive Directors and in the special committees of the Board. Meanwhile, the Board sought approval for the proposed appointments of Mr. Ng, Kar Ling Johnny, Mr. Chen Dongqi and Madam Chen Lihua as Independent Non-Executive Directors of the Company from the shareholders of the Company. As Madam Chen Lihua did not seek appointment as an Independent Non-Executive Director of the Company for personal reasons, Madam Wang Hsuehming will continue to carry out her duties as an Independent Non-Executive Director till the date of election of a new Independent Non-Executive Director at a shareholders' meeting to be convened.

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

The appointments of Mr. Xia Bing and Mr. Li Yinghui as Executive Directors of the Company and the appointments of Mr. Ng, Kar Ling Johnny and Mr. Chen Dongqi as Independent Non-Executive Directors of the Company have been approved at the Extraordinary General Meeting held on 6 January 2023. The relevant

appointments became effective from 6 January 2023 until the Annual General Meeting of the Company for the year 2022 to be held in year 2023. The resignation of Mr. Tse and Mr. Xu took effect on 6 January 2023. Meanwhile, the below changes to the members of special committees of the Board became effective on 6 January 2023:

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

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	49	Chairlady of the Supervisory Committee and Shareholder Representative Supervisor	22 March 2022
Zhang Jianbin	57	Employee Representative Supervisor	16 October 2012
Dai Bin	54	Employee Representative Supervisor	26 May 2020
Xu Shiguang	43	Shareholder Representative Supervisor	26 October 2018
Wang Yibing	56	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.

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

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

As at 31 December 2022, the total share capital of the Company was approximately RMB91,507 million, divided into 91,507,138,699 shares at a nominal value of RMB1.00 per share (including 77,629,728,699 A Shares and 13,877,410,000 H shares). On 20 August 2021, the Company successfully completed the offering and listing of A Shares on the SSE and initially issued 10,396,135,267 A Shares (with a nominal value of RMB1.00 each) at an issue price of RMB4.53 per share. The subscribers are qualified natural persons and institutional investors (except those prohibited by the laws and regulations and other regulatory requirements applicable to the Company). The total proceeds from the issuance amounted to approximately RMB47,094 million before the exercise of the over-allotment option. After deducting the issuance expenses, the net proceeds amounted to approximately RMB46,712 million and the net proceeds per share amounted to approximately RMB4.49. The exercise period of the over-allotment option for the A Share Offering expired on 22 September 2021. Together with the proceeds from the initial issuance

of A Shares, the final gross proceeds from the issuance amounted to approximately RMB47,904 million, and the net proceeds after deducting the issuance expenses amounted to approximately RMB47,516 million and the net proceeds per share amounted to approximately RMB4.49. As disclosed in the Prospectus, the above proceeds 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. As of 31 December 2021, the total amount of proceeds invested was approximately RMB14,895 million, and the amount of proceeds not utilised was approximately RMB32,621 million. As of 31 December 2022, the amount of proceeds invested during the Reporting Period was approximately RMB22,993 million, and the accumulated total amount of proceeds invested was approximately RMB37,888 million. The use of proceeds is as follows:

Projects invested with proceeds	Total committed investment of proceeds (RMB million)	Amount invested during the Reporting Period (RMB million)	Total accumulated amount invested as of the end of the Reporting Period (RMB million)	Amount not utilised as of the end of the Reporting Period (RMB million)	Expected timeline for use of proceeds
5G Industrial Internet Construction Project	9,957	7,160	9,957	0	2023 or before
Cloud-network integration new information infrastructure project	23,583	9,030	18,467	5,116	2023 or before
Research and development project of sci-tech innovation	13,976	6,803	9,464	4,512	2023 or before
Total	47,516	22,993	37,888	9,628	–

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

As at 31 December 2022, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at the

shareholders' class meetings of the Company (excluding the Directors and Supervisors) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares*	Class of share	Approximate percentage of the respective class of shares in issue	Approximate percentage of the total number of shares in issue	Capacity
China Telecommunications Corporation	58,240,172,066 (Long Position)	A Share	75.02%	63.65%	Beneficial owner
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653 (Long Position)	A Share	7.25%	6.14%	Beneficial owner
GIC Private Limited	2,086,663,702 (Long Position)	H Share	15.04%	2.28%	Investment manager

* The information disclosed above is based on the interests and short position as recorded in the register required to be maintained by the Company under Section 336 of the SFO. Pursuant to the relevant provisions of the SFO, shareholders only have to file a disclosure of interest on the occurrence of certain events – called "relevant events". Accordingly, the exact numbers of shares held by the above-mentioned shareholders as at 31 December 2022 may be different from those as disclosed above.

Save as disclosed above, as at 31 December 2022, 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 2022, 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 approximate percentage of the total number of respective class of shares in issue	Shares held as approximate percentage of the total number of shares in issue
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 2022, 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.

leasing of telecommunications towers and other related services to the Company. Mr. Liu Guiqing, an Executive Director and Executive Vice President of the Company, who also serves as a non-executive director of China Tower, has therefore abstained from voting on the board resolutions in respect of, among others, the Agreements.

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

On 13 December 2022, the Board approved the entering into of the Commercial Pricing Agreement and the Service Agreement (the "Agreements") with China Tower by the Company with a term of five years commencing from 1 January 2023 to 31 December 2027. Pursuant to the Commercial Pricing Agreement and the Service Agreement, China Tower would continue to provide

Save as disclosed above and the service agreements entered into between the Company and the Directors and Supervisors, for the year ended 31 December 2022, 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.

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

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 2022.

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 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

14. MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2022, the Company had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

15. THE LEASE OF TELECOMMUNICATIONS TOWERS AND RELATED ASSETS FROM CHINA TOWER

After mutual negotiations and discussions on an arm's length basis, on 13 December 2022, the Board approved the entering into of the Commercial Pricing Agreement and the Service Agreement with China Tower by the Company with a term of five years commencing from 1 January 2023 to 31 December 2027. Pursuant to the Commercial Pricing Agreement and the Service Agreement, China Tower would continue to provide leasing of telecommunications towers and other related services to the Company. In accordance with International Financial Reporting Standards 16 "Leases", the Group would recognise right-of-use assets in connection with the lease transactions under the Commercial Pricing Agreement and the Service Agreement, and accordingly the Group would be regarded as acquiring right-of-use assets for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company expected that the total value of right-of-use assets to be recognised in connection with transactions under the Commercial Pricing Agreement and the Service Agreement would be no more than RMB52 billion (unaudited), which included telecommunications tower assets that were then currently leased and expected to continue to be leased under the Commercial Pricing Agreement and the Service Agreement (from 1 January 2023 to 31 December 2027), as well as telecommunications tower assets that were expected to be newly leased in 2023. For details of the final amount of right-of-use assets to be recognised by the Group, please refer to notes 6 and 43(b) of the audited consolidated financial statements.

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 2022.

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 2022, no fixed assets was pledged to banks as loan security (31 December 2021: 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 2022.

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 2022.

22. RESERVES

Distributable reserves of the Company as at 31 December 2022 before deducting the proposed final dividends for 2022 amounted to RMB155,806 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 2022.

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 2022.

24. DONATIONS

For the year ended 31 December 2022, the Group made charitable and other donations with a total amount of RMB5.63 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 2022.

26. PERMITTED INDEMNITY

For the year ended 31 December 2022 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.

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

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 2022, 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 2022, 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 2022, 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 2022, 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 CSR Report 2022 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 2022 of the Company. 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. DEREGISTRATION OF AMERICAN DEPOSITARY SHARES AND TERMINATION OF REPORTING OBLIGATIONS

The delisting of the Company's American Depositary Shares ("ADS") became effective on 18 May 2021 and the Company's ADS program was terminated on 8 December 2021 (US eastern standard time). The Company filed a Form 15F with the Securities and Exchange Commission on 25 February 2022 to deregister the ADSs and terminate its reporting obligations under the U.S. Securities Exchange Act of 1934, as amended. Such deregistration and termination of reporting obligations became effective 90 days after the filing of the Form 15F.

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 2022. 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 appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2021 and the external auditors of the Company for the year of 2022 were approved at the Annual General Meeting for the year of 2020 and the Annual General Meeting for the year of 2021 respectively. The Audit Committee and the Board of the Company had agreed on the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2023 and would propose the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP at the Annual General Meeting for the year of 2022 of the Company for consideration.

By Order of the Board

Ke Ruiwen

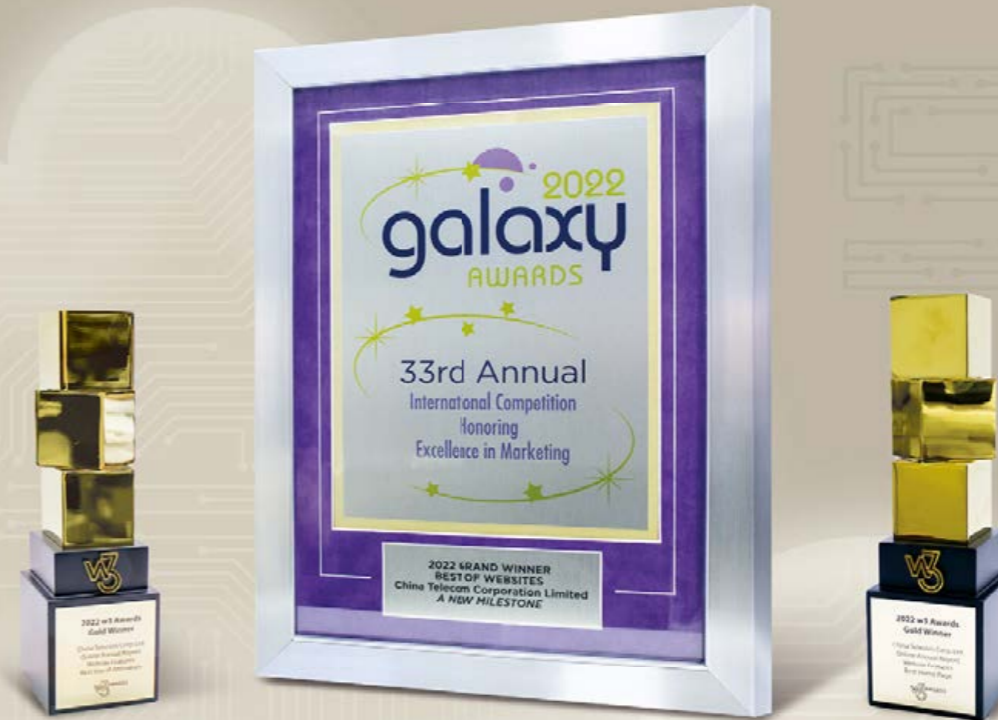
Chairman and Chief Executive Officer

Beijing, China

22 March 2023

OUR ACHIEVEMENTS

Soar to new height



SECTION IV CORPORATE GOVERNANCE REPORT

1. AN OVERVIEW OF CORPORATE GOVERNANCE

The Company strives to maintain high level of corporate governance and has adhered to excellent, prudent and efficient corporate governance principles and continuously improves its corporate governance methodology, regulates its operations, improves its internal control mechanism, implements sound corporate governance and disclosure measures, and ensures that the Company's operations are in line with the long-term interests of the Company and its shareholders as a whole. In 2022, the shareholders' meeting, the Board and the Supervisory Committee operated soundly and efficiently. The Company was dedicated to lean management while ensuring stable and healthy operation, and elevated its high-quality development to a new level, while continuously optimising its internal control system and comprehensive risk management in order to effectively ensure steady operation of the Company. The standard of the Company's corporate governance continued to improve and effectively protected the best long-term interests of shareholders.

The Company persists in refining the basic system of its corporate governance and continues to optimise the corporate governance system and operating mechanism to ensure standardised operation in strict compliance with the Company Law, the Securities Law and the requirements of the CSRC, the SSE and the Stock Exchange on corporate governance. In 2022, in accordance with the latest regulatory requirements from the CSRC and the SSE on corporate governance and standardised operation, and taking into account the actual situation of the Company, the Company revised the relevant provisions of 12 sets of rules such as *the Rules of Procedures of Audit Committee of China Telecom Corporation Limited, the Administrative Measures for Shareholding and Change in Shareholding by Directors, Supervisors and Senior Management of China Telecom Corporation Limited, the Rules for the*

Management of Information Disclosure of China Telecom Corporation Limited, the Administrative Measures for Investor Relations of China Telecom Corporation Limited, the Management System for Registration of Insiders of China Telecom Corporation Limited and the Administrative Measures for Proceeds of China Telecom Corporation Limited, and formulated the Management System of Board Authorisation of China Telecom Corporation Limited to continuously improve the level of corporate governance. At the same time, the Company attaches great importance to the construction and improvement of risk management and internal control systems, which mainly include clear organisational structure and management responsibilities, effective authorisation approval and accountability system, clear objectives, policies and procedures, comprehensive risk assessment and management, sound financial accounting system, continuous operation performance analysis and supervision, etc., which play an important role in ensuring the overall operation of the Company.

A two-tier structure is adopted as the overall structure for corporate governance: the Board and the Supervisory Committee are established under the shareholders' meeting, while the Audit Committee, Remuneration Committee and Nomination Committee are established under the Board. The Board is authorised by the Articles of Association of the Company to make major operational decisions of the Company and to oversee the daily management and operations of the senior management. The Supervisory Committee is mainly responsible for the supervision of the performance of duties of the Board and the senior management. Each of the Board and the Supervisory Committee is independently accountable to the shareholders' meeting. In 2022, the Company convened a total of 2 general meetings, 11 Board meetings and 6 Supervisory Committee meetings. The convening, holding, voting and disclosure procedures of the relevant meetings were in compliance with the requirements of laws and regulations and the Articles of Association.

For the year ended 31 December 2022, the roles of Chairman and Chief Executive Officer of the Company were performed by the same individual. In the Company's opinion, through the supervision by the Board and the Independent Non-Executive Directors of the Company, with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can enhance the Company's efficiency in decision-making and execution and enable the Company to effectively capture business opportunities. Many leading international corporations around the world also have similar arrangements. Save as stated above, the Company was in compliance with all the code provisions under the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code") in the year 2022.

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

information through the *Registration and Management System for Insiders of China Telecom Corporation Limited*, ensure the fairness and justice of information disclosure, and protect the legitimate rights and interests of investors and relevant parties.

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services in a timely manner. It also maintains proactive communications with shareholders, investors and other capital market participants. The Company's senior management presents the annual results and interim results every year. Through various activities such as analyst meetings, press conferences, global investor telephone conferences and investors road shows, the senior management provides the capital market and media with important information and responds to key questions which are of prime concerns to the investors. This has helped reinforce their understanding of the Company's business and the overall development of the industry. In 2022, the Company conducted the annual, interim and third quarter results announcement briefings effectively through online means for the first time and proactively innovated the communication modes including the introduction of innovative elements such as virtual data-based intelligence host "Xiao Yi" in the interim results announcement briefing for the first time to demonstrate the achievements of the Company's digital transformation. In daily operation, the Company participated in a number of investor conferences held by major international investment banks and domestic securities firms worldwide through on-site and online integrated means to promote communication with institutional investors. At the same time, the Company set up a dedicated investor relations enquiry line to facilitate communications between investors and the Company and better serve shareholders and investors.

In 2022, the Company's continuous efforts in corporate governance gained wide recognition from the capital market and the Company was accredited with a number of awards. The Company was voted as the "Most Honoured Company in Asia" in the 2022 "All-Asia-Executive-Team" poll organised by Institutional Investor, a prestigious international financial magazine, for twelve consecutive years. The Company also received "Best Overall ESG", "Best Investor Relations" and other honours. In addition, the Company was awarded "Asia's Best CSR", "Best Corporate Communications", "Best Environmental Responsibility" and "Best Investor Relations Company" in "Asian Excellence Award 2022" organised by Corporate Governance Asia, a renowned Asia's journal on corporate governance. The Company was voted as the "Most Outstanding Company in China – Telecommunication Services Sector" in Asiamoney's "Asia's Outstanding Companies Poll 2022". The Company was further awarded with the "Overall Most Outstanding Company in China" among all winners from different sectors in China, and was accredited with the "Most Outstanding IPO in China". In addition, the Company was awarded "Best Practice of Office of Board of Directors for Public Companies in 2022" as well as "Best Practice Award of 2021 Annual Results Briefing for Public Companies" by China Association for Public Companies.

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

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

3. GENERAL MEETINGS

Session	Date	Designated websites for publishing resolutions	Resolutions of the Meeting
The First Extraordinary General Meeting in 2022	2022-03-22	www.hkexnews.hk www.chinatelecom-h.com	<ol style="list-style-type: none"> 1. THAT the election of Mr. Tang Ke as a Director of the Company be and is hereby considered and approved, and shall take effect from the date of passing this resolution until the Annual General Meeting of the Company for the year 2022 to be held in year 2023; THAT any Director of the Company be and is hereby authorised to sign on behalf of the Company the Director's service contract with Mr. Tang Ke; and THAT the Board be and is hereby authorised to determine his remuneration; 2. THAT the purchase of liabilities insurance for the Company and its Directors, Supervisors and senior management be considered and approved; 3. To consider and approve the resolutions in relation to the election of Shareholder Representative Supervisors: THAT the election of Madam Han Fang as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved, and shall take effect from the date of passing this resolution until the Annual General Meeting of the Company for the year 2022 to be held in year 2023; THAT any Director of the Company be and is hereby authorised to sign on behalf of the Company the Supervisor's service contract with Madam Han Fang; and THAT the Supervisory Committee be and is hereby authorised to determine her remuneration; THAT the election of Madam Wang Yibing as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved, and shall take effect from the date of passing this resolution until the Annual General Meeting of the Company for the year 2022 to be held in year 2023; THAT any Director of the Company be and is hereby authorised to sign on behalf of the Company the Supervisor's service contract with Madam Wang Yibing; and THAT the Supervisory Committee be and is hereby authorised to determine her remuneration.
Annual General Meeting for the year 2021	2022-05-19	www.hkexnews.hk www.chinatelecom-h.com	<ol style="list-style-type: none"> 1. THAT the financial reports of the Company for the year of 2021 audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers be considered and approved; 2. THAT the Annual Reports for the year of 2021 be considered and approved; 3. THAT the work report of the Board for the year of 2021 be considered and approved; 4. THAT the work report of the Supervisory Committee for the year of 2021 be considered and approved; 5. THAT the profit distribution and dividend declaration plan of the Company for the year of 2021 be considered and approved; 6. THAT the authorisation to the Board to decide on the interim profit distribution plan of the Company for year 2022 be considered and approved; 7. THAT the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year ending 31 December 2022 and the authorisation to the Board to fix the remuneration of the auditors be considered and approved.



AGM was held in Beijing and Hong Kong with video conference connection. Management presented in the Beijing venue and communicated with shareholders

SECTION IV CORPORATE GOVERNANCE REPORT

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

the Articles of Association of the Company, the Rules of Procedures of the Shareholders' General Meeting and other relevant requirements to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights.

The convening, holding, voting and other relevant procedures of the general meetings of the Company were in compliance with the laws and regulations,

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousand)
Ke Ruiwen	Executive Director, Chairman and Chief Executive Officer	Male	59	2012-05-30	Annual General Meeting for the year 2022	0	0	0	/	69.62
Li Zhengmao (Resigned)	Executive Director, President and Chief Operating Officer	Male	60	2020-05-26	2022-07-12	0	0	0	/	33.73
Shao Guanglu	Executive Director	Male	59	2020-05-26	Annual General Meeting for the year 2022	0	0	0	/	65.66
	President and Chief Operating Officer			2022-08-16	Annual General Meeting for the year 2022					
Liu Guiqing	Executive Director and Executive Vice President	Male	56	2019-08-19	Annual General Meeting for the year 2022	0	0	0	/	62.94

SECTION IV CORPORATE GOVERNANCE REPORT

Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period
										(RMB in ten thousand)
Tang Ke	Executive Vice President	Male	48	2021-11-29	Annual General Meeting for the year 2022	0	0	0	/	62.56
	Executive Director			2022-03-22	Annual General Meeting for the year 2022					
Xia Bing	Executive Vice President	Male	49	2022-04-26	Annual General Meeting for the year 2022	0	0	0	/	49.79
	Executive Director			2023-01-06	Annual General Meeting for the year 2022					
Li Yinghui	Executive Vice President, Chief Financial Officer	Male	52	2022-04-26	Annual General Meeting for the year 2022	0	0	0	/	48.05
	Secretary of the Board			2022-09-05	Annual General Meeting for the year 2022					
	Executive Director			2023-01-06	Annual General Meeting for the year 2022					
Chen Shengguang	Non-Executive Director	Male	59	2017-05-23	Annual General Meeting for the year 2022	1,000	1,000	0	/	0.00
Tse Hau Yin, Aloysius (resigned)	Independent Non-Executive Director	Male	75	2005-09-09	2023-01-06	0	0	0	/	49.13
Xu Erming (resigned)	Independent Non-Executive Director	Male	73	2005-09-09	2023-01-06	0	0	0	/	25.00

SECTION IV CORPORATE GOVERNANCE REPORT

Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period
										(RMB in ten thousand)
Wang Hsuehming	Independent Non-Executive Director	Female	73	2014-05-29	Annual General Meeting for the year 2022	0	0	0	/	26.80
Yeung Chi Wai, Jason	Independent Non-Executive Director	Male	68	2018-10-26	Annual General Meeting for the year 2022	0	0	0	/	26.80
Ng, Kar Ling Johnny	Independent Non-Executive Director	Male	62	2023-01-06	Annual General Meeting for the year 2022	0	0	0	/	0.00
Chen Dongqi	Independent Non-Executive Director	Male	66	2023-01-06	Annual General Meeting for the year 2022	0	0	0	/	0.00
Sui Yixun (resigned)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor	Male	59	2015-05-27	2022-03-22	0	0	0	/	32.01
Han Fang	Chairlady of the Supervisory Committee and Shareholder Representative Supervisor	Female	49	2022-03-22	Annual General Meeting for the year 2022	0	0	0	/	75.75
Zhang Jianbin	Employee Representative Supervisor	Male	57	2012-10-16	Annual General Meeting for the year 2022	1	1	0	/	108.31
Dai Bin	Employee Representative Supervisor	Male	54	2020-05-26	Annual General Meeting for the year 2022	0	0	0	/	105.23
Xu Shiguang	Shareholder Representative Supervisor	Male	43	2018-10-26	Annual General Meeting for the year 2022	0	0	0	/	92.89

SECTION IV CORPORATE GOVERNANCE REPORT

Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period
										(RMB in ten thousand)
You Minqiang (resigned)	Shareholder Representative Supervisor	Male	49	2020-05-26	2022-03-22	0	0	0	/	0.00
Wang Yibing	Shareholder Representative Supervisor	Female	56	2022-03-22	Annual General Meeting for the year 2022	0	0	0	/	0.00
Total	/	/	/	/	/	1,001	1,001	0	/	934.27

Notes:

1. During the Reporting Period, the Company also settled the bonus for the year 2021, including RMB1,080,400 for Mr. Ke Ruiwen, RMB727,300 for Mr. Shao Guanglu, RMB970,000 for Mr. Liu Guiqing, RMB254,200 for Mr. Tang Ke and RMB84,800 for Mr. Xia Bing.
2. Mr. Tse Hau Yin, Aloysius resigned from his position as an Independent Non-Executive Director of the Company on 16 August 2022 and his resignation took effect on the date of election of a new Independent Non-Executive Director at the shareholders' meeting on 6 January 2023.
3. Mr. Xu Erming resigned from his position as an Independent Non-Executive Director of the Company on 16 August 2022 and his resignation took effect on the date of election of a new Independent Non-Executive Director at the shareholders' meeting on 6 January 2023.
4. Mr. Sui Yixun resigned from his position as a Supervisor of the Company on 17 December 2021 and his resignation took effect on the date of election of a new Supervisor at the shareholders' meeting on 22 March 2022.
5. Mr. You Minqiang resigned from his position as a Supervisor of the Company on 17 December 2021 and his resignation took effect on the date of election of a new Supervisor at the shareholders' meeting on 22 March 2022.

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



KE RUIWEN

Age 59, is an Executive Director, the Chairman of the Board of Directors and Chief Executive Officer of the Company. He joined the Board of Directors of the Company in May 2012. Mr. Ke is a senior engineer with a doctorate degree in business administration. Mr. Ke served as Deputy Director General of Jiangxi Posts and Telecommunications Administration, Deputy General Manager of Jiangxi Telecom, Managing Director of the Marketing Department of the Company and China Telecommunications Corporation*, General Manager of Jiangxi Telecom, Managing Director of the Human Resources Department of the Company and China Telecommunications Corporation, Executive Vice President, President and Chief Operating Officer of the Company, Vice President and President of China Telecommunications Corporation and the Chairman of Supervisory Committee of China Tower Corporation Limited. Mr. Ke is also the Chairman of China Telecommunications Corporation. Mr. Ke has extensive experience in management and the telecommunications industry.



SHAO GUANGLU

Age 59, is an Executive Director, the President and Chief Operating Officer of the Company. He joined the Board of Directors of the Company in May 2020. Mr. Shao is a professor level senior engineer with a doctorate degree in management. Mr. Shao served as a Deputy General Manager of China United Network Communications Group Company Limited, an Executive Director and Senior Vice President of China Unicom (Hong Kong) Limited which is listed on the Main Board of the HKSE, a Senior Vice President of China United Network Communications Limited which is listed on the Shanghai Stock Exchange, a Director and Senior Vice President of China United Network Communications Corporation Limited, a Non-Executive Director of China Communications Services Corporation Limited, China Tower Corporation Limited and PCCW Limited, all of which are listed on the Main Board of the HKSE, a member of the board of directors of Open Networking Foundation, a member of the strategy committee of GSM Association and a Vice President of China Information Technology Industry Federation. Mr. Shao is currently a Director and the President of China Telecommunications Corporation and a Deputy Director of Communications Science and Technology Committee of the Ministry of Industry and Information Technology of the People's Republic of China. Mr. Shao has extensive experience in management and the telecommunications industry.

* Now known as “中國電信集團有限公司”, the controlling shareholder (within the meaning of the Listing Rules) and a substantial shareholder (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) of the Company, which held approximately 63.78% of the issued share capital of the Company at the end of the Reporting Period.

**LIU GUIQING**

Age 56, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in August 2019. Mr. Liu is a professor level senior engineer with a doctorate degree in engineering science. Mr. Liu served as Deputy General Manager and General Manager of China Unicom Hunan branch, General Manager of China Unicom Jiangsu provincial branch and a Vice President and General Counsel of China Telecommunications Corporation. Mr. Liu is currently a Director of China Telecommunications Corporation, a Non-Executive Director of China Tower Corporation Limited which is listed on the Main Board of the HKSE, the Chairman and an Executive Director of China Communications Services Corporation Limited which is listed on the Main Board of the HKSE, a Deputy Director General of China Institute of Communications and a Director of Global System for Mobile communications Association (GSMA). Mr. Liu has extensive experience in management and the telecommunications industry.

**TANG KE**

Age 48, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in March 2022. Mr. Tang is a senior accountant with a master's degree in economics. Mr. Tang previously served as the General Manager of the Finance Department of both China Telecommunications Corporation and the Company, and as the General Manager of China Telecom Anhui branch and Guangdong branch. Mr. Tang is currently a Vice President of China Telecommunications Corporation, a Deputy Director General of Internet Society of China, a Deputy Executive Director General of Zhongguancun Digital Economic Industry Alliance, and a Vice President of China Netcasting Services Association. Mr. Tang has extensive experience in finance, management and the telecommunications industry.



XIA BING

Age 49, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Xia is a senior engineer with a doctor degree in economics. Mr. Xia previously served as Chairman and General Manager of China Mobile Group Qinghai Co., Ltd., General Manager of Marketing Department of China Mobile Communications Group Co., Ltd., Chairman and General Manager of China Mobile Group Beijing Co., Ltd., a Non-executive Director of Phoenix Media Investment (Holdings) Limited which is listed on the Main Board of the HKSE (formerly known as “Phoenix Satellite Television Holdings Limited”), a Non-executive Director of Shanghai Pudong Development Bank Co., Ltd. which is listed on the Shanghai Stock Exchange and a Director of True Corporation Public Company Limited which is listed on the Stock Exchange of Thailand. He is currently a Vice President of China Telecommunications Corporation and a Vice President of China Association of Communication Enterprises. Mr. Xia has extensive experience in management and the telecommunications industry.



LI YINGHUI

Age 52, is an Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Li is a senior accountant, a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants with a master degree in accountancy. Mr. Li previously served as a Deputy Director of Financial Department of China Huaneng Group Co., Ltd. (formerly known as “China Huaneng Group”), a Director of Financial and Budget Department of Huaneng Power International, Inc. which is listed on the Main Board of Shanghai Stock Exchange and the Main Board of the HKSE respectively and a Director of Financial and Asset Management Department of China Huaneng Group Co., Ltd.. He is currently the Chief Accountant of China Telecommunications Corporation and a Vice President of China Association for Public Companies. Mr. Li has extensive experience in finance, management and the fundamental industry.



CHEN SHENGGUANG

Age 59, is a Non-Executive Director of the Company. He joined the Board of Directors of the Company in May 2017. Mr. Chen graduated from Zhongnan University of Economics with a major in finance and accounting, and obtained a postgraduate degree in economics from Guangdong Academy of Social Sciences and an executive master degree in business administration (EMBA) from Lingnan College of Sun Yat-sen University. He is a senior economist. Mr. Chen served as the Manager of Finance Department and Deputy General Manager of Guangdong Foreign Trade Import & Export Corporation, Head of Finance Department, Assistant to General Manager and Chief Accountant of Guangdong Guangxin Foreign Trade Group Co., Limited, a Director of FSPG Hi-Tech Co., Ltd. which is listed on the Shenzhen Stock Exchange, a Non-Executive Director of Xingfa Aluminium Holdings Limited which is listed on the Main Board of the HKSE, a Director of Guangdong Silk-Tex Group Co., Ltd., the Chief Accountant and Deputy General Manager of Guangdong Guangxin Holdings Group Ltd.. Mr. Chen is currently the Director and General Manager of Guangdong Rising Holdings Group Co., Ltd.* (one of the shareholders of the Company). Mr. Chen has extensive experience in finance and corporate management.



NG, KAR LING JOHNNY

Age 62, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Ng is currently a practising Certified Public Accountant in Hong Kong, a practising auditor and accountant in Macau, a Fellow of the Hong Kong Institute of Certified Public Accountants (FCPA), a Fellow of the Association of Chartered Certified Accountant (FCCA), and a Fellow of the Institute of Chartered Accountants in England and Wales (FCA). Mr. Ng obtained a bachelor's degree and a master's degree in business administration from the Chinese University of Hong Kong in 1984 and 1999, respectively. Mr. Ng joined KPMG (Hong Kong) in 1984 and became a Partner in 1996. He acted as a Managing Partner from June 2000 to September 2015 and a Vice Chairman of KPMG China from October 2015 to March 2016. Mr. Ng currently serves as an independent non-executive director of China Petroleum & Chemical Corporation which is listed on the HKSE and Shanghai Stock Exchange, an independent non-executive director of China Vanke Co., Ltd. which is listed on the HKSE and Shenzhen Stock Exchange and an independent non-executive director of Metallurgical Corporation of China Ltd. which is listed on the HKSE and Shanghai Stock Exchange. He previously served as an independent director of Fangdd Network Group Ltd. which is listed on Nasdaq.

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



WANG HSUEHMING

Age 73, is an Independent Non-Executive Director of the Company. She joined the Board of Directors of the Company in May 2014. Madam Wang received a bachelor of arts degree from the University of Massachusetts and attended Columbia University. She was a Senior Advisor and former Chairman of BlackRock China. She was also the former Chairman of China at Goldman Sachs Asset Management. She joined Goldman Sachs in 1994, became a Partner in 2000 and an Advisory Director from 2010 to 2011. With nearly 30 years of experience in financial services, she participated in pioneering efforts in China's economic reform and development. She was instrumental in advising Ministry of Posts and Telecommunications and Ministry of Information Industry (now known as Ministry of Industry and Information Technology) in the privatisations and listings of its mobile and fixed line businesses. She also participated in advising appropriate operators in strategic investments by international telecom companies. The early cross-border financings of aircraft and other capital equipment in China's aviation sector, as well as the separate listings of national airlines, and important provincial and municipal credit restructurings also formed part of Madam Wang's understanding of China's economic growth in the past three decades.



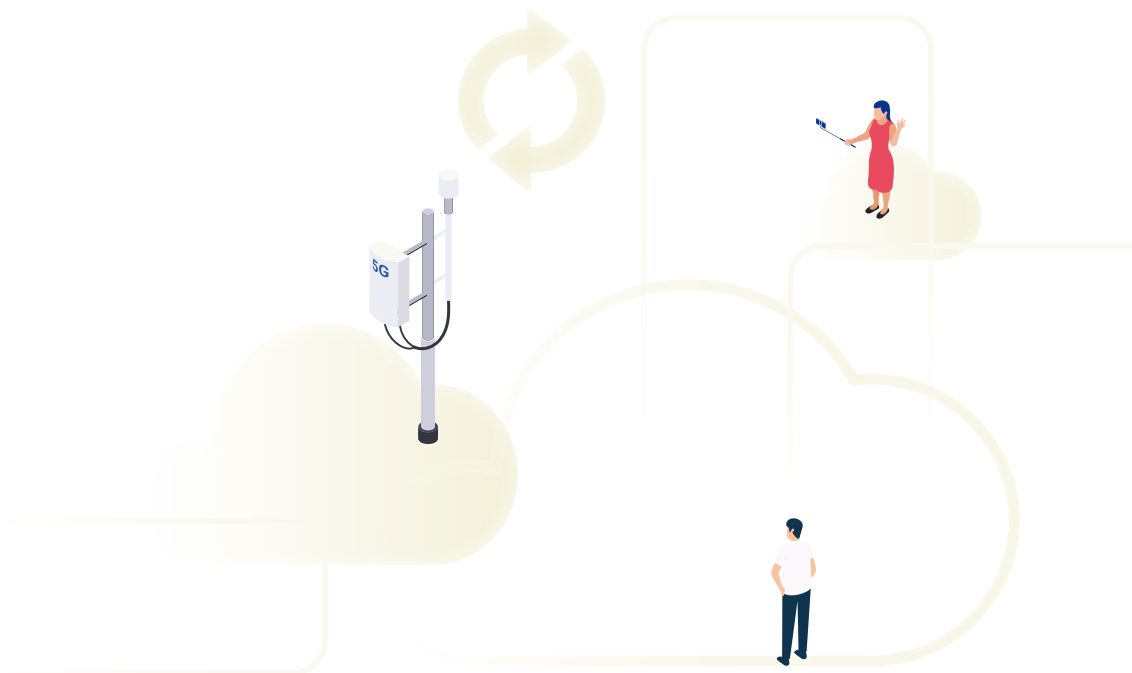
YEUNG CHI WAI, JASON

Age 68, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in October 2018. Mr. Yeung is currently the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited and its listed companies in Hong Kong. Mr. Yeung has extensive experience in handling legal, compliance and regulatory matters and previously worked in the Securities and Futures Commission of Hong Kong, law firms and enterprises practising corporate, commercial and securities laws. Mr. Yeung served as an Independent Non-Executive Director of Bank of Communications Co., Ltd. which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange, a Director and the General Counsel of China Everbright Limited, which is listed on the Main Board of the HKSE and was also a partner of Woo, Kwan, Lee, & Lo.. He acted as the Board Secretary of BOC Hong Kong (Holdings) Limited which is listed on the Main Board of the HKSE, from 2001 to 2011 and concurrently acted as the Board Secretary of Bank of China Limited which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange, from 2005 to 2008. He also served as the Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited from April 2011 to February 2015. Mr. Yeung received a bachelor degree in social sciences from the University of Hong Kong. He then graduated from The College of Law, United Kingdom and received a bachelor degree in law and a master degree in business administration from the University of Western Ontario, Canada.



CHEN DONGQI

Age 66, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in January 2023. Mr. Chen is an economist, a young-to-middle-aged expert with outstanding contributions at Chinese Academy of Social Sciences (1997) and a member of Chinese Economists 50 Forum since 1998. Mr. Chen served as the director of Economics Research Institute of the State Planning Commission, an Executive Vice President of the Academy of Macroeconomics Research of the National Development and Reform Commission, an economics advisor for Beijing, Guangdong province and Shanxi province. Mr. Chen is currently a professor and Ph.D. tutor of the Graduate School at Chinese Academy of Social Sciences, a member of the Expert Team for Yangtze River Delta Integration and the Expert Committee of Sichuan Provincial Government, and an executive council member of Sun Yefang Foundation. Mr. Chen mainly focuses on the research of macroeconomics theory and policy.



SUPERVISORS

HAN FANG

Age 49, is a Shareholder Representative Supervisor and the Chairlady of the Supervisory Committee of the Company. She joined the Supervisory Committee of the Company in March 2022. Madam Han is an international internal auditor, a qualified accountant in PRC and a senior accountant with a master's degree in business administration. Madam Han served as a Supervisor of the third session of the Supervisory Committee of the Company, the Chief Financial Officer of China Telecom Global Limited, the Deputy Managing Director of Audit Department of both China Telecommunications Corporation and the Company and the Chairperson of the Supervisory Committee of China Communications Services Corporation Limited which is listed on the Main Board of the HKSE. She currently serves as the Managing Director of Audit Department of both China Telecommunications Corporation and the Company, the Managing Director of Capital Operation Department of China Telecommunications Corporation and the Company, the Chairlady of the board of China Telecom Group Investment Co., Ltd. and a Supervisor of China Tower Corporation Limited which is listed on the Main Board of the HKSE. She has extensive experience in operation management and financial management in the telecommunications industry.

ZHANG JIANBIN

Age 57, is an Employee Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in October 2012. Mr. Zhang is a senior economist with a LL.M degree and an EMBA degree. He previously worked at the Department of Policy and Regulation of the Ministry of Posts and Telecommunications ("MPT") and the Directorate General of Telecommunications of the MPT. Mr. Zhang is currently the Deputy General Counsel of China Telecommunications Corporation, the Managing Director of the Legal Department (Compliance Management Department) of China Telecommunications Corporation and the Company. Mr. Zhang has extensive experience in corporate legal affairs.

DAI BIN

Age 54, is an Employee Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in May 2020. Mr. Dai is a senior economist with an EMBA degree. He served as a Deputy Managing Director of the Office of the Board of Directors of the Company, the Deputy Managing Director of the General Affairs Office (Office of the board of directors and Security Department) of China Telecommunications Corporation and the Vice Chairman of the Labour Union of China Telecommunications Corporation. Mr. Dai serves as the Director of the Party Community Work Department of China Telecommunications Corporation. Mr. Dai has extensive experience in operational management in the telecommunications industry.

XU SHIGUANG

Age 43, is a Shareholder Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in October 2018. Mr. Xu is a member of the Chinese Institute of Certified Public Accountants and a Certified Internal Auditor with a master's degree in management. Mr. Xu served at various positions in internal control and auditing at China Telecommunications Corporation for many years and was the Director of general office of audit department of the Company. Mr. Xu is currently the Deputy General Manager of Inner Mongolia Autonomous Region branch of the Company. Mr. Xu has extensive experience in operation management, auditing and internal control.

WANG YIBING

Age 56, is a Shareholder Representative Supervisor of the Company. She joined the Supervisory Committee of the Company in March 2022. Madam Wang is a senior accountant with a bachelor's degree in economics. She served as the Vice General Manager of Zhejiang Province Xingcai Real Estate Development Company, the General Manager of financial management department and investment management department of Zhejiang Provincial Financial Holdings Co., Ltd., a Director of China Zheshang Bank Co., Ltd. which is listed on the HKSE and the Shanghai Stock Exchange, a Director of Caitong Securities Co., Ltd, Yongan Futures Co., Ltd., Wuchan Zhongda Group Co., Ltd. and Zhejiang China Commodities City Group Co., Ltd., all of which are listed on the Shanghai Stock Exchange, etc.. She currently serves as the Deputy General Manager of Zhejiang Provincial Financial Development Co., Ltd. (one of the shareholders of the Company), a Supervisor of Zhejiang Provincial Financial Holdings Co., Ltd and a Vice President of Council of Zhejiang Financial Holding Enterprises Alliance. Madam Wang has extensive experience in operation management of state-owned enterprises.

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

Name	Name of shareholders	Positions held in shareholders	Commencement date of term	End date of term
Ke Ruiwen	China Telecommunications Corporation	Chairman	2019-04-15	Present
Li Zhengmao (resigned)	China Telecommunications Corporation	Director President	2020-01-27 2020-02-17	2022-07-25 2022-07-25
Shao Guanglu	China Telecommunications Corporation	Director President	2020-01-27 2022-07-25	Present Present
Liu Guiqing	China Telecommunications Corporation	Director Vice President General Counsel	2022-10-01 2017-12-26 2021-11-26	Present 2022-10-01 2023-01-28
Tang Ke	China Telecommunications Corporation	Vice President	2021-06-23	Present
Xia Bing	China Telecommunications Corporation	Vice President	2021-11-09	Present
Li Yinghui	China Telecommunications Corporation	Chief Accountant	2022-02-22	Present
Chen Shengguang	Guangdong Rising Holdings Group Co., Ltd.	Director and General Manager	2016-11	Present
Han Fang	China Telecommunications Corporation	Managing Director of Audit Department Managing Director of Capital Operation Department	2020-07-25 2022-12-29	Present Present
Zhang Jianbin	China Telecommunications Corporation	Deputy General Counsel Managing Director of the Legal Department (Compliance Management Department)	2015-02-06 2021-09-15	Present Present
Dai Bin	China Telecommunications Corporation	Director of the Party Community Work Department Vice Chairman of the Labour Union	2022-09-30 2017-11-27	Present 2022-09-30
You Mingqiang (resigned)	Zhejiang Provincial Financial Development Co., Ltd.	Deputy Director of the Organisation Department (Human Resources Department)	2019-12-13	Present
Wang Yibing	Zhejiang Provincial Financial Development Co., Ltd.	Vice General Manager	2021-01-30	Present

2. Positions held in other entities

Name	Name of other entities	Positions held in other entities	Commencement date of term	End date of term
Shao Guanglu	Communications Science and Technology Committee of the Ministry of Industry and Information Technology	Deputy Director	2017-12	Present
Liu Guiqing	China Institute of Communications	Deputy Director General	2018-06	Present
	Global System for Mobile communications Association	Director	2018-09	Present
	China Tower	Non-Executive Director	2022-01-14	Present
	China Comservice	Chairman of the board of directors and Executive Director	2022-06-17	Present
Tang Ke	Internet Society of China	Deputy Director General	2021-11	Present
	Zhongguancun Digital Economic Industry Alliance	Deputy Executive Director General	2021-11	Present
	China Netcasting Services Association	Vice President	2022-01	Present
Xia Bing	China Association of Communication Enterprises	Vice President	2022-07	Present
Li Yinghui	China Association for Public Companies	Vice President	2022-07	Present
Chen Shengguang	Guangdong Rising Holdings Co., Ltd.	Director and General Manager	2016-11	Present
	China Nonferrous Metals Industry Association	Vice President of the Council	2019-04	Present
	Guangdong Nonferrous Metals Industry Association	President	2017-07	Present

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Name	Name of other entities	Positions held in other entities	Commencement date of term	End date of term
Tse Hau Yin, Aloysius (resigned)	CNOOC Limited	Independent Non-Executive Director	2005-06-08	Present
	Sinofert Holdings Limited	Independent Non-Executive Director	2007-06-28	Present
	SJM Holdings Limited	Independent Non-Executive Director	2007-10-15	Present
	SJM Resorts, Limited	Chairman of the Supervisory Committee	2014-12	Present
	Grand Lisboa Property Investment Company Limited	Chairman of the Supervisory Committee	2014-12	Present
	Sociedade de Desenvolvimento Unido de Macau S.A.R.L.	Chairman of the Supervisory Committee	2014-12	Present
	Pier 16 Property Development Limited.	Chairman of the Supervisory Committee	2014-12	Present
	Cotai Magnific View Property Development Company Limited	Chairman of the Supervisory Committee	2014-12	Present
	China Huarong Asset Management Co., Ltd.	Independent Non-Executive Director	2015-03-23	Present
	CCB International (Holdings) Limited	Independent Non-Executive Director	2013-03-14	2022-12-31
Bacchus Fine Wines (Hubei) Company Limited	Chairman	2010-11-16	Present	
Xu Erming (resigned)	China Enterprise Management Research Association	Vice Chairman	2004-09	Present
Yeung Chi Wai, Jason	Fung Holdings (1937) Limited and its listed companies in Hong Kong	Group Chief Compliance and Risk Management Officer	2015-07-01	Present
	Bank of Communications Co., Ltd.	Independent Non-Executive Director	2016-10-17	2022-06-28
	Enchanted Hills Limited	Director	1997-05-14	Present

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Name	Name of other entities	Positions held in other entities	Commencement date of term	End date of term
Ng, Kar Ling Johnny	China Petroleum & Chemical Corporation	Independent Non-Executive Director	2018-05-15	Present
	China Vanke Co., Ltd.	Independent Non-Executive Director	2017-06-30	Present
	Metallurgical Corporation of China Ltd.	Independent Non-Executive Director	2020-04-29	Present
	Fangdd Network Group Ltd.	Independent Director	2018-11-01	2022-07-18
Chen Dongqi	Chinese Academy of Social Sciences	Professor and Ph.D. tutor	1994-12	Present
	Sun Yefang Foundation	Executive council member	2021-12	Present
Sui Yixun (resigned)	China Tower	Supervisor	2018-05-03	2022-01-14
Han Fang	China Tower	Supervisor	2022-01-14	Present
	China Telecom Group Investment Co., Ltd.	Chairlady of the board	2022-12-29	Present
Wang Yibing	Zhejiang Provincial Financial Holdings Co., Ltd	Supervisor	2012-08-27	Present
	Zhejiang Financial Holding Enterprises Alliance	Vice President of Council	2022-03-07	Present
Explanation on positions held in other entities	Tse Hau Yin, Aloysius tendered resignation as an independent non-executive director of China Huarong Asset Management Co., Ltd. on 23 March 2021. Such resignation shall take effect after the commencement of term of office of a new independent non-executive director.			

(4) Remuneration of Directors, Supervisors and senior management

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

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

Name	Position held	Type of changes	Reason for change
Tang Ke	Executive Director	Elected	Work needs
Sui Yixun	Supervisor	Resigned	Reason of age
Han Fang	Supervisor	Elected	Work needs
You Minqiang	Supervisor	Resigned	Work adjustment
Wang Yibing	Supervisor	Elected	Work needs
Han Fang	Chairlady of the Supervisory Committee	Elected	Work needs
Xia Bing	Executive Vice President	Appointed	Work needs
Li Yinghui	Executive Vice President and Chief Financial Officer	Appointed	Work needs

Name	Position held	Type of changes	Reason for change
Li Zhengmao	Executive Director, President and Chief Operating Officer	Retired	Reason of age
Shao Guanglu	President and Chief Operating Officer	Appointed	Work needs
Li Yinghui	Secretary of the Board	Appointed	Work needs
Xia Bing	Executive Director	Elected	Work needs
Li Yinghui	Executive Director	Elected	Work needs
Tse Hau Yin, Aloysius	Independent Non-Executive Director	Resigned	Served as an Independent Non-Executive Director for more than 6 years
Xu Erming	Independent Non-Executive Director	Resigned	Served as an Independent Non-Executive Director for more than 6 years
Ng, Kar Ling Johnny	Independent Non-Executive Director	Elected	Work needs
Chen Dongqi	Independent Non-Executive Director	Elected	Work needs

Notes:

1. Mr. Tang Ke was elected as an Executive Director of the Company at the first Extraordinary General Meeting in 2022 held on 22 March 2022.
2. Madam Han Fang and Madam Wang Yibing were elected as Shareholder Representative Supervisors of the Company at the first Extraordinary General Meeting in 2022 held on 22 March 2022. Mr. Sui Yixun and Mr. You Minqiang no longer served as Supervisors of the Company with effect from 22 March 2022.
3. Madam Han Fang was elected as the Chairlady of the Supervisory Committee of the Company at the 12th meeting of the seventh session of the Supervisory Committee held on 29 March 2022.
4. Mr. Xia Bing was appointed as an Executive Vice President of the Company and Mr. Li Yinghui was appointed as an Executive Vice President and the Chief Financial Officer of the Company at the 18th meeting of the seventh session of the Board held on 26 April 2022.
5. Due to his age, Mr. Li Zhengmao has retired from his positions as an Executive Director, the President and Chief Operating Officer of the Company with effect from 12 July 2022.
6. Mr. Shao Guanglu was appointed as the President and Chief Operating Officer of the Company at the 19th meeting of the seventh session of the Board held on 16 August 2022.
7. Mr. Li Yinghui was appointed as the Secretary of the Board of the Company at the 20th meeting of the seventh session of the Board held on 5 September 2022.
8. Mr. Xia Bing and Mr. Li Yinghui were elected as Executive Directors of the Company at the second Extraordinary General Meeting in 2022 held on 6 January 2023.
9. Mr. Ng, Kar Ling Johnny and Mr. Chen Dongqi were elected as Independent Non-Executive Directors of the Company at the second Extraordinary General Meeting in 2022 held on 6 January 2023. Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming no longer served as Independent Non-Executive Directors of the Company with effect from 6 January 2023.

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

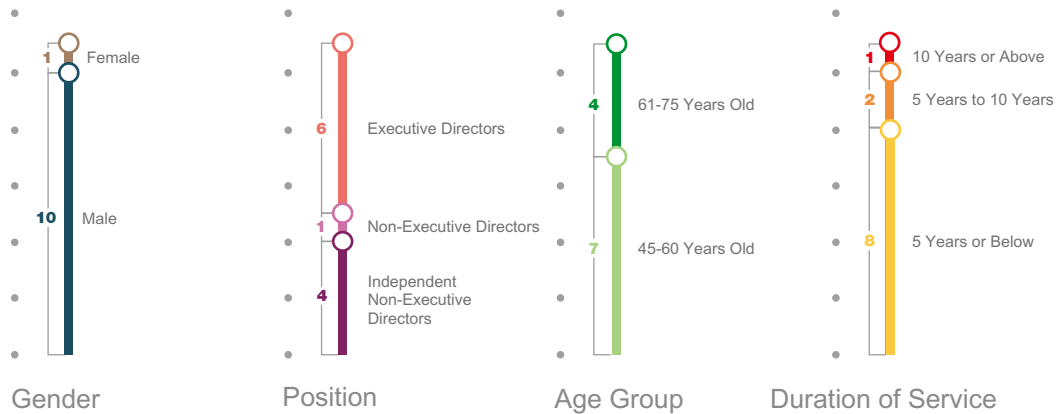
As at 31 December 2022, the Board consisted of 9 Directors with 4 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. There is no relationship (including financial, business, family or other material or relevant relationship) among the Board members. The Audit Committee, Remuneration Committee and Nomination Committee under the Board consist solely of Independent Non-Executive Directors, which ensures that the Committees are able to provide sufficient checks and balances and make independent judgements to protect the interests of the shareholders and the Company as a whole. The number of Independent Non-Executive Directors exceeds one-third of the members of the Board. Mr. Tse Hau Yin, Aloysius who served as the Chairman of the Audit Committee during the Reporting Period, is an internationally renowned financial expert with extensive expertise in accounting and financial management. The Board currently comprises 11 Directors, including 6 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. The term of office for the seventh session of the Board (including the Non-Executive Directors) lasts for 3 years, starting from 26 May 2020 until the day of the Company's Annual General Meeting for the year 2022 to be held in 2023, upon which the eighth session of the Board will be elected.

In August 2013, the Company implemented the Board Diversity Policy. The Company strongly believes that board diversity will contribute significantly to the enhancement of the overall performance of the Company. The Company views board diversity as the

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

There is currently one female Director on the Board. The Company will continue to be committed to maintaining gender diversity in the composition of the Board. The Board currently comprises experts from diversified professions such as telecommunications, accounting, finance, law, banking, regulatory, compliance, management and economics with diversification in terms of gender, age, duration of service, etc., advancing the enhancement of management standard and the further standardisation of corporate governance practices, which results in a more comprehensive and balanced Board structure and decision-making process. Each Director brings to the Board different views and perspectives. Both the Nomination Committee and the Board believe that the gender, age, educational background, professional experience, skills, knowledge and the duration of service of the Board members are in alignment with the Board Diversity Policy.

The below chart sets out the analysis of the current Board composition:



The Company strictly complies with the Corporate Governance Code to rigorously regulate the operating procedures of the Board and its Committees, and to ensure that the procedures of the Board meetings are in compliance with related rules in terms of organisation, regulations and personnel. The Board responsibly and earnestly supervises the preparation of financial statements for each financial period, so that such financial statements truly and fairly reflect the financial condition, the operating results and cash flows of the Company for such period. In preparing the financial statements for the year ended 31 December 2022, the Directors adopted appropriate accounting policies and made prudent, fair and reasonable judgements and estimates, and prepared the financial statements on a going concern basis.

The Articles of Association clearly defines the respective duties of the Board and the management. The Board is accountable to the shareholders' meetings, and its duties mainly include the execution of resolutions, formulation of major operational decisions, financial proposals and policies, formulation of the Company's basic management system and the appointment of

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

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

(7) Directors' training and continuous professional development

The Company provides guidelines including on directors' duties, continuing obligations, relevant laws and regulations, operation and business of the Company to newly appointed Directors so that they are provided with tailored induction relating to their appointment. To ensure that the Directors are familiar with the Company's latest operations for decision-making, the Company arranges for key financial data and operational data to be provided to the Directors on a monthly basis. Meanwhile, through regular Board meetings and reports from management, the Directors are able to have clearer understanding of the operations, business strategy, and the latest development of the Company and the industry.

In addition, the Company reminds the Directors of their functions and duties by continuously providing them with information regarding the latest development of the Dual Listing Rules and other applicable regulations, and arranging internal training on topics related to the latest development of the industry and operational focus of the Company for mutual exchange of ideas and discussion. The Directors actively participate in training and continuous professional development to develop and refresh their knowledge and skills in order to contribute to the Company.

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

Directors	Types of training
Executive Directors	
Ke Ruiwen	A, B
Li Zhengmao*	A, B
Shao Guanglu	A, B
Liu Guiqing	A, B
Tang Ke	A, B
Non-Executive Director	
Chen Shengguang	A, B
Independent Non-Executive Directors	
Tse Hau Yin, Aloysius*	A, B
Xu Erming*	A, B
Wang Hsuehming	A, B
Yeung Chi Wai, Jason	A, B

A: attending relevant seminars and/or conferences and/or forums; or delivering speeches at relevant seminars and/or conferences and/or forums

B: reading or writing relevant newspapers, journals and articles relating to economy, general business, telecommunications, corporate governance or directors' duties

* Due to his age, Mr. Li Zhengmao has retired from his positions as an Executive Director, the President and Chief Operating Officer of the Company with effect from 12 July 2022.

Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming resigned from their position as Independent Non-Executive Directors of the Company on 16 August 2022 and their resignation took effect on the date of election of new Independent Non-Executive Directors at the shareholders' meeting on 6 January 2023.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to govern securities transactions by the Directors and Supervisors. Based on the written confirmation from the Directors and

Supervisors, the Company's Directors and Supervisors have strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules regarding the requirements in conducting securities transactions for the year 2022. Meanwhile, the Company has received annual independence confirmation from each of the Independent Non-Executive Directors and considered them to be independent.

5. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session	Date	Resolutions of the Meeting
15th meeting of the seventh session of the Board	2022-02-23	THAT the proposal on the purchase of liabilities insurance for the Company and its Directors, Supervisors and senior management be considered
16th meeting of the seventh session of the Board	2022-03-17	<ol style="list-style-type: none"> 1. THAT the proposal on the financial reports of the Company for the year of 2021 prepared in accordance with IFRSs/Chinese Accounting Standard be considered 2. THAT the proposal on the profit distribution and dividend declaration plan of the Company for the year of 2021 be considered 3. THAT the proposal on the risk management and internal control report of the Company for the year of 2021 be considered 4. THAT the proposal on the annual report of the Company for the year of 2021 be considered 5. THAT the proposal on the work report of the general manager of the Company for the year of 2021 be considered 6. THAT the proposal on the Corporate Social Responsibility Report of the Company for the year of 2021 be considered 7. THAT the proposal on the special report on the deposit and actual use of the proceeds raised of the Company for the year of 2021 be considered 8. THAT the proposal on the budget of the Company for the year of 2022 be considered 9. THAT the proposal on the routine related party transactions and annual caps between the Company and China Tower Corporation Limited for the year of 2022 be considered

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Session	Date	Resolutions of the Meeting
		<p>10. THAT the Risk Disposal Plan on the related party transactions and 2021 Annual Risk Assessment Report of China Telecom Group Finance Co., Ltd. be considered</p> <p>11. THAT the proposal on the evaluation of external auditor's audit performance in year 2021 and engagement of external auditor for the year of 2022 be considered</p> <p>12. THAT the proposal on the structure and operation review of the Board for the year of 2021 be considered</p> <p>13. THAT the proposal on the convening of 2021 Annual General Meeting be considered</p> <p>14. THAT the proposal on the authorisation of the Board to determine the interim profit distribution of the Company for the year of 2022 be considered</p>
17th meeting of the seventh session of the Board	2022-04-20	THAT the proposal on the 2022 First Quarterly Report be considered
18th meeting of the seventh session of the Board	2022-04-26	THAT the proposal on the appointment of Executive Vice Presidents, Chief Financial Officer and the proposed appointment of Directors of the Company be considered
19th meeting of the seventh session of the Board	2022-08-16	<p>1. THAT the proposal on the interim report of the Company for the year of 2022 be considered</p> <p>2. THAT the proposal on the interim profit distribution and dividend declaration plan of the Company for the year of 2022 be considered</p> <p>3. THAT the proposal on the special half-yearly report on the deposit and actual use of the proceeds raised of the Company for the year of 2022 be considered</p> <p>4. THAT the proposal on the 2022 half-yearly continuous risk assessment report on the related party transactions of China Telecom Group Finance Co., Ltd. be considered</p> <p>5. THAT the report on the progress of the Company's social responsibility work in 2022 be considered</p> <p>6. THAT the proposal on the proposed appointment of Independent Directors of the Company be considered</p> <p>7. THAT the proposal on the appointment of President and Chief Operating Officer of the Company be considered</p>
20th meeting of the seventh session of the Board	2022-09-05	THAT the proposal on the appointment of the Secretary of the Board of the Company be considered

Session	Date	Resolutions of the Meeting
21st meeting of the seventh session of the Board	2022-10-20	<ol style="list-style-type: none"> 1. THAT the proposal on the 2022 Third Quarterly Report be considered 2. THAT the proposal on the proposed cash management of the use of partial temporary idle proceeds from fund raising be considered 3. THAT the proposal on the composition arrangement of special committees of the Board of the Company be considered 4. THAT the proposal on the remuneration package of the directors of the Company be considered
22nd meeting of the seventh session of the Board	2022-12-08	THAT the proposal on convening the second extraordinary general meeting in year 2022 be considered
23rd meeting of the seventh session of the Board	2022-12-12	THAT the proposal on external auditor's audit fees for the year of 2022 be considered
24th meeting of the seventh session of the Board	2022-12-13	THAT the proposal on entering into agreements in relation to related party transactions with China Tower Corporation Limited and expected annual caps for the year of 2023 in respect of such related party transactions be considered
25th meeting of the seventh session of the Board	2022-12-16	<ol style="list-style-type: none"> 1. THAT the proposal on postponing convening the second extraordinary general meeting in year 2022 be considered 2. THAT the proposal on the formulation and revision of the Company's basic management system be considered

In 2022, the Company convened 11 Board meetings in total (including on-site meetings and meetings held by communication); the Chairman held a meeting to independently communicate with the Independent Non-Executive Directors without the presence of any other Directors to ensure their opinions can be fully expressed, which further facilitated the exchange of different views within the Board.

6. PERFORMANCE OF DUTIES BY DIRECTORS

Attendance of Directors at Board meetings and general meetings

Name of Director	Whether as an Independent Director	Required attendance during the year	Attendance at Board meetings				Failure to attend two consecutive meetings		Attendance at general meetings Number of general meetings attended
			Attendance in person	Attendance by way of communication	Attendance by proxy*	Absent Times	meetings in person		
Ke Ruiwen	No	11	11	7	0	0	No	1	
Li Zhengmao (resigned)	No	4	4	2	0	0	No	2	
Shao Guanglu	No	11	11	7	0	0	No	2	
Liu Guiqing	No	11	11	7	0	0	No	2	
Tang Ke	No	9	8	6	1	0	No	1	
Chen Shengguang	No	11	10	7	1	0	No	2	
Tse Hau Yin, Aloysius (resigned)	Yes	11	11	7	0	0	No	2	
Xu Erming (resigned)	Yes	11	11	7	0	0	No	2	
Wang Hsuehming	Yes	11	11	7	0	0	No	2	
Yeung Chi Wai, Jason	Yes	11	11	7	0	0	No	2	
Number of Board meetings held during the year				11					
Including: Number of on-site meetings				4					
Number of meetings held by communication				7					
Number of meetings held both on site and by means of communication				0					

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

7. SPECIAL COMMITTEES UNDER THE BOARD

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

Category of special committees	Name of Members
Audit Committee	Tse Hau Yin, Aloysius (Chairman), Xu Erming, Wang Hsuehming, Yeung Chi Wai, Jason
Remuneration Committee	Xu Erming (Chairman), Tse Hau Yin, Aloysius, Wang Hsuehming
Nomination Committee	Wang Hsuehming (Chairlady), Tse Hau Yin, Aloysius, Xu Erming

(2) Audit Committee

As at 31 December 2022, the Audit Committee comprised 4 Independent Non-Executive Directors, Mr. Tse Hau Yin, Aloysius as the Chairman and Mr. Xu Erming, Madam Wang Hsuehming and Mr. Yeung Chi Wai, Jason as the members. The Audit Committee currently comprises 4 Independent Non-Executive Directors, Mr. Ng, Kar Ling Johnny as the Chairman and Madam Wang Hsuehming, Mr. Yeung Chi Wai, Jason and Mr. Chen Dongqi as the members. The Audit Committee is responsible to the Board. The Rules of Procedures of the Audit Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Audit Committee. The Audit Committee's principal duties include the supervision of the truthfulness and completeness of the Company's financial statements, the effectiveness and completeness of the Company's internal control and risk management systems as well as the work of the Company's Internal Audit Department. It is also responsible for the supervision and review of the qualifications, selection and appointment, independence and services of external independent auditors. The Audit Committee ensures that the management has discharged its duty to establish and maintain an effective

risk management and internal control system including the adequacy of resources, qualifications and experience of staff fulfilling the accounting, internal control and financial reporting functions of the Company together with the adequacy of the staff's training programmes and the related budget. The Audit Committee also has the authority to set up a reporting system on whistleblowing to receive and handle cases of complaints or complaints made on an anonymous basis regarding the Company's accounting, internal control and audit matters.

In 2022, pursuant to the requirements of the governing laws and regulations of the places of listing and the Rules of Procedures of the Audit Committee, the Audit Committee fully assumed its responsibilities within the scope of the clear mandate from the Board and communicated independently with the external auditors twice a year. The Audit Committee proposed a number of practical and professional recommendations for improvement based on the Company's actual circumstances in order to promote the continuous improvement and perfection of corporate management. The Audit Committee has provided important support to the Board and played a significant role in protecting the interests of the independent shareholders.

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The Audit Committee convened 7 meetings during the Reporting Period

Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2022-03-16	<ol style="list-style-type: none"> 1. To consider the proposal on the financial reports of the Company for the year of 2021 prepared in accordance with IFRSs/Chinese Accounting Standard 2. To consider the proposal on the routine related party transactions and annual caps for the year of 2022 between the Company and China Tower Corporation Limited 3. To consider the report on the implementation of related party (connected) transactions of the Company for the year of 2021 4. To consider the proposal on the risk management and internal control report of the Company for the year of 2021 5. To consider the proposal on the annual report of the Company for the year of 2021 6. To consider the proposal on the Corporate Social Responsibility Report of the Company for the year of 2021 7. To consider the report on the internal audit of the Company in 2021 and the work plan for year 2022 8. To consider the proposal on the evaluation of external auditor's audit performance in year 2021 and engagement of external auditor in for the year of 2022 9. To consider the duty report of the Audit Committee for the year of 2021 	Nil	Nil
2022-04-20	To consider the proposal on the 2022 First Quarterly Report	Nil	Nil

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Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2022-06-21	<ol style="list-style-type: none"> 1. To consider the report on the implementation of related party (connected) transactions of the Company for the first quarter in 2022 2. To consider the internal audit report of the Company for the first quarter of 2022 3. To consider the review plan of external auditor on the 2022 interim results of the Company 	Nil	Nil
2022-08-15	<ol style="list-style-type: none"> 1. To consider the proposal on the interim report of the Company for the year of 2022 2. To consider the report on the implementation of related party (connected) transactions of the Company for the first half in year 2022 3. To consider the internal audit report of the Company for the second quarter of year 2022 4. To consider the report on the progress of the Company's social responsibility work in 2022 	Nil	Nil
2022-10-20	To consider the proposal on the 2022 Third Quarterly Report	Nil	Nil

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Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2022-12-12	<ol style="list-style-type: none"> 1. To consider the proposal on report of external auditor's audit work plan for the year of 2022 2. To consider the proposal on report of external auditor's preliminary results on internal control assessment for the year of 2022 3. To consider the proposal on external auditor's audit fees for the year of 2022 4. To consider the proposal on the report of the implementation of related party (connected) transactions for the third quarter in year 2022 5. To consider the proposal on the internal audit report for the third quarter of 2022 and the internal audit plan for the year of 2023 6. To consider the proposal on the meeting plan of the Audit Committee for the year 2023 	Nil	Nil
2022-12-13	To consider the proposal on entering into agreements in relation to related party transactions with China Tower Corporation Limited and expected annual caps for the year of 2023 in respect of such related party transactions	Nil	Nil

The attendance of each member is as follows:

Name of Members	Actual attendance/Required attendance
Tse Hau Yin, Aloysius	7/7
Xu Erming	7/7
Wang Hsuehming	7/7
Yeung Chi Wai, Jason	7/7

(3) Remuneration Committee

As at 31 December 2022, the Remuneration Committee comprised 3 Independent Non-Executive Directors, Mr. Xu Erming as the Chairman and Mr. Tse Hau Yin, Aloysius and Madam Wang Hsuehming as the members. The Remuneration Committee currently comprises 3 Independent Non-Executive Directors, Mr. Yeung Chi Wai, Jason as the Chairman and Mr. Ng, Kar Ling Johnny and Madam Wang Hsuehming as the members. The Remuneration Committee is responsible to the Board. The Rules of Procedures of the Remuneration Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Remuneration Committee. The Remuneration Committee assists the Board to formulate overall remuneration policy and structure for

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

The Remuneration Committee convened 1 meeting during the Reporting Period

Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2022-10-20	THAT the resolution in relation to Directors' remuneration proposal be considered.	Nil	Nil

The attendance of each member is as follows:

Name of Members	Actual attendance/Required attendance
Xu Erming	1/1
Tse Hau Yin, Aloysius	1/1
Wang Hsuehming	1/1

(4) Nomination Committee

As at 31 December 2022, the Nomination Committee comprised 3 Independent Non-Executive Directors, Madam Wang Hsuehming as the Chairlady and Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming as the members. The Nomination Committee currently comprises 3 Independent Non-Executive Directors, Mr. Chen Dongqi as the Chairman and Mr. Ng, Kar Ling Johnny and Mr. Yeung Chi Wai, Jason as the members. The Nomination Committee is responsible to the Board. The Rules of Procedures of the Nomination Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Nomination Committee, and it specifically requires that the Nomination Committee members shall have no significant connection with the

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

The Nomination Committee convened 3 meetings during the Reporting Period

Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2022-03-16	THAT the proposal on the structure and operation review of the Board for the year of 2021 be considered	Nil	Nil
2022-04-26	THAT the proposal on the appointment of Executive Vice Presidents, Chief Financial Officer and the proposed appointment of Directors of the Company be considered	Nil	Nil
2022-08-16	1. THAT the proposed appointment of Independent Directors of the Company be considered 2. THAT the proposal on the appointment of the President and Chief Operating Officer be considered	Nil	Nil

The attendance of each member is as follows:

Name of Members	Actual attendance/Required attendance
Wang Hsuehming	3/3
Tse Hau Yin, Aloysius	3/3
Xu Erming	3/3

8. DESCRIPTION OF RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE

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

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

(1) Employees

Total number of employees	280,683
Composition of professions	
Categories of professions	Number of professionals
Management, Finance and Administration	49,650
Sales and Marketing	134,426
Operations and Maintenance	74,265
Sci-tech Research and Product Development	22,342
Total	280,683
Education level	
Categories of education level	Number (person)
Doctoral degree	493
Master's degree	30,207
Bachelor's degree	162,695
Vocational school	67,958
High school and below	19,330
Total	280,683

As at the end of the Reporting Period, the percentages of female employees, female managers and female among new employees are 31.68%, 21.30% and 34.77%, respectively. The Company offers equal opportunities to all the applicants in its recruitments without discrimination against ethnicity, race, gender, age, region, marital status or physical condition, adheres to principles of

equal pay for equal work, and provides employees with promotion in their positions. For details, please refer to the CSR Report 2022 of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

(2) Emolument policy

In accordance with the income distribution principle of enhancing efficiency and promoting fairness, while improving the market-oriented remuneration distribution mechanism with efficiency as the priority, the Company emphasises on protecting and improving the salary income of grassroots front-line employees and ensures that employees can share the benefits of the Company's reform and growth. The Company actively implemented medium and long-term incentives such as equity incentives for listed companies and equity and dividend incentives for state-owned technology enterprises to further stimulate the enthusiasm and creativity of core talents at all levels.

(3) Training program

In 2022, the Company attached importance to the development of cadres and professional talent team. According to the high quality and professionalised requirements, the Company organised various special education training courses for leaders and cadres; Serving the transformation of the workforce, the Company organised a series of trainings for high-level professionals in key areas; In reliance on the online university learning platform, the Company held the "Cloudification and Digital Transformation" lectures, talk series on the road to transformation and online training courses for various professions; Focusing on cloud business and Industrial Digitalisation development, the Company adopted the methods of theory+practice and training+certification to launch the Overall Cloud team empowerment, thus facilitating high quality development of the Company.

10. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE**(1) Formulation, implementation or adjustment of cash dividend policy**

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

Pursuant to the previous decision of the Board, within three years after the A Share Offering and Listing, the profit to be distributed by the Company in cash for each year will gradually increase to 70% or above of the profit attributable to equity holders of the Company for that year. After fully considering the Company's cash flow level, the cash return to shareholders, etc., the Board of Directors proposed a final dividend of RMB0.076 per share (pre-tax) in an aggregate amount of RMB6,955 million calculated based on 91,507 million shares, being

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the total number of issued share capital of the Company as at the end of 2022. The dividend distribution is derived from net profit realised in the current period. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full-year dividend of 2022 amounts to RMB0.196 per share (pre-tax) in an aggregate amount of RMB17,935 million which represents 65% of the profit attributable to equity holders of the Company for the year 2022. In case of any

change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The profit distribution plan will be submitted to the Annual General Meeting of the Company for the year 2022 for consideration and approval.

(2) Specific description of cash dividend policy

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

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

Unit: Yuan Currency: RMB

Number of bonus shares for every 10 shares (share)	0
Dividend per 10 shares (RMB) (pre-tax)	1.96
Number of shares converted for every 10 shares (share)	0
Amount of cash dividend (pre-tax)	17,935,399,185
Profit attributable to shareholders of the Company in the consolidated financial statements for the year of dividend distribution	27,593,420,934
Percentage of profit attributable to shareholders of the Company in the consolidated financial statements (%)	65%
Amount of shares repurchased in cash included in cash dividend	0
Total amount of dividend (pre-tax)	17,935,399,185
Percentage of total dividend to profit attributable to shareholders of the Company in the consolidated financial statements (%)	65%

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

(1) Share appreciation rights

The Company implemented two phases of share appreciation rights scheme in 2018 and 2021, respectively, to provide mid- to long-term incentives for key personnel (excluding the Executive Directors, Non-Executive Directors, Independent Directors, Supervisors and senior management of the Company). As approved by the Board, according to the 2021 Share Appreciation Rights Proposal, the Company granted a total of approximately 2,402 million H share appreciation rights to 7,908 key personnel of the Company with an exercise price of HK\$2.686.

Firstly, share appreciation rights are distributed based on contribution, adhering to the value-oriented principle and tilting towards units with remarkable high-quality development. Secondly, share appreciation rights are distributed based on potential, which adheres to the development orientation and tilts to the key areas of “Cloudification and Digital Transformation” and high-end and high-quality talents. Thirdly, share appreciation rights

are granted based on performances. The Company adheres to the performance-oriented principle and closely links the number of rights exercised with the Company’s performance and employees’ individual performance, and imposes penalties for failure to achieve performance targets.

The scheme does not involve the grant of shares or other securities of the Company or any of its principal subsidiaries (including the grant of options for the purchase of any of such shares or securities) and therefore, it does not fall within the scope of, and is not subject to, the requirements under Chapter 17 of the Listing Rules. Further details of the share appreciation scheme are set out in note 46 of the audited consolidated financial statements.

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

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

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

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

The risk management and internal control systems of the Company is built on clear organisational structure and management duties, an effective delegation and accountability system, definite targets, policies and procedures, comprehensive risk assessment and management, a sound financial accounting system, and continuing analysis and supervision of operational performance, etc. which plays a pivotal role in the

Company's overall operation. The Company has formulated a code of conduct for the senior management and employees which ensures their ethical value and competency. The Company attaches great importance to the prevention of fraud and has formulated its internal reporting system, which encourages anonymous reporting of situations where employees, especially Directors and senior management, breach the rules.

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

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

In 2022, pursuant to the requirement of code provision D2 of the Corporate Governance Code promulgated by the Stock Exchange, the Company concentrated resources on the prevention of significant potential risks, and strived to reduce negative effect from significant risks. The Company was not confronted by any major risk event throughout the whole year.

The Company has identified, assessed and analysed potential major risks faced by the Company in 2023, including areas of economic and policy environment adaptation, business operation, network and information security and international operation etc., determined major risk points and put forward detailed response plans. For details of the major risks that the Company may face and the response measures thereof, please refer to the section headed “Management’s Discussion and Analysis (Report of the Directors)” in this annual report. Through strict and appropriate risk management procedures, the Company will ensure the potential impact from the above risks on the Company is limited and within an expected range.

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

Since 2003, the Company has formulated manuals, implementation rules and related rules in relation to internal control, and has developed the Policies on Internal Control Management and Internal Control Accountability Management to ensure the effective implementation of the above systems. The Company has all along continuously revised and improved the manuals and implementation rules in view of the ever changing internal and external operation environment as well as the requirements of business development over the years. While continuing to improve the internal control related policies, the Company has also been strengthening its IT internal control capabilities, which has improved the efficiency and effectiveness of internal control and enhanced the safety of the Company’s information system so that the integrity, timeliness and reliability of data and information are maintained. At the same time, the Company attaches great importance to the control and monitoring of network information safety. The Company persistently optimises the relevant rules and guidances, further defines the responsible entities and regularly commences the inspection of network safety and information safety in order to promote the enhancement of the awareness of network information safety and relevant skills and knowledge.

The Company attaches great importance to the construction of internal control system. In 2022, in consideration of the needs from various aspects including external regulatory environment, internal regulatory requirements and business development, the Company revised the internal control evaluation method, internal control manual, authority list and implementation details during the year. The Company added the DICT business management process to optimise the government-

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enterprise business process, procurement management process, reward point business process, budget management and financial analysis business process, etc. The Company has built an enhanced comprehensive internal control system.

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

Annual evaluation of risk management and internal control systems

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

With Specific Standards for Internal Audit No. 2201 issued by the China Institute of Internal Audit as guidance, the Company's internal control assessment system is composed of the self-assessment conducted by the persons responsible for internal control together with the independent assessment conducted by the Internal Audit Department. In order to evaluate the nature of internal control deficiencies, reach a conclusion as to

the effectiveness of the internal control system and rectify any deficiencies found during the assessment, the Company mainly adopts the following 4 major steps of assessment: (1) analyse and identify areas which require assessment, (2) assess the effectiveness of the design of internal control, (3) assess the operating effectiveness of internal control, (4) analyse the impact of deficiencies in internal control. By formulating "Measures for the Internal Control Assessment", "Manual for the Self Assessment of Internal Control", "Manual for the Independent Assessment of Internal Control" and other systems, the Company has ensured the assessment procedures are standardised. In 2022, the Company's Internal Audit Department initiated and coordinated the assessment of internal control all over the Company, and reported the results to the Audit Committee and the Board. In response to the problems identified in the audit and evaluation, the Company carried out the rectification responsibility one by one, which effectively controlled and prevented risk and provided a strong guarantee for the healthy development of the Company.

In 2022, in terms of internal control self-assessment, the Company continued to insist on 100% coverage of all units (including the newly incorporated professional companies). Through internal control self-assessment, the Company continued to encourage management at all levels to consolidate the responsibility of self-assessment, and incorporated the internal control self-assessment into the examination, reward and punishment system of each unit, further increasing the quality of internal control self-assessment; By optimising the self-assessment programme, the Company pivoted on the major decisions and deployments of the state and the "Cloudification and Digital Transformation" strategy of the Company, with focuses on the major risks, key areas, important processes and management weaknesses, further highlighting the essence and focuses of the self-assessment; The Company innovated the self-assessment methods and launched a company-wide internal control self-assessment labour competition

to stimulate employees' enthusiasm and creativity in self-assessment as well as promote departmental synergy and business-finance linkage; The Company strengthened the application of information technology, and enhanced its ability to assess and detect significant risks by means of systematic modeling and risk profiling, thus improving the efficiency and effectiveness of self-assessment; In order to strengthen the rectification of problems, the Company carried out self-assessment on the problems found in the rectification and "looked back" to establish a mechanism for checking and cleaning up problems, thus further strengthening the closed-loop management and consolidating the achievements of self-assessment.

In 2022, the Company carried out independent assessment of internal control for its 5 subordinate units and achieved three-year full coverage of independent assessment of internal control for all subordinate units. During the year, the independent assessment of internal control continued to strengthen the tracking, analysis and judgment of changes in the internal and external environment of the enterprise development, and focused on the selection of evaluation units and contents. Firstly, the Company carried out an audit combining responsibility and internal control. On the basis of identifying the problems, the causes of problems were analyzed in depth from the perspective of internal control, which helped the auditees to strengthen governance at the sources, so that multiple outcomes from first audit and multiple functions from a single outcome could be achieved, which in turn improved the audit effectiveness; Secondly, the Company strengthened the guidance, supervision and inspection of independent assessment on self-assessment, so as to conduct independent assessment on self-assessment and prevent self-assessment from "going through over leniency", thus improving the overall efficiency and effectiveness of internal control assessment; Thirdly,

the Company focused on joint defence and control. By means of special audit and internal control investigation, the Company strengthened audit supervision on key units and key areas such as emerging businesses and financial-related businesses in order to prevent and resolve major risks; Fourthly, the Company attached great importance to the rectification of problems and analyzed their causes in depth, implemented rectification by analogy and addressed both the symptoms and root causes of the problems, so as to enhance corporate's self-examination and self-recovery abilities and support high-quality development of the Company.

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

The Company attaches great importance to rectifying internal control deficiencies. In response to the defects and problems found in the internal and external audit, the Company consolidated its rectification responsibilities, strengthened governance at the sources and implemented long-term rectification by analogy. By supervising and inspecting the rectification in a timely manner, the Company ensured the effectiveness of rectification through various means and strengthened closed-loop management. The internal control deficiencies and issues identified by the Company during the year have been basically rectified and passed the year-end attestation undertaken by the external auditors.

The Board oversees the Company's risk management and internal control systems on an on-going basis and the Board, through the Audit Committee, conducted an annual review of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2022, which covered all material areas including financial controls, operational controls and compliance controls, as well as its risk management functions. After receiving the reports from the Internal Audit Department and other relevant department and the confirmation from the management to the Board on the effectiveness of the Company's risk management and internal control systems (including Environmental, Social and Governance risk management and internal control systems), the Board is of the view that these systems are solid, well established, effective and sufficient. The annual review also confirms the adequacy of resources relating to the Company's accounting, internal control and financial reporting functions and Environmental, Social and Governance performance and reporting, the sufficiency of the qualifications and experience of staff, together with the adequacy of the staff's training programmes and the relevant budget.

13. MANAGEMENT CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

In order to make every effort to build a more mature and established modern enterprise system with Chinese characteristics and promote the modernisation of governance system and capability, China Telecom issued a series of system documents related to the promotion and improvement of modern enterprise system with Chinese characteristics to guide subsidiaries at all levels to standardise and strengthen corporate governance. Firstly, the Company strengthened the construction of the corporate fundamental system of the Articles of Association of the subsidiaries, improved the basic internal regulations, enhanced the internal system, and promoted all governance bodies to perform their duties in accordance with their Articles of Association and systems in decision-making, implementation, supervision

and other aspects, leading to the better transformation and integration of system construction and governance efficiency. Secondly, the Company strengthened the establishment of the board of directors of subsidiaries with terms of reference to promote the fulfillment of the requirements to strengthen the construction of the board of directors, standardise the operation of the board of directors, reasonably determine the size of the board of directors, scientifically allocate directors, achieve the majority of external directors and implement the terms of reference of the board of directors. Thirdly, the Company strengthened the delegation of authority, streamlined decision-making procedures and improved the quality of decision-making. The Company encouraged the subsidiaries to improve the working system of each governance body, established a management system authorised by the board of directors to the management in accordance with practices and strengthened the management before, during and after the events, so as to promote each subsidiary to become a more independent market operation entity.

14. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

PricewaterhouseCoopers Zhong Tian LLP engaged by the Company has issued an audit opinion on the effectiveness of the Company's internal control over financial reporting and issued the Internal Control Audit Report, and is of the view that the Company has maintained effective internal control over financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and relevant regulations as at 31 December 2022. There was no disagreement between the 2022 Internal Control Assessment Report of China Telecom Corporation Limited disclosed by the Company and the Internal Control Audit Report.

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

15. DIRECTOR NOMINATION POLICY AND PROCEDURES

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

Directors shall be elected at shareholders' general meeting for a term of three years. At the expiry of a director's term, the director may stand for re-election and reappointment for a further term. However, independent directors shall not serve for more than six consecutive years. Pursuant to the Articles of Association, before the Company convenes a shareholders' general meeting, the board of directors, the supervisory committee or shareholders, individually or jointly, holding 3% or more of the total voting shares of the Company shall have the right to propose new motions (such as election of directors) in writing, and the Company shall place such proposed motions on the agenda for such general

meeting if they are matters falling within the functions and powers of shareholders in general meetings. Pursuant to the Articles of Association, shareholders can also request to convene an extraordinary general meeting. Shareholder(s) individually or collectively holding 10% or more of the Company's issued and outstanding voting shares may sign a written proposal requesting the board of directors to convene an extraordinary general meeting. If the board of directors decides to convene an extraordinary general meeting, a notice to convene such meeting shall be issued within five days after the resolution to convene an extraordinary general meeting is adopted by the board of directors. The Company shall convene an extraordinary general meeting for election of directors within two months. The minimum period during which written notice given to the Company of the intention to propose a person for election as a director, and during which written notice to the Company by such person of his/her willingness to be elected may be given, will be at least 7 days. Such period will commence no earlier than the day after the despatch of the notice of the meeting for the purpose of considering such election and shall end no later than 7 days prior to the date of such meeting. An ordinary resolution for election of directors must be passed by votes representing half or more of the voting rights represented by the shareholders (including proxies) present at the meeting.

16. SUPERVISORY COMMITTEE

As at 31 December 2022, the Company's Supervisory Committee comprised 5 Supervisors, including 2 Employee Representative Supervisors. The principal duties of the Supervisory Committee include supervising, in accordance with the law, the Company's financials and performance of its Directors, managers and other senior management so as to prevent them from abusing

their powers. The Supervisory Committee is a standing supervisory organisation within the Company, which is accountable to and reports to all shareholders. The Supervisory Committee convened 6 meetings in 2022. The term of office for the seventh session of the Supervisory Committee lasts for 3 years, starting from 26 May 2020 until the day of the Annual General Meeting for the year 2022 to be held in year 2023, upon which the eighth session of the Supervisory Committee will be elected.

Number of Supervisory Committee Meetings Attended/Required Attendance in 2022

Supervisors	Number of Meetings Attended/Required Attendance
Han Fang (Chairlady of the Supervisory Committee and Shareholder Representative Supervisor)	5/5
Zhang Jianbin (Employee Representative Supervisor)	6/6
Dai Bin (Employee Representative Supervisor)	6/6
Xu Shiguang (Shareholder Representative Supervisor)	6/6
Wang Yibing (Shareholder Representative Supervisor)	5/5
Sui Yixun (Chairman of the Supervisory Committee and Shareholder Representative Supervisor)*	1/1
You Minqiang (Shareholder Representative Supervisor)*	1/1

* On 17 December 2021, Mr. Sui Yixun and Mr. You Minqiang resigned from their position as a Supervisor due to reason of age and change in work arrangement, respectively, and their resignation took effect on the date of election of the new Supervisors at the extraordinary general meeting of the Company held on 22 March 2022.

17. EXTERNAL AUDITORS

The Company's external auditors are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP. A breakdown of the remuneration received by the external auditors for audit and non-audit services provided to the Company for the year ended 31 December 2022 is as follows:

Service item	Fee (excluding value-added tax) (RMB million)
Audit services	59
Non-audit services (mainly tax and other advisory services)	6
Total	65

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Directors were not aware of any material uncertainties relating to any events or conditions which may cast a serious impact upon the Group's ability to continue as a going concern. The statements by the external auditors of the Company, PricewaterhouseCoopers, regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 179 to 184 of this annual report.

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

18. INVESTOR RELATIONS AND TRANSPARENT INFORMATION DISCLOSURE MECHANISM

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services. It also maintains proactive communications with shareholders, investors and other capital market participants so as to allow them to timely and fully understand the operation and development of the Company. In 2022, the Company formulated and published rules and measures such as the *Administrative Measures of Investor Relations of China Telecom Corporation Limited* to further strengthen relevant work. The Company's management presents the annual results and interim results every year. Through various activities such as analyst meetings, press conferences, global investor telephone conferences and investors road shows, management provides the capital market and media with important information and responds to key questions which are of prime concerns to the investors. This has helped to reinforce the understanding of the

Company's business and the overall development of the telecommunications industry in China. Since 2004, the Company has been holding the Annual General Meeting in Hong Kong. After the completion of A-share listing in 2021, Annual General Meeting was held in both Beijing and Hong Kong physically starting from 2022, with the two venues being connected through video conferencing system. This provided convenience and encouraged its shareholders from both the mainland and Hong Kong, especially the retail shareholders, to actively participate in the Annual General Meeting and promote direct and two-way communications between the Board and shareholders. Due to the COVID-19 Epidemic and relevant travel restrictions in 2022, management attended the results announcement briefings and communicated with investors and the media through online and video conferencing. To strengthen communications with investors and shareholders, the Company set up a dedicated investor relations enquiry line, for the purpose of providing a direct channel to address enquiries from investors. This allows the Company to better serve its shareholders and investors.



Management held results announcement meetings and communicated with investors and media through conference call in Beijing due to the Epidemic

In addition, the Investor Relations Department of the Company closely follows the development of the capital market and timely reflects the latest information of the capital market as well as investors' views, suggestions and feedback to management through regular and ad-hoc reports, with an aim to promote two-way communications between the Company and the capital market. In 2022, apart from regular reports such as "China Telecom Weekly Analysis Report of the Capital Market" and the capital market commentaries on the Company's results announcements, Investor Relations Department also prepared thematic reports on a variety of topics such as "corporate governance disclosure", "investor relations" and etc., which helped the management to have a better understanding of the expectations and suggestions from the capital market and enhance interaction with the capital market.

After the successful completion of A-share listing in 2021, the Company further strengthened communications with the capital market, especially domestic investors, through various channels and means. In 2022, the Company launched "China Telecom Investor Relations" official WeChat account. Through this platform, investors can browse important information about the Company such as announcements and press releases more timely and conveniently. In addition, the Company released

"results-at-a-glance" for the first time during its results announcements, to allow investors to learn about results highlights in one single picture. The Company also provided live webcast of results briefing for the first time, and answered to investors' questions in real time on the "e-Interaction" section of SSE. The above measures strengthened the Company's information disclosure from different channels and with different means, which effectively promoted investors' understanding of the Company and the communications between the Company and the capital market.

With an aim of strengthening communications with the capital market and enhancing transparency of information disclosure, the Company has provided quarterly disclosure of revenue, operating expenses, EBITDA, net profit figures and other key operational data, and monthly announcements of the number of access lines in service, mobile and wireline broadband subscribers. The Company attaches great importance to maintaining daily communication with shareholders, investors and analysts. In 2022, in view of the travel restriction brought by the COVID-19 Epidemic, the Company proactively participated in a number of investor conferences held by a number of major international investment banks and domestic securities firms around the globe both in person and through online meetings, which facilitated communications with institutional investors.



SECTION IV CORPORATE GOVERNANCE REPORT

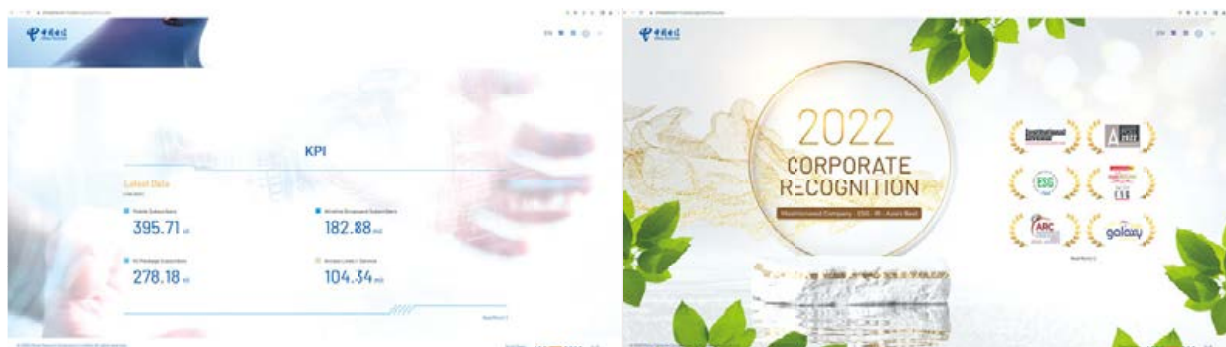
In 2022, the Company attended the following investor conferences held by major international investment banks and domestic securities firms:

Date	Name of Conference
January 2022	ICBCI Corporate Pre-blackout NDR 2022
January 2022	UBS Greater China Conference 2022
January 2022	Guosheng Securities Capital Market Summit 2022
March 2022	25th Credit Suisse Asian Investment Conference
May 2022	Nomura Virtual Greater China TMT Corporate Day 2022
May 2022	9th Credit Suisse China A-shares Conference
May 2022	HSBC 9th Annual China Conference
May 2022	CICC Digital Economy Online Strategy Conference
May 2022	CITIC Securities Technology Theme Online Strategy Conference
June 2022	CITIC Securities Capital Market Forum 2022
June 2022	Haitong Securities Mid-year Investment Strategy Conference 2022
June 2022	Guotai Junan Mid-year Strategy Conference 2022
June 2022	China Securities Mid-year Capital Market Summit 2022
June 2022	Nomura Investment Forum Asia 2022
August 2022	Nomura Virtual China Investor Forum 2022
August 2022	UBS Tech Week: TMI and Digital Assets Conference 2022
September 2022	Jefferies Asia Forum 2022
September 2022	23rd Credit Suisse Asian Technology Conference
September 2022	CLSA 29th Investors' Forum
November 2022	13th Credit Suisse China Investment Conference
November 2022	Citi China Investor Conference 2022
November 2022	Daiwa Investment Conference Hong Kong 2022
November 2022	2022 CICC Investment Forum
December 2022	Everbright Securities Annual Online Investment Strategy Conference 2023

The Company's investor relations website (www.chinatelecom-h.com) not only serves as an important channel for the Company to disseminate press releases and corporate information to investors, media and the capital market, but also plays a significant role in the Company's valuation and its compliance with regulatory requirements for information disclosure. The Company launched a responsive website with the latest technology, which allows automatic adjustment to fit for different screen resolution and user interface, assuring the best browsing experience of website content with desktop computers, laptops or mobile devices. This allows investors, shareholders, reporters and the general public to browse the latest information on the Company's website with any device more easily and promptly anytime anywhere. The Company's website is equipped with a number of useful functions including interactive stock quote, interactive KPI, interactive FAQs, auto email alerts of investors activities, downloading to excel, RSS Feeds, self-selected items in investors briefcase, html version annual report, financial highlights, investor toolbar, historical stock quote, adding investor events to calendars, content sharing to social media, etc. The Company's website has recently introduced the push notification function, which pushes important content update to terminals including desktop computers, laptops and mobile devices through browsers, timely informing website users of the Company's latest news. In addition to setting up a dedicated investor relations enquiry line, a specialised appointment function to schedule a meeting with investor relations professionals was also launched on the Company's website, to promote direct and close communication between the Company and investors, as well as to increase transparency.

The Company also strives to enhance the disclosure quality and format of annual report. The Company further enhanced the transparency of disclosure in environmental, social and governance areas, by following the guidelines of *Environmental, Social and Governance Reporting Guide*, Appendix 27 of the Listing Rules as well as other relevant regulatory requirements of its places of listing, to report the Company's achievements and key performance indicators on environmental protection. For details, please refer to the CSR Report 2022 which is published on HKEx website (www.hkexnews.hk) and the Company's website (www.chinatelecom-h.com). Relevant indicators and data were analysed and assessed by independent third party to ensure compliance with relevant requirements.

The Company also actively seeks recommendations on how to improve the Company's annual report from shareholders through survey, and prepared and distributed the annual report in a more environmentally-friendly and cost-saving manner according to the recommendations received. Shareholders can ascertain their choice of receiving the annual reports and communications by electronic means, or receiving printed version in English and/or Chinese. The Company clearly and precisely delivered the messages about its strategies and goals in its 2021 Annual Report "A New Milestone", so that shareholders and investors can easily understand the Company's development directions and focus. The print and online versions of the 2021 Annual Report won a number of top accolades in international competitions, including receiving 3 gold awards in total in this year's "Galaxy Awards", while the online annual report further claimed a grand award, achieving



outstanding award-winning results. In addition, the 2021 annual report received two gold awards in this year's "International ARC Awards" while also won in total four platinum and six gold awards, and ranked No.10 of "Top 100 Reports Worldwide" in "LACP Vision Awards". The 2021 annual report also won two gold awards in this year's "W3 Awards". The above prestigious accolades won by China Telecom reflect the market's recognition and commendation of the Company's tireless pursuit of excellence and globally leading outstanding performance in areas such as corporate governance, as well as disclosure of important information and development strategy of the Company through both conventional and digital channels.

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

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

19. SHAREHOLDERS' RIGHTS

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

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

- (1) Shareholders who individually or jointly hold more than 10% of the Company's issued and outstanding shares with voting rights (the "Requesting Shareholders") may sign a written proposal requesting the board of directors to convene an extraordinary general meeting or a class meeting. The board of directors shall reply in writing agreeing or disagreeing to convene an extraordinary general meeting or a class meeting within ten days upon receipt of such proposal in accordance with laws, regulations and the Articles of Association.
- (2) If the board of directors decides to convene an extraordinary general meeting or a class meeting, a notice to convene such meeting shall be issued within five days after the resolution is adopted by the board of directors. Any changes to the original proposal in the notice require the consent of the Requesting Shareholders.

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

Procedures for proposing resolutions at the Annual General Meeting

When the Company convenes an Annual General Meeting, shareholders who individually or jointly hold 3% or more of the total voting shares of the Company shall have the right to propose new motions in writing,

and the Company shall place such proposed motions on the agenda for such Annual General Meeting if they are matters falling within the functions and powers of shareholders' meetings.

Process of forwarding shareholders' enquiries to the Board or requesting for convening of an extraordinary general meeting or a class meeting or proposing new motions

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

The contact details of the Company Secretary are as follows:

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

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

FAMILY
CLOUD
TO ENRICH
DIGITAL LIFE



SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

1. ENVIRONMENTAL INFORMATION

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

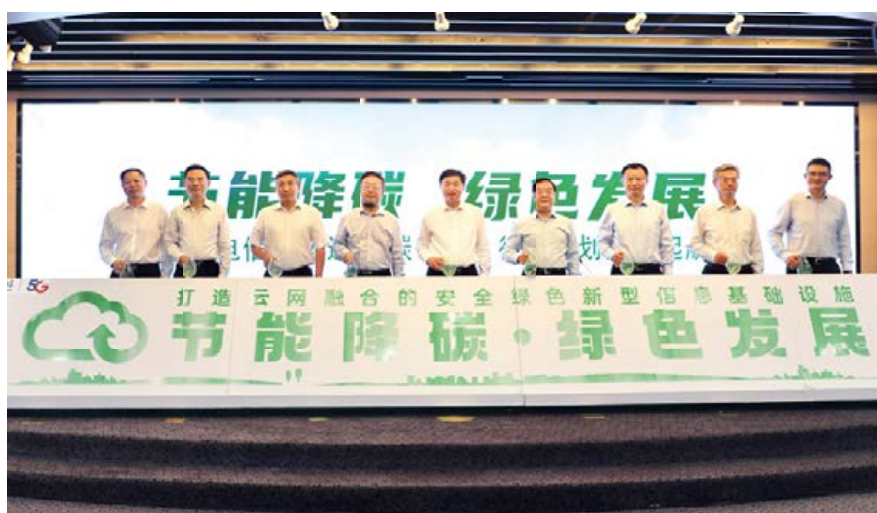
The Company and its subsidiaries are not the key pollutant discharging units announced by the environmental protection department. The Company and its subsidiaries earnestly implement *the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes of the People's*

Republic of China, the Law on Prevention and Control of Water Pollution of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China and other environmental protection laws and regulations in their daily production and operation. The production and operation activities are in compliance with the relevant national environmental protection requirements. For details, please refer to the CSR Report 2022 of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

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

Any carbon reduction measures taken	Yes
Reduction on CO ₂ equivalent emissions (unit: tonnes)	13 million
Types of carbon reduction measures (e.g. use of clean energy for power generation, use of carbon reduction technologies in the production process, R&D and production of new products that contribute to carbon reduction, etc.)	Co-building and co-sharing of telecommunication infrastructures, self-developed AI energy saving, renovation of old facility rooms, withdrawal of old equipment, encouraging the use of renewable energy, etc.

For details, please refer to the CSR Report 2022 of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).



Proactive implementation of “energy saving and carbon emissions reduction as well as green development”

2. SOCIAL RESPONSIBILITIES

External donation, public welfare projects	Quantity/content
Total investment (RMB0'000)	23,109.69

For details, please refer to the CSR Report 2022 of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).

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

Poverty Alleviation and Rural Revitalisation Projects	Quantity/Content
Total investment (RMB0'000)	21,324.19

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

Industrial support: In the 4 targeted poverty alleviation counties, in accordance with the industrial development goal of “one county, one product”, the Company implemented 19 industrial projects and extension and expansion projects in previous years and developed a large number of featured industrial projects such as the apple industrial park in Yanyuan County and the Chinese herbal medicine processing plant in Muli County, Sichuan, the industrial park in Shufu County, Xinjiang, and the chestnut processing plant in Tianlin County, Guangxi, taking digital village construction as a focus to accelerate the modernisation of agriculture and rural villages with digital empowerment. The featured industry support model was selected as the 2022 Rural Revitalisation Innovation Case of people.cn.

Consumption support: The Company adhered to the radiation magnification effect of the consumption and purchase of agricultural and sideline products on the development of featured industries. The Group completed direct purchase of alleviation products of over RMB184 million and contributed sales of over RMB61 million in total, continuously injecting inexhaustible power for the development and growth of featured industries in rural villages. The “Tianhu Cloud Commerce” e-commerce platform was selected as an outstanding typical case of national consumption support and rural revitalisation recommended by the National Development and Reform Commission in 2022.

Employment support: By sourcing tenants and attracting investment of RMB65 million in 4 targeted poverty alleviation counties, the Company assisted 16 locally leading enterprises and 15 rural cooperatives, helped in establishing 8 support workshops and aided 992 poverty-stricken people in employment transfer.

Support in education, medical care, etc.: In targeted poverty alleviation counties, the Company invested over RMB65.08 million to provide education and living subsidies and improve education hardware and facilities for local students in difficulties; the Company improved the capability and level of primary healthcare services; New housing and supporting facilities were built to ensure housing safety.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

2022 was a year to consolidate and expand the achievements of poverty alleviation and rural revitalisation and to deepen the connection between them. The Company has maintained its efforts in poverty alleviation and given full play to the advantages of the enterprise, and has steadily and orderly promoted key work such as targeted poverty alleviation and industry poverty alleviation. For the whole year, 4 targeted alleviation counties and 2 counterpart support counties (hereinafter “4 + 2” poverty alleviation counties) were set up to fully cover the supervision, inspection and investigation aspects. In the “4 + 2” poverty alleviation counties, the Company has introduced free assistance funds of RMB18.99 million, provided training for 53,441 technical experts, rural revitalisation leaders, etc., and actively carried out poverty alleviation through consumption, helping the “4 + 2” poverty alleviation counties and more than 1,400 poverty alleviation sites and featured industries from enterprises at all levels to develop and expand, effectively consolidating and expanding the achievements of poverty alleviation and facilitating full range of rural revitalisation.

China Telecom has vigorously promoted the construction of digital villages as an important measure to deepen its penetration into industry poverty alleviation and targeted poverty alleviation. Across the country, the Company has built 198,000 digital villages in total, created a telecommunication model for digital empowerment to facilitate “five revitalisations” in rural areas, continuously promoted in-depth integration and application of modern information technology with each field and each part in agriculture and rural villages, thereby boosting a new progress of rural revitalisation in full swing and advancing a new step for modernisation of agriculture and rural villages.

Note: This section contains the environmental and social responsibilities work of China Telecommunications Corporation, the Company's controlling shareholder, in 2022.



Promoting
poverty reduction
through network,
supporting
rural revitalisation

SECTION VI SIGNIFICANT EVENTS

1. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertakings	Undertaking party	Content of undertakings	Term for undertakings	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertakings
Undertakings related to the initial public offering	Restricted tradable shares	Controlling shareholder	Restrictions on the circulation of the shares and the shareholders' commitment to voluntary lock-up their shares	36 months from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Restricted tradable shares	Guangdong Rising, Zhejiang Financial Development, Fujian Investment Group, Jiangsu Guoxin	Restrictions on the circulation of the shares and the shareholders' commitment to voluntary lock-up their shares	12 months from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Restricted tradable shares	Controlling shareholder, Guangdong Rising	Undertakings on intention to hold shares and intention to sell shares	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Resolving peer competition	Controlling shareholder	Non-competition undertaking	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Resolving related party transactions	Controlling shareholder, Guangdong Rising	Undertakings to regulate and reduce related party transactions	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Resolution of defects in property rights of land	Controlling shareholder	Loss-bearing commitment for defects in property rights of land	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	Controlling shareholder	Commitment to long-term use of trademark license	Long-term	Yes	Yes	N/A	N/A

SECTION VI SIGNIFICANT EVENTS

Background of undertaking	Type of undertakings	Undertaking party	Content of undertakings	Term for undertakings	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertakings
Undertakings related to the initial public offering	Others	Controlling shareholder, the Company, directors and senior management other than independent directors and directors who do not receive remuneration from the Company	Undertakings to stabilise the share price	Within three years from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors and senior management	Undertaking to adopt remedial measures for dilution of the immediate returns by the issuance of share	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors, supervisors and senior management	Undertaking that there is no false record, misleading statement, or material omission in the Prospectus	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors, supervisors and senior management	Undertaking on binding measures for the failure to perform the commitment	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company	Undertaking on disclosure of shareholders' information	Long-term	Yes	Yes	N/A	N/A
Others	Dividend	The Company	Undertaking on the profit distribution policy and the arrangement in relation to the accumulated profits	Long-term	Yes	Yes	N/A	N/A

2. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

	Appointed
Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of the domestic and overseas accounting firms	6,280
Duration of audit of the domestic accounting firm	2 years
Names of certified public accountants of the domestic accounting firm	Song Shuang, Liu Yuanbo
Duration of audit services provided by certified public accountants of the domestic accounting firm	Song Shuang (2 years), Liu Yuanbo (2 years)
Name of overseas accounting firm	PricewaterhouseCoopers
Duration of audit of the overseas accounting firm	2 years

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

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

3. MATERIAL CONNECTED TRANSACTIONS

(1) CONTINUING CONNECTED TRANSACTIONS

The following table sets out the amounts of the Group's continuing connected transactions for the year ended 31 December 2022:

TRANSACTIONS	Transaction amounts (RMB million)	Annual monetary cap for continuing connected transactions (RMB million)
(1) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE GROUP AND CHINA TELECOMMUNICATIONS¹ AND/OR ITS ASSOCIATES (EXCLUDING THE GROUP)		
Engineering Framework Agreement		
Provision of engineering services by China Telecommunications and/or its associates	16,993	19,000
Ancillary Telecommunications Services Framework Agreement		
Provision of ancillary telecommunications services by China Telecommunications and/or its associates	22,309	26,500
Community Services Framework Agreement		
Provision of community services by China Telecommunications and/or its associates	4,340	5,200
Centralised Services Agreement		
Provision of centralised services by China Telecommunications and/or its associates	870	1,800
Provision of centralised services by the Group	3,572	3,700

SECTION VI SIGNIFICANT EVENTS

TRANSACTIONS	Transaction amounts (RMB million)	Annual monetary cap for continuing connected transactions (RMB million)
Property and Land Use Right Leasing Framework Agreement		
Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group	484	520
Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group	715	760
Amount payable for properties leased by China Telecommunications and/or its associates	51	100
IT Services Framework Agreement		
Provision of IT services by China Telecommunications and/or its associates	4,834	5,300
Provision of IT services by the Group	1,944	2,100
Supplies Procurement Services Framework Agreement		
Provision of supplies procurement services by China Telecommunications and/or its associates	4,249	5,000
Provision of supplies procurement services by the Group	4,692	7,200
Internet Applications Channel Services Framework Agreement		
Provision of Internet applications channel services by the Group	57	600
Lease Financing Framework Agreement		
Provision of lease financing services by China Telecommunications and/or its associates	2,212	7,300
Telecommunications Resources Leasing Agreement		
Provision of telecommunications resources leasing services by China Telecommunications and/or its associates	442	750

TRANSACTIONS	Transaction amounts (RMB million)	Annual monetary cap for continuing connected transactions (RMB million)
(2) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN CHINA TELECOM FINANCE AND THE GROUP, THE PARENT GROUP², THE CCS GROUP³, NEW GUOMAI GROUP⁴ AND SAFETY TECHNOLOGY GROUP⁵ RESPECTIVELY		
Maximum daily balance of deposits (including accrued interest) deposited by the Group with China Telecom Finance	35,201	60,000
Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to the Parent Group	8,047	14,000
Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to the CCS Group	–	1,000
Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to New Guomai Group	–	1,500
Maximum daily loan and bill discounting balance (including accrued interest) provided by China Telecom Finance to Safety Technology Group	81	500
(3) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE GROUP AND E-SURFING PAY AND ITS SUBSIDIARIES		
Payment and digital finance related services	1,068	1,450

Notes:

1. China Telecommunications refers to China Telecommunications Corporation, the Company's controlling shareholder which held approximately 63.78% of the issued share capital of the Company as at 31 December 2022.
2. The Parent Group refers to China Telecommunications Corporation, its associates and its commonly held entity held with the Group, excluding the Group, the CCS Group, New Guomai Group and Safety Technology Group.
3. The CCS Group refers to China Communications Services Corporation Limited and its subsidiaries.
4. New Guomai Group refers to New Guomai Digital Culture Co.,Ltd ("New Guomai") and its subsidiaries.
5. Safety Technology Group refers to Beijing Global Safety Technology Co., Ltd ("Safety Technology") and its subsidiaries.

SECTION VI SIGNIFICANT EVENTS

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

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

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

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

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

Details of the respective agreements are shown below:

Engineering Framework Agreement

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

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

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

Ancillary Telecommunications Services Framework Agreement

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

SECTION VI SIGNIFICANT EVENTS

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

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

management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference.

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

Interconnection Settlement Agreement

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

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

Community Services Framework Agreement

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

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

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

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

Centralised Services Agreement

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

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

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

Property and Land Use Right Leasing Framework Agreement

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

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

IT Services Framework Agreement

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

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

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

Supplies Procurement Services Framework Agreement

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

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

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

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

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

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

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

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

Internet Applications Channel Services Framework Agreement

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

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

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

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

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

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

Lease Financing Framework Agreement

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

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

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

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

In terms of the same service under the Lease Financing Framework Agreement, the Group is entitled to accord priority to China Telecommunications and/or its associates to provide such service, if the terms and conditions of services offered by China Telecommunications and/or its associates are at least as favourable as those offered by an independent third party to the Group. China Telecommunications and/

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

Telecommunications Resources Leasing Agreement

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

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

The rental charges for the leasing of telecommunications resources from China Telecommunications and/or its associates are based on the annual depreciation charges and determined with reference to market prices as agreed by both parties. When determining the fee

standard or reasonable profit margin, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference. The Group carries out maintenance of the leased telecommunications resources in accordance with the relevant procedures and standards as confirmed by both parties. Such maintenance fees shall be borne by the Group.

Trademark License Agreement

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

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

SECTION VI SIGNIFICANT EVENTS

Intellectual Property License Framework Agreement

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

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

any transaction under the agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

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

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

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

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

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

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

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

Pricing Policy

(i) Deposit Services

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

SECTION VI SIGNIFICANT EVENTS

(ii) Loan and Bill Discounting Services

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

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

(iii) Other Financial Services

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

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

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

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

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

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

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

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

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

Pricing Policy

(i) Deposit Services

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

SECTION VI SIGNIFICANT EVENTS

(ii) Loan and Bill Discounting Services

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

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

(iii) Other Financial Services

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

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

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

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

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

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

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

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

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

Pricing Policy

(i) Deposit Services

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

(ii) Loan and Bill Discounting Services

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

SECTION VI SIGNIFICANT EVENTS

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

(iii) Other Financial Services

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

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

For the respective specific transactions under the CCS Financial Services Framework Agreement entered into between CCS and China Telecom Finance, provided that it is in compliance with the terms and conditions of the CCS Financial Services Framework Agreement, China Telecom Finance will be appointed as one of the financial institutions providing financial services to the CCS Group. Prior to the signing of any specific agreement with China

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

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

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

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

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

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

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

Pricing Policy

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the New Guomai Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of

the same type of deposit services for the same period offered by the major cooperative commercial banks of the New Guomai Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the New Guomai Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the New Guomai Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan and Bill Discounting Services

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

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

SECTION VI SIGNIFICANT EVENTS

(iii) Other Financial Services

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

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

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

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

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

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

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

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

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

Pricing Policy

(i) Deposit Services

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

(ii) Loan and Bill Discounting Services

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

(iii) Other Financial Services

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

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

SECTION VI SIGNIFICANT EVENTS

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

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

Continuing connected transactions entered into between the Group and E-surfing Pay and its subsidiaries

Payment and Digital Finance Related Services Framework Agreement

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

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

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

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

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

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

- (1) market price, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the Payment and Digital Finance Related Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the Payment and Digital Finance Related Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference;
- (3) where there are government-prescribed prices, the prices and/or pricing standards shall be determined in accordance with the government-prescribed prices; where there are government-guided prices, the prices and/or pricing standards shall be determined with reference to the government-guided prices. Government-prescribed prices means the prices prescribed by the government department in charge of pricing or other relevant departments within the pricing authority and scope in accordance with the Price Law of the PRC. Government-guided prices means the prices determined by the operators as guided by the government department in charge of pricing or other relevant departments which regulate the base price and floating range within the pricing authority and scope in accordance with the Price Law of the PRC.

SECTION VI SIGNIFICANT EVENTS

(2) REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions the Company conducted in the year 2022.

The Company's external auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2022 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

(3) CONFIRMATION FROM THE AUDITORS

The auditors of the Group have reviewed the continuing connected transactions of the Group for the year ended 31 December 2022 and have confirmed to the Board that nothing has come to their attention that causes them to believe that the relevant continuing connected transactions:

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

A copy of the auditors' letter in relation to the continuing connected transactions has been provided by the Company to the Hong Kong Stock Exchange.

(4) CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2022 to which the Group was a party:

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

The Independent Non-Executive Directors have further confirmed that: the continuing connected transactions for the year ended 31 December 2022 entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

4. MATERIAL CONTRACTS AND PERFORMANCE

(1) Guarantees

Unit: yuan Currency: Renminbi

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)	
Total amount of guarantees incurred during the Reporting Period (excluding those provided to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	0
Guarantees provided by the Company and its subsidiaries to its subsidiaries	
Total amount of guarantees provided to subsidiaries incurred during the Reporting Period	28,741,687.00
Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B)	31,789,684.37
Aggregate guarantees of the Company (including those guarantees provided to its subsidiaries)	
Aggregate amount of guarantees (A + B)	31,789,684.37
Percentage of total aggregate amount of guarantee to net assets of the Company (%)	0.0073
Representing:	
Amount of guarantees provided for shareholders, ultimate controller and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	7,322,165.37
Amount of total guarantee exceeding 50% of net assets (E)	0
Aggregate amount of the above three guarantees (C + D + E)	7,322,165.37
Explanation on the potential joint and several liability for outstanding guarantees	Nil
Clarification of guarantee	During the Reporting Period, there was no additional guarantee provided by the Company. The external guarantees provided by the Company were non-financing guarantees provided by China Telecom Finance and China Telecom Global, all being subsidiaries of the Company, to wholly-owned subsidiaries of the Company. If the amount of the above-mentioned external guarantees involves foreign currency, it would be converted at the median rate for the exchange rate of RMB announced by the People's Bank of China on 30 December 2022.

SECTION VI SIGNIFICANT EVENTS

(1) Description of guarantees in 2022

The Company held the 12th meeting of the seventh session of the Board on 10 November 2021, at which the Proposal on the Plan for External Guarantee was considered and approved, pursuant to which the provision of guarantee in an aggregate amount of not exceeding RMB182.85 million by the Company's subsidiaries (hereinafter referred to the Company's wholly-owned and holding companies), including China Telecom Finance, China Telecom Global and China Telecom (Europe) Limited, a wholly-owned subsidiary of China Telecom Global, to the Company's wholly-owned subsidiaries was approved. The limits of the guarantee shall be valid from the date of consideration and approval by the Board of the Company to 31 March 2022. For details, please refer to the "Announcement of China Telecom Corporation Limited on the Plan for External Guarantee" disclosed by the Company on 10 November 2021. Within the scope of the above guarantee limits, China Telecom Finance, a subsidiary of the Company, entered into an agreement of guarantee with China Telecom Digital Intelligence Technology on 14 December 2021, pursuant to which China Telecom Finance agreed to provide guarantee to China Telecom Digital Intelligence Technology with a limit of not more than RMB100 million. In the fourth quarter of 2022, within the guarantee limits in the above agreement of guarantee China Telecom Finance did not provide guarantees to China Telecom Digital Intelligence Technology. Such agreement of guarantee expired on 13 December 2022.

According to the needs of daily production and operation, China Telecom Finance and China Telecom Global, both being subsidiaries of the Company, contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2022, in an aggregate amount of not exceeding RMB205.80 million (or equivalent foreign currency). The guarantee limit is valid until 31 March 2023. The guaranteed entities are all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, China Telecom Finance and China Telecom Global have separately performed relevant internal decision-making procedures for the above guarantees.

For details, please refer to the "Announcement on the Plan for External Guarantee for 2022 of China Telecom Corporation Limited" disclosed by the Company on 30 March 2022.

(2) The progress of guarantees during the fourth quarter of 2022

Within the scope of the above guarantee limits, China Telecom Finance, a subsidiary of the Company, entered into an agreement of guarantee with China Telecom Digital Intelligence Technology on 29 December 2022, pursuant to which China Telecom Finance agreed to provide guarantee to China Telecom Digital Intelligence Technology with a limit of not more than RMB150 million.

During the fourth quarter of 2022, China Telecom Finance and China Telecom Global did not provide guarantees.

(3) The progress of guarantees during the first to the third quarters of 2022

For details of guarantee progress in 2022, please refer to the "Announcement on the Progress of Guarantees Provided by Subsidiaries to Wholly-Owned Subsidiaries of China Telecom Corporation Limited", the 2022 Interim Report of China Telecom Corporation Limited and the 2022 Third Quarter Report of China Telecom Corporation Limited published on 22 April 2022, 16 August 2022 and 20 October 2022, respectively.

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

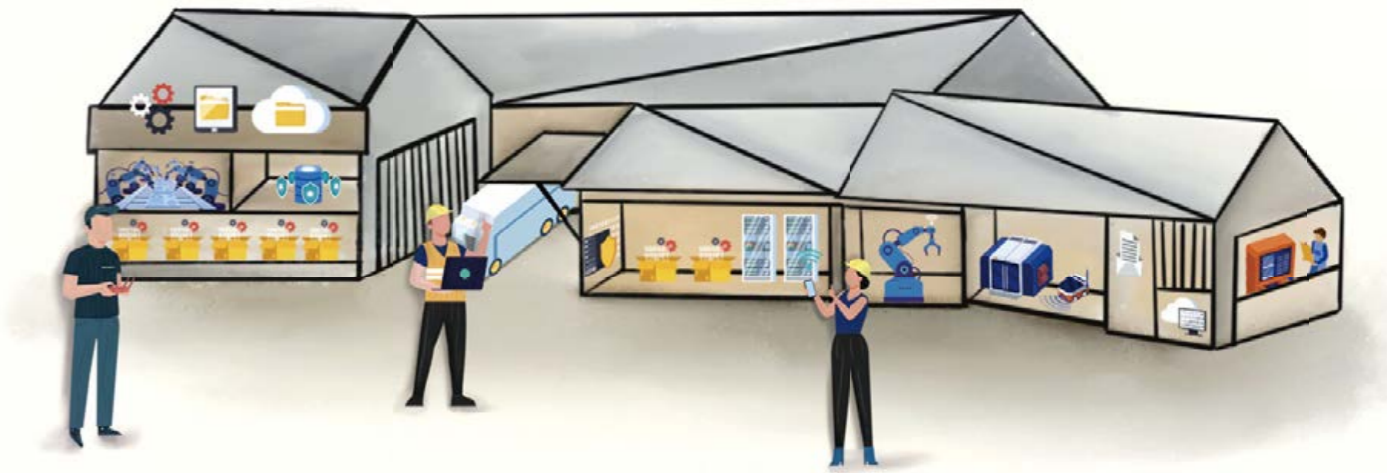
As at the end of the Reporting Period, the balance of external guarantees provided by the Company and its subsidiaries was RMB31.7897 million, accounting for 0.0073% of the Company's latest audited net assets (as of 31 December 2022), all of which were guarantees provided by subsidiaries of the Company to other wholly-owned subsidiaries of the Company. The Company did not provide guarantees to its subsidiaries or third parties, and there was no overdue guarantee.

Any amount of the above-mentioned external guarantees involving foreign currency is converted at the median rate of the exchange rate of RMB announced by the People's Bank of China on 30 December 2022.

5. OTHER SIGNIFICANT EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS IN MAKING VALUE JUDGMENTS AND INVESTMENT DECISIONS

- On 21 September 2021, the Company published the “Announcement on the Plan to Increase Shareholding by the Controlling Shareholder of China Telecom Corporation Limited”, pursuant to which, China Telecommunications proposed to increase its shareholding in the Company by an amount of not less than RMB4 billion, as and when appropriate, during the twelve-month period from 22 September 2021. There is no price range for the increase in shareholding. In view of the fair judgement on the Company’s share price, China Telecommunications would gradually implement the plan on shareholding increase taking into account of the fluctuations in the Company’s share price and the overall trend of the capital market. The shareholding increase plan is a voluntary shareholding increase plan of China Telecommunications and is implemented separately from the plan for share price stabilisation within three years after the A Share listing of the Company. On 18 September 2022, the Company published the “Announcement on the Implementation Results of the Plan to Increase Shareholding by the Controlling Shareholder of China Telecom Corporation Limited”. As of 16 September 2022, the implementation of the plan to increase shareholding has been completed. From 22 September 2021 to 16 September 2022, China Telecommunications increased its shareholding in the Company by 985,150,057 A Shares in aggregate through the trading system of the SSE by way of block trading. The cumulative amount of the shareholding increase was RMB4,000,151,129.32, which has reached the lower limit of the amount of the shareholding increase plan. The implementation of the above plan to increase shareholding has been completed.
- On 27 January 2022, the Company published the “Announcement on Measures of the Share Price Stabilisation of China Telecom Corporation Limited”. According to the “Proposal regarding the Price Stabilisation Plan of A Shares within Three Years Following the Initial Public Offering and Listing of RMB ordinary shares (A Shares) of China Telecom Corporation Limited”, China Telecommunications, the controlling shareholder of the Company, intended to take measures to stabilise share price by increasing its A Shares holding of the Company. China Telecommunications proposed to increase its holding in A Shares of the Company by the amount of not less than RMB500 million, as and when appropriate, during the twelve-month period from 28 January 2022. There is no price range for the shareholding increase. The source of funding for the increase will be self-owned capital fund. In view of the fair judgement on the Company’s share price, China Telecommunications would gradually implement the plan on shareholding increase taking into account of the fluctuations in the Company’s share price and the overall trend of the capital market. On 19 January 2023, the Company published the “Announcement on Completion of Implementation of the Share Price Stabilisation Measures of China Telecom Corporation Limited”. As of 18 January 2023, the implementation of the share price stabilisation measures has been completed. From 28 January 2022 to 18 January 2023, China Telecommunications increased its shareholding in the Company by 114,315,800 A Shares in aggregate through the trading system of the SSE by way of block trading. The cumulative amount of the shareholding increase was RMB500,634,553.94, which has reached the lower limit of the amount of the shareholding increase plan. The implementation of the above share price stabilisation measures has been completed. As of 18 January 2023, China Telecommunications held 58,476,519,174 A Shares of the Company, representing 63.90% of the total issued shares of the Company.

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SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL

(1) Table of changes in shares

1. Table of changes in shares

Unit: shares

	Before the change		Changes (+, -)				After the change		
	Quantity	Percentage (%)	Issue of new shares	Bonus issue	Transferred from reserves	Others	Subtotal	Quantity	Percentage (%)
(1) Shares with lock-up restrictions	73,224,400,408	80.02				-15,185,097,091	-15,185,097,091	58,039,303,317	63.42
1. State-owned shares									
2. Shares held by state-owned legal persons	70,017,326,112	76.52				-12,529,897,795	-12,529,897,795	57,487,428,317	62.82
3. Shares held by other domestic shareholders	3,206,896,963	3.50				-2,655,021,963	-2,655,021,963	551,875,000	0.60
Of which: Shares held by domestic non-state-owned legal persons	3,196,714,289	3.49				-2,644,839,289	-2,644,839,289	551,875,000	0.60
Shares held by domestic natural persons	10,182,674	0.01				-10,182,674	-10,182,674	0	
4. Shares held by foreign shareholders	177,333	0.0002				-177,333	-177,333	0	
Of which: Shares held by overseas legal persons	177,333	0.0002				-177,333	-177,333	0	
Shares held by overseas natural persons									
(2) Shares without lock-up restrictions	18,282,738,291	19.98				15,185,097,091	15,185,097,091	33,467,835,382	36.58
1. RMB ordinary shares	4,406,328,291	4.81				15,185,097,091	15,185,097,091	19,590,425,382	21.41
2. Domestic-Listed Foreign-Invested Shares									
3. Overseas-Listed Foreign-Invested Shares	13,877,410,000	15.17						13,877,410,000	15.17
4. Others									
(3) Total number of shares	91,507,138,699	100						91,507,138,699	100

2. Explanation on changes in shares

On 15 February 2022, the Company published the “Announcement on the Release for Trading of Offline Allotted Shares of the Initial Public Offering of China Telecom Corporation Limited”, pursuant to which 986,228,087 lock-up shares allotted offline during the initial public offering of the Company were released for trading as the lock-up period expired on 21 February 2022 (as 20 February 2022 was a non-trading day, the date of release for trading was postponed to 21 February 2022).

On 16 August 2022, the Company published the “Announcement on the Release for Trading of Partial Lock-up Shares of the Initial Public Offering of China Telecom Corporation Limited”, pursuant to which 14,198,869,004 lock-up shares allotted during the initial public offering of the Company were released for trading as the lock-up period expired on 22 August 2022 (as 20 August 2022 was a non-trading day, the date of release for trading was postponed to 22 August 2022).

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

(2) Changes in shares with lock-up restrictions

Unit: shares

Name of shareholder	Number of lock-up shares at the beginning of the period	Number of shares released during the Reporting Period	Increase in lock-up shares during the Reporting Period	Number of lock-up shares at the end of the Reporting Period	Reason for lock-up restrictions	Date of unlocking
China Telecommunications Corporation	57,377,053,317	0	0	57,377,053,317	Initial public offering	2024-08-20
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653	5,614,082,653	0	0	Initial public offering	2022-08-22
Zhejiang Provincial Financial Development Co., Ltd.	2,137,473,626	2,137,473,626	0	0	Initial public offering	2022-08-22
Fujian Investment & Development Group Co., Ltd.	969,317,182	969,317,182	0	0	Initial public offering	2022-08-22
Jiangsu Guoxin Group Limited	957,031,543	957,031,543	0	0	Initial public offering	2022-08-22
Strategic allotment	662,250,000	0	0	662,250,000	Lock-up for strategic allotment of the initial public offering	2024-08-20
Strategic allotment	4,520,964,000	4,520,964,000	0	0	Lock-up for strategic allotment of the initial public offering	2022-08-22
Offline allotment with restrictions	986,228,087	986,228,087	0	0	Lock-up for offline allotment of the initial public offering	2022-02-21
Total	73,224,400,408	15,185,097,091	0	58,039,303,317	/	/

2. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(1) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	457,299
Total number of ordinary shareholders as at the end of February 2023	386,557

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

Unit: shares

Name of shareholder (Full name)	Shareholdings of the top ten shareholders			Number of shares held with lock-up restrictions	Pledge, marking or freezing conditions		Nature of shareholder
	Changes during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)		Status of shares	Quantity	
China Telecommunications Corporation	527,891,013	58,364,586,774	63.78	57,377,053,317	Nil	-	State-owned legal person
HKSCC Nominees Limited	-1,311,285	13,846,825,338	15.13	0	Unknown	-	Foreign legal person
Guangdong Rising Holdings Group Co., Ltd.	0	5,614,082,653	6.14	0	Nil	-	State-owned legal person
Zhejiang Provincial Financial Development Co., Ltd.	0	2,137,473,626	2.34	0	Nil	-	State-owned legal person
Fujian Investment & Development Group Co., Ltd.	-1,023,000	968,294,182	1.06	0	Nil	-	State-owned legal person
Jiangsu Guoxin Group Limited	0	957,031,543	1.05	0	Nil	-	State-owned legal person
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	0	662,251,000	0.72	0	Nil	-	Unknown
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	0	551,876,000	0.60	0	Nil	-	State-owned legal person
State Grid Yingda International Holdings Group Co., Ltd.	0	441,501,000	0.48	0	Nil	-	State-owned legal person
Suzhou High Speed Rail New Town Economic Development Co., Ltd	-388,861,598	273,389,402	0.30	0	Nil	-	Unknown

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders without lock-up restriction

Name of shareholder	Number of tradable	Class and number of shares	
	shares held without lock-up restriction	Class	Quantity
HKSCC Nominees Limited	13,846,825,338	Overseas-listed foreign-invested shares	13,846,825,338
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653	RMB ordinary shares	5,614,082,653
Zhejiang Provincial Financial Development Co., Ltd.	2,137,473,626	RMB ordinary shares	2,137,473,626
China Telecommunications Corporation	987,533,457	RMB ordinary shares	987,533,457
Fujian Investment & Development Group Co., Ltd.	968,294,182	RMB ordinary shares	968,294,182
Jiangsu Guoxin Group Limited	957,031,543	RMB ordinary shares	957,031,543
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	662,251,000	RMB ordinary shares	662,251,000
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	551,876,000	RMB ordinary shares	551,876,000
State Grid Yingda International Holdings Group Co., Ltd.	441,501,000	RMB ordinary shares	441,501,000
Suzhou High Speed Rail New Town Economic Development Co., Ltd	273,389,402	RMB ordinary shares	273,389,402
Explanation on the securities account designated for share repurchase of the top ten shareholders		N/A	
Explanation on the voting rights entrusted by or waived by the above shareholders		N/A	
Description of connected relationship or acting in concert among the aforementioned shareholders		The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.	
Description of the holders of preference shares with restored voting rights and their shareholding		N/A	

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Unit: shares

Shareholdings of the top ten shareholders with lock-up restrictions

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

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

Names of strategic investors or other legal persons	Agreed shareholding start date	Agreed shareholding end date
Suzhou High Speed Rail New Town Economic Development Co., Ltd	20 August 2021	–
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	20 August 2021	–
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	20 August 2021	–
State Grid Yingda International Holdings Group Co., Ltd.	20 August 2021	–
Description of agreed term of shareholding in respect of strategic investors and general legal persons' participation in placing of new shares	Lock-up for 12 months from the date of listing, and the lock-up was released during the Reporting Period	

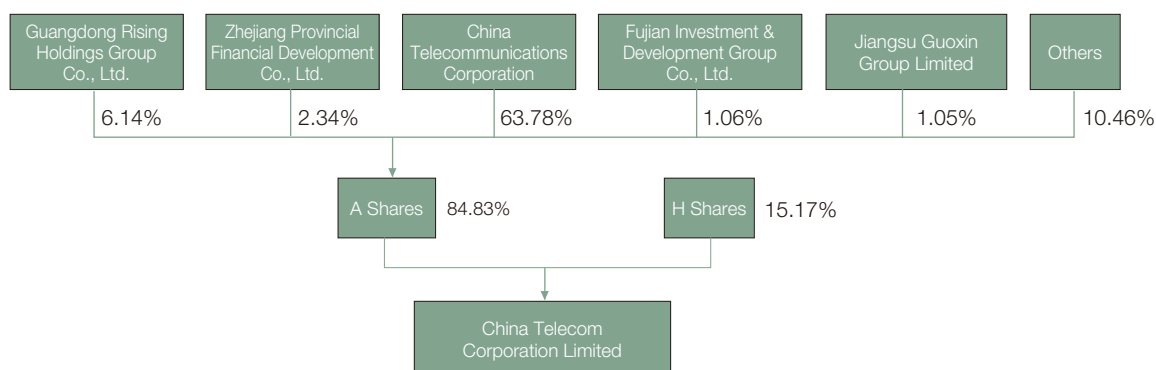
3. INFORMATION ON CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(1) Information on controlling shareholder

1. Legal person

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

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



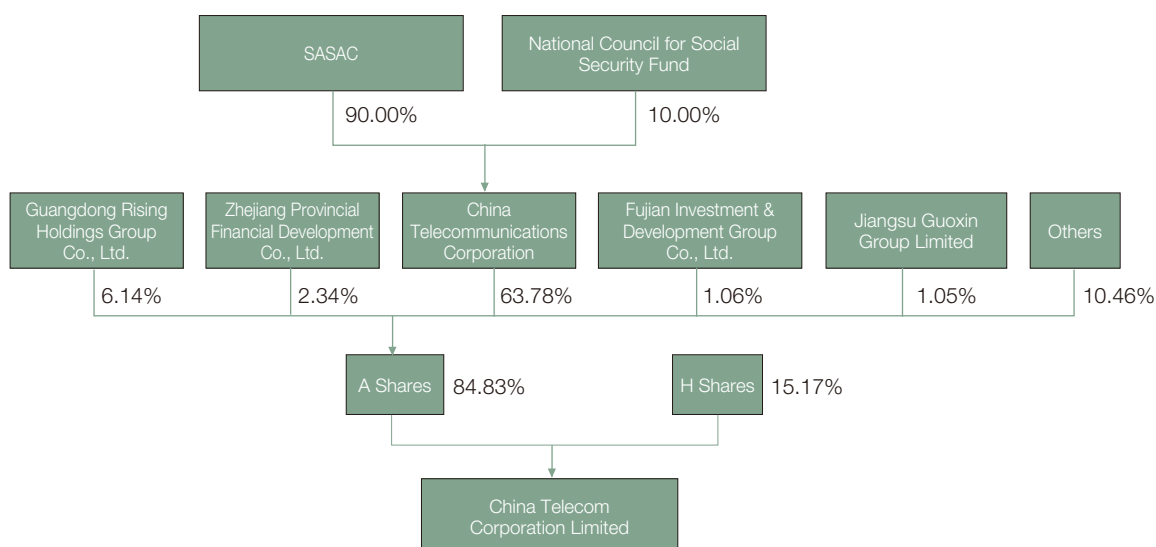
Note: Data as at 31 December 2022.

(2) Ultimate controller

1. Legal person

Name	State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")
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2. Ownership and controlling relationship between the Company and the ultimate controller



Note: Data as at 31 December 2022.

4. MATTERS REGARDING THE RESTRICTION OF REDUCING SHARES

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

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

Within 36 months from the date on which the A Shares of the Company are listed and traded on the SSE, it shall not transfer or entrust others to manage the shares held by China Telecommunications prior to the initial public offering of A Shares of the Company, nor shall the Company repurchase such shares. China Telecommunications undertakes to strictly comply with the Company Law, the Securities Law, the SSE Listing Rules and other laws and regulations, policy requirements and the relevant requirements of the CSRC for prudent supervision, and to determine the lock-up period by adopting a longer applicable period; In the event of future changes in the above laws and regulations and policies, China Telecommunications undertakes to determine the lock-up period in strict accordance with the requirements after the changes. If the shares held by China Telecommunications are reduced within two years after the expiration of the above-mentioned shareholding period, the price of such reduction shall not be lower than the issue price of the Company's initial public offering of A Shares; if the closing price of the Company's shares is lower than the issue price for 20 consecutive trading

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

Each of Guangdong Rising, Zhejiang Financial Development, Fujian Investment Group and Jiangsu Guoxin, being the shareholders of the Company, undertakes that:

Within 12 months from the date on which the A Shares of the Company are listed and traded on a stock exchange, it shall not transfer or entrust others to manage the shares it held before the initial public offering of A Shares of the Company, nor shall the Company repurchase such shares; The lock-up period will be determined in strict compliance with the Company Law, the Securities Law, the SSE Listing Rules and other laws, regulations and policies as well as the relevant requirements of the CSRC for prudent supervision, and to determine the lock-up period by adopting a longer applicable period; In the event of future changes in the above laws and regulations and policies, the lock-up period will be determined in strict accordance with the requirements after the changes; In the event of failure to perform the above undertakings, it shall take the relevant liabilities in accordance with the relevant laws and regulations, regulatory documents and the provisions of the stock exchange's business rules and the requirements of the regulatory authorities.

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

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

1. After the initial public offering and listing of A Shares of the Company, it will strictly comply with its undertakings on the lock-up period of its shares. After the expiration of the committed lock-up period, in compliance with the relevant laws and regulations, regulatory documents and the business rules of the stock exchange, it will determine whether to reduce its shareholding in the Company based on factors such as the overall conditions of the securities market, the Company's operating results and stock trends, and its business development needs.
2. After the initial public offering and listing of A Shares of the Company and the expiration of the committed lock-up period, if it decides to reduce its shareholding in the Company, it will be processed through the block trading system of the stock exchange, the centralised bidding trading system or by agreement as permitted by laws and regulations.
3. If it intends to reduce its shareholding, it shall notify the Company in writing in advance on the information such as the number of shares to be reduced and the reasons for such reduction, and the Company shall perform the information disclosure obligations in accordance with the relevant laws and regulations and regulatory rules. It may implement the reduction after three trading days from the date on which the Company discloses its intention to reduce its shareholding.
4. Reduction of shareholding in the Company will be implemented in accordance with the requirements of laws, administrative regulations, *the Several Provisions on Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies* and *the Implementation Rules for Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies of the Shanghai Stock Exchange*. If there are changes in the relevant laws and regulations, regulatory documents and the business rules of the stock exchange, the then effective provisions shall prevail.
5. Reduction of shares of the Company acquired through the secondary market after the initial public offering and listing of A Shares of the Company shall not be subject to the above undertakings.

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

SECTION VIII RELEVANT INFORMATION ON BONDS

CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

Company bonds

1. Basic information of company bonds

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Code	Issue date	Value date	Maturity date	Balance of bonds	Interest rate (%)	Repayment method	Trading venues	Suitability arrangement for investors (if any)	Trading mechanism	Whether there is risk of termination of listing and trading
2020 company bonds (first tranche) publicly issued by China Telecom Corporation Limited	20 Telecom 01	163253	2020-03-09 (first issue date)	2020-03-10	2023-03-10	2,000,000,000	2.90	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	SSE	Debt securities traded to qualified investors	Bidding trading system and comprehensive electronic trading platform for fixed income securities	No

Interest payment of bonds during the Reporting Period

Name of bond	Description of interest payment
2020 company bonds (first tranche) publicly issued by China Telecom Corporation Limited	Interest has been paid on time and in full.

2. Intermediaries providing services for bond issuance and duration business

Name of intermediary	Office Address	Name of signing accountants	Contact person	Telephone
CITIC Securities Company Limited	CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing, PRC	Nil	Zhu Ge, Dong Yuanpeng, Yang Quan	010-60833504
China Securities Depository and Clearing Corporation Limited Shanghai Branch	No.188 South Yanggao Road, Pudong New Area, Shanghai, PRC	Nil	Xu Ying	021-38874880

3. Use of proceeds at the end of the Reporting Period

Unit: Yuan Currency: RMB

Name of bond	Total amount of proceeds	Amount utilised	Unutilised amount	Operation of special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the intended use, use plan and other agreements in the bond prospectus
2020 company bonds (first tranche) publicly issued by China Telecom Corporation Limited	2,000,000,000	2,000,000,000	0	Since the issuance of the company bonds, the special account for the use of proceeds has been set up by the custodian bank and has been in normal operation. The Company has arranged the use of proceeds in strict accordance with the investment direction and investment amount committed in the bond prospectus, and the proceeds have been used for specific purposes. The custodian bank is responsible for supervising the Company's use of proceeds strictly in accordance with the specified use of proceeds.	Nil	Yes

CLOUDIFICATION AND DIGITAL TRANSFORMATION TO EMPOWER DIGITAL ECONOMY



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of China Telecom Corporation Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Telecom Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 185 to 287, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

- Revenue recognition
- Impairment assessment of goodwill

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="225 566 815 611"><i>Impairment assessment of goodwill</i></p> <p data-bbox="225 611 815 757">Refer to Note 3 – Significant accounting policies (h), Note 7 – Goodwill and Note 47 – Accounting estimates and judgments to the consolidated financial statements.</p> <p data-bbox="225 757 815 1160">The Group had recorded goodwill arising from acquisition of its mobile communications business. In accordance with International Accounting Standards (“IAS”) 36 “Impairment of Assets”, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit (“CGU”) to which goodwill has been allocated may be impaired. When performing the impairment assessment, management has determined the recoverable amounts of the CGU based on value in use calculations using discounted cash flow model.</p> <p data-bbox="225 1160 815 1563">We focused on auditing the impairment assessment of goodwill due to the magnitude of the carrying amount of goodwill and the estimation of recoverable amount was subject to a high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered high due to the complexity of the impairment model deployed, subjectivity of significant assumptions used, and significant judgements involved in selecting the underlying data, such as revenue growth rate, terminal growth rate and pre-tax discount rate.</p>	<p data-bbox="815 611 1447 689">In response to this key audit matter, we performed the following procedures:</p> <ul data-bbox="815 689 1447 1921" style="list-style-type: none"> <li data-bbox="815 689 1447 1003">• Obtained an understanding of the management’s internal controls and assessment process of the recoverable amounts of goodwill; and assessed the inherent risks of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; <li data-bbox="815 1003 1447 1205">• Evaluated and tested the key internal controls over the impairment assessment of goodwill including controls over the development of the model and significant assumptions used in the impairment test; <li data-bbox="815 1205 1447 1361">• Assessed the reasonableness of management’s allocation of goodwill to CGUs or groups of CGUs based on our understanding of the Group’s business; <li data-bbox="815 1361 1447 1518">• Involved our valuation specialists to evaluate the appropriateness of the model and certain significant assumptions such as the pre-tax discount rate and terminal growth rate; <li data-bbox="815 1518 1447 1787">• Evaluated the reasonableness of other key assumptions adopted in the model such as revenue growth rate with consideration of our industry knowledge and independent research performed by us and the degree of historical accuracy of the management’s assumptions and projections in achieving the forecasts; and <li data-bbox="815 1787 1447 1921">• Tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the models. <p data-bbox="815 1921 1447 2054">Based on our work, we found that the result of management’s impairment assessment of goodwill was supported by the evidence we obtained.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022 (Amounts in million)

	Notes	31 December 2022 RMB	31 December 2021 RMB (restated)
ASSETS			
Non-current assets			
Property, plant and equipment, net	4	413,963	415,981
Construction in progress	5	58,443	51,457
Right-of-use assets	6	87,055	61,187
Goodwill	7	29,922	29,919
Intangible assets	8	20,780	19,753
Interests in associates and joint ventures	10	42,220	41,166
Financial assets at fair value through profit or loss		402	248
Equity instruments at fair value through other comprehensive income	11	885	1,216
Deferred tax assets	12	3,821	6,688
Other assets	13	9,135	7,261
Total non-current assets		666,626	634,876
Current assets			
Inventories	15	3,513	3,827
Income tax recoverable		154	437
Accounts receivable, net	16	24,312	22,389
Contract assets	17	3,042	912
Prepayments and other current assets	18	33,751	24,585
Short-term bank deposits and restricted cash		3,835	1,929
Cash and cash equivalents	19	72,465	73,284
Total current assets		141,072	127,363
Total assets		807,698	762,239

SECTION IX FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022 (Amounts in million)

	Notes	31 December 2022 RMB	31 December 2021 RMB (restated)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts	20	2,840	2,821
Current portion of long-term debts	20	3,160	6,280
Accounts payable	21	127,260	114,893
Accrued expenses and other payables	22	65,229	55,765
Contract liabilities	23	67,841	70,914
Income tax payable		919	588
Current portion of lease liabilities	24	14,488	13,810
Total current liabilities		281,737	265,071
Net current liabilities		(140,665)	(137,708)
Total assets less current liabilities		525,961	497,168
Non-current liabilities			
Long-term debts	20	4,484	7,395
Lease liabilities	24	52,408	28,594
Deferred tax liabilities	12	27,945	26,677
Other non-current liabilities		4,697	3,329
Total non-current liabilities		89,534	65,995
Total liabilities		371,271	331,066
Equity			
Share capital	25	91,507	91,507
Reserves	26	340,582	337,171
Total equity attributable to equity holders of the Company		432,089	428,678
Non-controlling interests		4,338	2,495
Total equity		436,427	431,173
Total liabilities and equity		807,698	762,239

Approved and authorised for issue by the Board of Directors on 22 March 2023 and are signed on its behalf by:

Ke Ruiwen
Executive Director,
Chairman and Chief Executive Officer

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

The notes on pages 193 to 287 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022 (Amounts in million except for per share data)

	Notes	2022 RMB	2021 RMB (restated)
Operating revenues	27	481,448	439,553
Operating expenses			
Depreciation and amortisation		(96,932)	(92,966)
Network operations and support	28	(147,589)	(133,340)
Selling, general and administrative	31	(64,277)	(61,154)
Personnel expenses	29	(84,772)	(76,057)
Other operating expenses	30	(54,451)	(45,088)
Total operating expenses		(448,021)	(408,605)
Operating profit		33,427	30,948
Net finance costs	32	(7)	(1,293)
Investment income and others		243	2,244
Share of profits of associates and joint ventures		2,051	1,966
Profit before taxation		35,714	33,865
Income tax	33	(8,038)	(7,716)
Profit for the year		27,676	26,149
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of investments in equity instruments at fair value through other comprehensive income		(222)	20
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income		50	(15)
		(172)	5
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of subsidiaries outside mainland China		712	(233)
		712	(233)
Other comprehensive income for the year, net of tax		540	(228)
Total comprehensive income for the year		28,216	25,921

SECTION IX FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022 (Amounts in million except for per share data)

	Notes	2022 RMB	2021 RMB (restated)
Profit attributable to			
Equity holders of the Company		27,593	25,949
Non-controlling interests		83	200
Profit for the year		27,676	26,149
Total comprehensive income attributable to			
Equity holders of the Company		28,133	25,721
Non-controlling interests		83	200
Total comprehensive income for the year		28,216	25,921
Basic earnings per share (RMB)	38	0.30	0.31
Diluted earnings per share (RMB)	38	0.30	0.31
Number of shares (in million)	25	91,507	91,507

The notes on pages 193 to 287 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022 (Amounts in million)

Notes	Attributable to equity holders of the Company									Non-Controlling interests RMB	Total equity RMB
	Share capital RMB	Capital reserve RMB	Share premium RMB	Surplus reserves RMB	General risk reserve RMB	Other reserves RMB	Exchange reserve RMB	Retained earnings RMB	Total RMB		
Balance as at 1 January 2021	80,932	17,468	10,746	79,854	56	321	(937)	175,016	363,456	2,719	366,175
Profit for the year (restated)	-	-	-	-	-	-	-	25,949	25,949	200	26,149
Other comprehensive income for the year	-	-	-	-	-	5	(233)	-	(228)	-	(228)
Total comprehensive income for the year (restated)	-	-	-	-	-	5	(233)	25,949	25,721	200	25,921
Adjusted for entity combination under common control	3(a)	-	3	-	-	-	-	-	3	1	4
Issuance of shares upon A Shares Offering, net of issuing expenses	10,575	-	36,941	-	-	-	-	-	47,516	-	47,516
Contribution from non-controlling interests	-	463	-	-	-	-	-	-	463	613	1,076
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(116)	(116)
Disposal of subsidiaries	-	-	-	-	(3)	(28)	-	31	-	(922)	(922)
Share of associates and joint ventures' other changes in reserves	-	(42)	-	-	-	-	-	-	(42)	-	(42)
Dividends	37	-	-	-	-	-	-	(8,439)	(8,439)	-	(8,439)
Appropriations to statutory surplus reserve	26	-	-	2,423	-	-	-	(2,423)	-	-	-
Appropriations to general risk reserve	26	-	-	-	44	-	-	(44)	-	-	-
Balance as at 31 December 2021, as restated	91,507	17,892	47,687	82,277	97	298	(1,170)	190,090	428,678	2,495	431,173
Profit for the year	-	-	-	-	-	-	-	27,593	27,593	83	27,676
Other comprehensive income for the year	-	-	-	-	-	(172)	712	-	540	-	540
Total comprehensive income for the year	-	-	-	-	-	(172)	712	27,593	28,133	83	28,216
Consideration for entity combination under common control	3(a)	-	(9)	-	-	-	-	-	(3)	-	(3)
Acquisition of non-controlling interests	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Contribution from non-controlling interests	-	1,824	-	-	-	-	-	-	1,824	1,851	3,675
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(89)	(89)
Share of associates and joint ventures' other changes in reserves	-	(2)	-	-	-	-	-	(3)	(5)	(2)	(7)
Dividends	37	-	-	-	-	-	-	(26,537)	(26,537)	-	(26,537)
Appropriations to statutory surplus reserve	26	-	-	2,624	-	-	-	(2,624)	-	-	-
Appropriations to general risk reserve	26	-	-	-	86	-	-	(86)	-	-	-
Balance as at 31 December 2022	91,507	19,710	47,687	84,901	183	126	(458)	188,433	432,089	4,338	436,427

The notes on pages 193 to 287 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022 (Amounts in million)

	Notes	2022 RMB	2021 RMB (restated)
Net cash from operating activities	(a)	136,432	137,533
Cash flows used in investing activities			
Capital expenditure		(89,705)	(84,848)
Purchase of investments		(175)	(206)
Payments for right-of-use assets		(1,807)	(327)
Proceeds from disposal of property, plant and equipment		1,422	1,637
Proceeds from disposal of right-of-use assets		142	82
Proceeds from disposal of investments		200	52
Net cash inflow from disposal of subsidiaries		–	3,764
Payments for equity instruments at fair value through other comprehensive income		(15)	(211)
Purchase of short-term bank deposits		(2,537)	(9,251)
Maturity of short-term bank deposits		1,750	11,020
Short-term loans granted to China Telecom Group by Finance Company	(b)	(8,105)	(2,000)
China Telecom Group's repayments of short-term loans granted by Finance Company	(b)	2,034	–
Net cash used in investing activities		(96,796)	(80,288)
Cash flows used in financing activities			
Proceeds from A Shares Offering, net of issuing expenses		–	47,516
Repayments of principal of lease liabilities		(15,897)	(14,035)
Proceeds from bank and other loans		3,692	38,922
Repayments of bank and other loans		(9,615)	(74,486)
Payment of dividends		(26,537)	(8,439)
Distribution to non-controlling interests		(90)	(112)
Payment for the acquisition of non-controlling interests		(1)	–
Contribution from non-controlling interests		3,675	100
Net deposits with Finance Company	(b)	4,411	3,190
Increase in statutory deposit reserves placed by Finance Company	(b)	(541)	(177)
(Consideration paid)/Contribution from shareholders for entity combination under common control		(3)	3
Net cash used in financing activities		(40,906)	(7,518)
Net (decrease)/increase in cash and cash equivalents		(1,270)	49,727
Cash and cash equivalents as at 1 January		73,284	23,684
Effect of changes in foreign exchange rate		451	(127)
Cash and cash equivalents as at 31 December		72,465	73,284

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022 (Amounts in million)

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

	2022	2021
	RMB	RMB
		(restated)
Profit before taxation	35,714	33,865
Adjustment for:		
Depreciation and amortisation	96,932	92,966
Impairment losses for financial assets, net of reversal	2,340	1,819
Write-down of inventories, net of reversal	(61)	69
Investment income and others	(243)	(2,244)
Share of profits of associates and joint ventures	(2,051)	(1,966)
Interest income	(1,808)	(1,104)
Net interest expense	1,881	2,404
Net foreign exchange gain and others	(66)	(7)
Net loss on retirement and disposal of long-lived assets and others	6,158	6,095
	138,796	131,897
Increase in accounts receivable	(3,842)	(3,327)
Increase in contract assets	(2,185)	(318)
Decrease/(Increase) in inventories	370	(595)
Increase in prepayments and other current assets	(4,302)	(2,031)
Increase in restricted cash	(496)	(85)
Increase in other assets	(449)	(2,047)
Increase in accounts payable	9,683	4,225
Increase in accrued expenses and other payables	4,293	7,009
(Decrease)/Increase in contract liabilities	(3,165)	7,140
Cash generated from operations	138,703	141,868
Interest received	1,754	1,045
Interest paid	(1,993)	(2,522)
Investment income received	1,208	860
Income tax paid	(3,240)	(3,718)
Net cash from operating activities	136,432	137,533

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022 (Amounts in million)

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

(c) SIGNIFICANT NON-CASH TRANSACTIONS

For the year ended 31 December 2022 and 2021, the Group did not have significant non-cash investing and financing activities, except for the additions of right-of-use assets and lease liabilities (including increases in right-of-use assets and lease liabilities arising from the Company’s entering into Commercial Pricing Agreement and Service Agreement with China Tower Corporation Limited (“China Tower”) this year, which was accounted for as lease modification, further information is set out in Note 43(b)).

The notes on pages 193 to 287 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PRESENTATION

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

The Company filed a Form 15F with the U.S. Securities and Exchange Commission (the “SEC”) on 25 February 2022 to deregister the American Depositary Shares (the “ADSs”) and terminate its reporting obligation under the U.S. Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”). The deregistration and termination of reporting obligation therefore became effective 90 days after the filing as the application was neither withdrawn by the Company nor objected to by the SEC.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) that are mandatorily effective for the current year:

Amendments to IAS 16, IFRS 3, IAS 37 and “*Annual Improvements to IFRS Standards 2018-2020*”

The application of the above amendments to IFRSs in the current year has had no material effect on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs as issued by the IASB. For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

As at 31 December 2022, the total current liabilities of the Group had exceeded the total current assets by RMB140,665 million (31 December 2021: RMB137,708 million). Management of the Company have assessed the Group’s available sources of funds as follows: 1) the Group’s continuous net cash inflow to be generated from its operating activities; 2) the unutilised credit facilities amounting to RMB233,639 million (31 December 2021: RMB276,483 million); and 3) the Group’s other available sources of financing from domestic banks in mainland China and other financial institutions in view of the Group’s good credit history. Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the consolidated financial statements of the Group for the year ended 31 December 2022 has been prepared on a going concern basis.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

In December 2022, China Telecom Intelligent Network Technology Co., Ltd., a subsidiary of the Company, acquired equity interest in Beeya (Shanghai) Technology Co., Ltd. (the “Acquired Company”) from Tianyi Technology Venture Capital Co., Ltd., a wholly-owned subsidiary of China Telecommunications Corporation, and Shanghai Yizhiying Intelligent Technology Partnership (Limited Partnership), a wholly-owned subsidiary of Shanghai Yizhichuang Management Consulting Co., Ltd., a holding subsidiary of Tianyi Technology Venture Capital Co., Ltd., at total purchase prices of RMB2 million and RMB1 million respectively.

Since the Group and the Acquired Company are under common control of China Telecommunications Corporation, the Group’s acquisition of the Acquired Company has been accounted for as a combination of entities under common control. Accordingly, the Acquired Company is stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the Acquired Company acquired had always been part of the Group. As a result, the Group has restated the 2021 comparative amounts of the consolidated statement of comprehensive income by including the operating results of the Acquired Company and eliminating its transactions with the Acquired Company. The consolidated statement of financial position of the Group as at 31 December 2021 was restated to include the assets and liabilities of the Acquired Company. For the years presented, all significant transactions and balances between the Group and the Acquired Company have been eliminated on combination.

(b) Basis of consolidation and equity accounting

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Foreign currencies translation**

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

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

(d) Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Property, plant and equipment (continued)**

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

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

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

(e) Construction in progress

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

No depreciation is provided in respect of construction in progress.

(f) Goodwill

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) Intangible assets**

The Group's intangible assets are primarily software.

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

(h) Impairment of goodwill and long-lived assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of goodwill and long-lived assets (continued)

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

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

(i) Interests in joint operations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(j) Inventories**

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

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

(k) Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(k) Financial instruments (continued)****Financial assets (continued)****Derecognition of financial assets**

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

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

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

Financial liabilities and equity**Classification as debt or equity**

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

Equity instruments

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

Financial liabilities

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

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

Offsetting a financial asset and a financial liability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

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

(m) Revenue from contract with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Groups performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Revenue from contract with customers (continued)**

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue from contract with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

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

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

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

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

Principal versus agent

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Revenue from contract with customers (continued)****Consideration payable to a customer**

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

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

Incremental costs of obtaining a contract

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue from contract with customers (continued)

Costs to fulfil a contract

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

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

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

(n) Leases

Definition of a lease

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

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

The Group as a lessee

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

Allocation of consideration to components of a contract

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Leases (continued)****The Group as a lessee (continued)****Short-term leases and leases of low-value assets**

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

Covid-19-related rent concessions

Since 2020, in relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group had elected to early apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

Covid-19-related rent concessions (continued)

As a result of applying the practical expedient, the Group accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

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

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

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

Allocation of consideration to components of a contract

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Leases (continued)****The Group as a lessor (continued)****Refundable rental deposits**

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

Sublease

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

Lease modifications

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

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

(o) Net finance costs

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

Interest costs incurred in connection with borrowings are calculated using the effective interest method and are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Research and development expense

Research and development expenditure is expensed as incurred if the criteria of recognition as intangible assets were not met. For the year ended 31 December 2022, research and development expense, other than those related personnel expenses and depreciation was RMB4,199 million (2021: RMB3,379 million). Research and development related personnel expenses and depreciation for the year ended 31 December 2022 amounted to RMB6,237 million (2021: RMB3,432 million) and RMB124 million (2021: RMB122 million), respectively.

(q) Employee benefits

The Group's contributions to defined contribution retirement plans administered by the PRC government and defined contribution retirement plans administered by independent external parties are recognised in profit or loss as incurred. Further information is set out in Note 45.

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the profit or loss over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is re-measured to fair value at the end of each reporting period with the effect of changes in the fair value of the liability charged or credited to profit or loss. Further details of the Group's share appreciation rights scheme are set out in Note 46.

(r) Government grants

Government grants shall only be recognised until there is reasonable assurance that:

- the Group will comply with all the conditions attaching to them; and
- the grants will be received.

Government grants that compensate expenses incurred are recognised in the consolidated statement of comprehensive income in the same periods in which the expenses are incurred.

Government grants relating to assets are recognised in accrued expenses and other payables and other non-current liabilities and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(s) Provisions and contingent liabilities**

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Value-added tax (“VAT”)

Output VAT rate for basic telecommunications services (including voice communication, lease or sale of network resources) is 9% since 1 April 2019, while the output VAT rate for value-added telecommunications services (including Internet access services, short and multimedia messaging services, transmission and application service of electronic data and information) is 6%, and the output VAT for sales of telecommunications terminals and equipment is 13% since 1 April 2019. Input VAT rate depends on the type of services received and the assets purchased as well as the VAT rate applicable to a specific industry, and ranges from 3% to 13% since 1 April 2019.

Output VAT is excluded from operating revenues while input VAT is excluded from operating expenses or the original cost of equipment purchased and can be netted against the output VAT, arriving at the net amount of VAT recoverable or payable. As the VAT obligations are borne by branches and subsidiaries of the Company, input and output VAT are set off at branches and subsidiaries levels which are not offset at the consolidation level. Such net amount of VAT recoverable or payable is recorded in the financial statement line items of prepayments and other current assets and accrued expenses and other payables, respectively, in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax

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

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

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

The Group considers that assets and liabilities relating to leasing arise from a single transaction. The Group applies IAS 12, "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(w) Related parties**

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

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

(x) Segment reporting

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are regularly reviewed by the chief operating decision maker in order to allocate resources and assess performance of the segment. For the years presented, management has determined that the Group has one operating segment as the Group is only engaged in the integrated telecommunications business. The Group's assets located outside mainland China and operating revenues derived from activities outside mainland China are less than 10% of the Group's assets and operating revenues, respectively. No geographical area information has been presented as such amount is immaterial. No single external customer accounts for 10% or more of the Group's operating revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

4. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and improvements RMB million	Communications network plant and equipment RMB million	Furniture, fixture, motor vehicles and other equipment RMB million	Total RMB million
Cost/Deemed cost:				
Balance as at 1 January 2021	105,594	896,411	31,162	1,033,167
Additions	284	175	325	784
Transferred from construction in progress	2,466	72,260	1,625	76,351
Retirement and disposal	(1,146)	(74,532)	(2,960)	(78,638)
Balance as at 31 December 2021	107,198	894,314	30,152	1,031,664
Additions	1,054	528	365	1,947
Transferred from construction in progress	2,303	72,836	1,890	77,029
Retirement and disposal	(1,541)	(85,846)	(2,688)	(90,075)
Balance as at 31 December 2022	109,014	881,832	29,719	1,020,565
Accumulated depreciation and impairment:				
Balance as at 1 January 2021	(64,649)	(526,740)	(23,173)	(614,562)
Depreciation charge for the year	(3,997)	(65,113)	(2,396)	(71,506)
Provision for impairment loss	-	(119)	(2)	(121)
Written back on retirement and disposal	1,022	66,735	2,749	70,506
Balance as at 31 December 2021	(67,624)	(525,237)	(22,822)	(615,683)
Depreciation charge for the year	(3,777)	(66,975)	(1,978)	(72,730)
Provision for impairment loss	-	(68)	(2)	(70)
Written back on retirement and disposal	1,392	77,958	2,531	81,881
Balance as at 31 December 2022	(70,009)	(514,322)	(22,271)	(606,602)
Net book value as at 31 December 2022	39,005	367,510	7,448	413,963
Net book value as at 31 December 2021	39,574	369,077	7,330	415,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

5. CONSTRUCTION IN PROGRESS

	RMB million
Balance as at 1 January 2021	48,425
Additions	85,583
Transferred to property, plant and equipment	(76,351)
Transferred to intangible assets	(6,200)
Balance as at 31 December 2021 (restated)	51,457
Additions	89,736
Transferred to property, plant and equipment	(77,029)
Transferred to intangible assets	(5,721)
Balance as at 31 December 2022	58,443

6. RIGHT-OF-USE ASSETS

	Leasehold land RMB million	Buildings RMB million	Communications towers and related assets RMB million	Equipment RMB million	Others RMB million	Total RMB million
As at 31 December 2022						
Carrying amount	21,499	15,895	40,013	9,302	346	87,055
As at 31 December 2021						
Carrying amount (restated)	20,207	16,678	13,034	10,927	341	61,187
For the year ended 31 December 2022						
Depreciation charge	(769)	(5,309)	(8,237)	(2,879)	(119)	(17,313)
For the year ended 31 December 2021						
Depreciation charge (restated)	(762)	(3,645)	(8,078)	(2,513)	(99)	(15,097)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

6. RIGHT-OF-USE ASSETS (continued)

The Group leases communications towers and related assets, land and buildings, equipment and other assets for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The additions of right-of-use assets this year include the increases in right-of-use assets arising from the Company's entering into Commercial Pricing Agreement and Service Agreement with China Tower this year, which was accounted for as lease modification, further information is set out in Note 43(b).

The Group regularly entered into short-term leases for buildings and other assets. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in this note.

For the year ended 31 December 2022, expenses relating to short-term leases amounting to RMB863 million (2021: RMB1,006 million), expenses relating to leases of low value assets (excluding short-term leases of low value assets) amounting to RMB112 million (2021: RMB34 million) and variable lease payments not included in the measurement of lease liabilities amounting to RMB4,950 million (2021: RMB5,151 million), are recognised in profit or loss.

For the year ended 31 December 2022, total cash outflow for leases was RMB24,748 million (2021: RMB21,952 million), and additions to right-of-use assets were RMB47,154 million (2021: RMB18,083 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

7. GOODWILL

	31 December	
	2022	2021
	RMB million	RMB million
Cost:		
Goodwill arising from acquisition of mobile communications business	29,922	29,919

On 1 October 2008, the Group acquired the mobile communications business and related assets and liabilities (collectively “mobile communications business”), which also included the entire equity interests of China Unicom (Macau) Company Limited (currently known as China Telecom (Macau) Company Limited) and 99.5% equity interests of Unicom Huasheng Telecommunications Technology Company Limited (currently known as Tianyi Telecom Terminals Company Limited) from China Unicom Limited and China Unicom Corporation Limited (collectively “Unicom Group”). The purchase price of the business combination was RMB43,800 million, which was fully settled as at 31 December 2010. In addition, pursuant to the acquisition agreement, the Group acquired the customer-related assets and assumed the customer-related liabilities of mobile communications business for a net settlement amount of RMB3,471 million due from Unicom Group. This amount was subsequently settled by Unicom Group in 2009. The business combination was accounted for using the purchase method.

The goodwill recognised in the business combination is attributable to the skills and technical talent of the acquired business’s workforce, and the synergies expected to be achieved from integrating and combining the mobile communications business into the Group’s telecommunications business.

For the purpose of goodwill impairment testing, the goodwill arising from the acquisition of mobile communications business was allocated to the appropriate cash-generating unit of the Group, which is the Group’s integrated telecommunications business. The recoverable amount of the Group’s integrated telecommunications business is estimated based on the value in use model, which considers the Group’s financial budgets covering a five-year period, revenue growth rate between 3.6% to 4.5% (2021: 3.7% to 4.6%) and a pre-tax discount rate of 9.8% (2021: 9.8%). Cash flows beyond the five-year period are extrapolated using a steady 1.5% growth rate (2021: 1.5%). The Group performed impairment tests for the goodwill at the end of the reporting period and determined that goodwill was not impaired. The Group believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its recoverable amount to be less than carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

8. INTANGIBLE ASSETS

	Software RMB million
Cost:	
Balance as at 1 January 2021	50,854
Additions	2,038
Transferred from construction in progress	6,200
Retirement and disposal	(3,352)
Balance as at 31 December 2021	55,740
Additions	2,462
Transferred from construction in progress	5,721
Retirement and disposal	(3,144)
Balance as at 31 December 2022	60,779
Accumulated amortisation and impairment:	
Balance as at 1 January 2021	(32,346)
Amortisation charge for the year	(6,363)
Written back on retirement and disposal	2,722
Balance as at 31 December 2021	(35,987)
Amortisation charge for the year	(6,889)
Written back on retirement and disposal	2,877
Balance as at 31 December 2022	(39,999)
Net book value as at 31 December 2022	20,780
Net book value as at 31 December 2021	19,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

9. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries which principally affected the operating results, assets and liabilities of the Group as at 31 December 2022 are as follows:

Name of company	Type of legal entity	Date of incorporation	Place of incorporation and operation	Registered/issued capital (in RMB million unless otherwise stated)	Principal activity
China Telecom Digital Intelligence Technology Co., Ltd. (formerly known as "China Telecom System Integration Co., Ltd.")	Limited Company	13 September 2001	PRC	3,000	Provision of system integration and consulting services
China Telecom Global Limited	Limited Company	25 February 2000	Hong Kong Special Administrative Region of the PRC	HK\$168 million	Provision of telecommunications services
China Telecom Best Tone Information Service Co., Limited	Limited Company	15 August 2007	PRC	350	Provision of Best Tone information services
Tianyi Telecom Terminals Company Limited	Limited Company	1 July 2005	PRC	500	Sales of telecommunications terminals
iMUSIC Culture & Technology Co., Ltd.	Limited Company	9 June 2013	PRC	250	Provision of music production and related information services
Tianyi Capital Holding Co., Ltd.	Limited Company	30 November 2017	PRC	5,000	Capital investment and provision of consulting services
China Telecom Group Finance Co., Ltd.	Limited Company	8 January 2019	PRC	5,000	Provision of capital and financial management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

9. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Type of legal entity	Date of incorporation	Place of incorporation and operation	Registered/issued capital (in RMB million unless otherwise stated)	Principal activity
China Telecom Cloud Technology Co., Ltd.	Limited Company	1 July 2021	PRC	4,514	Provision of cloud products and services
E-surfing Digital Life Technology Co., Ltd.	Limited Company	6 July 2021	PRC	900	Provision of comprehensive solutions related to the digital life
Lingang Suanli (Shanghai) Technology Co., Ltd.	Limited Company	29 April 2021	PRC	900	Provision of computing power services
Shanghai Information Industry (Group) Co., Ltd.	Limited Company	14 December 1994	PRC	297	Provision of communication engineering design and system terminal development services
Tianyi IoT Technology Co., Ltd.	Limited Company	2 February 2019	PRC	1000	Provision of IoT services
China Telecom Intelligent Network Technology Co., Ltd.	Limited Company	26 January 2022	PRC	900	Provision of operation and support technical services
Tianyi Safety Technology Co., Ltd.	Limited Company	9 September 2021	PRC	500	Provision of network information security services

Except Finance Company which is 70% owned by the Company, and China Telecom Cloud Technology Co., Ltd. which is 89% owned by the Company, all of the above subsidiaries are directly or indirectly wholly-owned by the Company. No subsidiaries of the Group have material non-controlling interests. None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December	
	2022	2021
	RMB million	RMB million
Cost of investment in associates and joint ventures	36,964	36,983
Share of post-acquisition changes in net assets	5,256	4,183
	42,220	41,166

The Group's interests in associates and joint ventures are accounted for under the equity method. Details of the Group's principal associates are as follows:

Name of company	Attributable equity interest	Principal activities
China Tower Corporation Limited (Note (i))	20.5%	Construction, maintenance and operation of communications towers as well as ancillary facilities
Shanghai Information Investment Incorporation (Note (ii))	24.0%	Information technology consulting services

Notes:

- (i) *China Tower is established and operated in the PRC, and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 August 2018.*
- (ii) *Shanghai Information Investment Incorporation ("Shanghai Info-investment") is established and operated in the PRC and is not traded on any stock exchange.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's principal associates and reconciliation to the carrying amounts of interests in associates in the Group's consolidated financial statements are disclosed below:

China Tower

	31 December	
	2022	2021
	RMB million	RMB million
Current assets	49,706	48,344
Non-current assets	255,854	274,915
Current liabilities	65,158	76,182
Non-current liabilities	46,811	57,723

	2022		2021	
	RMB million		RMB million	
Operating revenues	92,170		86,585	
Profit for the year	8,787		7,328	
Other comprehensive income for the year	-		(1)	
Total comprehensive income for the year	8,787		7,327	
Dividend received from China Tower	947		807	

Reconcile to the Group's interests in the associate:

	31 December	
	2022	2021
	RMB million	RMB million
Net assets of China Tower	193,591	189,354
Non-controlling interests of China Tower	-	-
The Group's effective interest in China Tower	20.5%	20.5%
The Group's share of net assets of China Tower	39,686	38,818
Adjustment for the remaining balance of the deferred gain from the Tower Assets Disposal	(415)	(568)
Carrying amount of the interest in China Tower in the consolidated financial statements of the Group	39,271	38,250
Fair value of China Tower calculated based on quoted price	27,078	25,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)**Shanghai Info-investment**

	31 December	
	2022	2021
	RMB million	RMB million
Current assets	5,769	6,783
Non-current assets	6,556	4,272
Current liabilities	1,857	1,712
Non-current liabilities	2,559	1,814

	2022		2021	
	RMB million	RMB million	RMB million	RMB million
Operating revenues	1,403	1,470		
Profit for the year	739	663		
Other comprehensive income for the year	(2)	–		
Total comprehensive income for the year	737	663		
Dividend received from Shanghai Info-investment	18	18		

Reconcile to the Group's interests in the associate:

	31 December	
	2022	2021
	RMB million	RMB million
Net assets of Shanghai Info-investment	7,909	7,529
Non-controlling interests of Shanghai Info-investment	(17)	(258)
The Group's effective interest in Shanghai Info-investment	24.0%	24.0%
The Group's share of net assets of Shanghai Info-investment	1,894	1,745
Carrying amount of the interest in Shanghai Info-investment in the consolidated financial statements of the Group	1,894	1,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Aggregate financial information of the Group's associates and joint ventures that are not individually material is disclosed below:

	2022 RMB million	2021 RMB million
The Group's share of profit of these associates and joint ventures	(86)	122
The Group's share of total comprehensive income of these associates and joint ventures	(86)	122

	31 December	
	2022 RMB million	2021 RMB million
Aggregate carrying amount of interests in these associates and joint ventures in the consolidated financial statements of the Group	1,055	1,171

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		31 December	
	Notes	2022 RMB million	2021 RMB million
Equity securities of listed companies	(i)	759	942
Unlisted equity securities	(ii)	126	274
		885	1,216

Notes:

- (i) The above listed equity instruments represent ordinary shares of listed entities. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- (ii) The above unlisted equity securities represent the Group's equity interests in various private entities. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that the Group will hold these investments for long-term strategic purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

12. DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and deferred tax liabilities before offsetting are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2022 RMB million	31 December 2021 RMB million	31 December 2022 RMB million	31 December 2021 RMB million
Accrued salaries, wages and other benefits	2,115	1,416	–	–
Temporary receipts of demolition and modification and deferred revenues	2,627	2,286	–	–
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,536	2,675	(35,479)	(30,202)
Impairment losses of accounts receivable	1,404	1,140	–	–
Subscriber points reward program	1,064	1,058	–	–
Right-of-use assets and lease liabilities	731	845	–	–
Equity instruments at fair value through other comprehensive income	9	–	(110)	(151)
Others	979	944	–	–
Deferred tax assets/(liabilities)	11,465	10,364	(35,589)	(30,353)

As at 31 December 2022, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB7,644 million (31 December 2021: RMB3,676 million). As at 31 December 2022, net deferred tax assets and deferred tax liabilities after offsetting were RMB3,821 million (31 December 2021: RMB6,688 million) and RMB27,945 million (31 December 2021: RMB26,677 million), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movement of deferred tax assets and deferred tax liabilities are as follows:

	Balance as at 1 January 2022 RMB million	Recognised in consolidated statement of comprehensive income RMB million	Balance as at 31 December 2022 RMB million
Accrued salaries, wages and other benefits	1,416	699	2,115
Temporary receipts of demolition and modification and deferred revenues	2,286	341	2,627
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,675	(139)	2,536
Impairment losses of accounts receivable	1,140	264	1,404
Subscriber points reward program	1,058	6	1,064
Right-of-use assets and lease liabilities	845	(114)	731
Equity instruments at fair value through other comprehensive income	-	9	9
Others	944	35	979
Deferred tax assets	10,364	1,101	11,465
Depreciation, write-off and impairment of property, plant and equipment, etc.	(30,202)	(5,277)	(35,479)
Equity instruments at fair value through other comprehensive income	(151)	41	(110)
Deferred tax liabilities	(30,353)	(5,236)	(35,589)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	Balance as at 1 January 2021 RMB million	Recognised in consolidated statement of comprehensive income RMB million	Disposal of subsidiaries RMB million	Balance as at 31 December 2021 RMB million
Accrued salaries, wages and other benefits	930	487	(1)	1,416
Temporary receipts of demolition and modification and deferred revenues	1,991	295	–	2,286
Depreciation, write-off and impairment of property, plant and equipment, etc.	2,724	(49)	–	2,675
Impairment losses of accounts receivable	1,039	121	(20)	1,140
Subscriber points reward program	863	195	–	1,058
Right-of-use assets and lease liabilities	791	54	–	845
Others	964	9	(29)	944
Deferred tax assets	9,302	1,112	(50)	10,364
Depreciation, write-off and impairment of property, plant and equipment, etc.	(25,209)	(5,007)	14	(30,202)
Equity instruments at fair value through other comprehensive income	(137)	(15)	1	(151)
Deferred tax liabilities	(25,346)	(5,022)	15	(30,353)

Deferred tax assets are recognized for deductible temporary differences and tax losses carry-forwards only to the extent that the realization of the related tax benefit through future taxable profits is probable. Certain subsidiaries of the Group did not recognize deferred tax assets of RMB826 million (31 December 2021: RMB542 million) in respect of deductible temporary differences and tax losses amounting to RMB5,130 million (31 December 2021: RMB2,571 million) that can be carried forward against future taxable profits as at 31 December 2022. The deductible tax losses are allowed to be carried forward within next five years against future taxable profits, while those of high-tech enterprises are allowed to be within next ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

13. OTHER ASSETS

	Notes	31 December	
		2022 RMB million	2021 RMB million
Contract costs	(i)	1,503	1,436
Other long-term prepaid expenses and receivables	(ii)	7,632	5,825
		9,135	7,261

Notes:

- (i) Contract costs capitalised as at 31 December 2022 and 2021 mainly relate to the direct cost of the provision of wireline terminals to subscribers for the provision of Wireline and Smart Family services of the Group. The amount of capitalised costs recognised in profit or loss for the year ended 31 December 2022 was RMB1,752 million (2021: RMB1,584 million). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during this year.
- (ii) Other long-term prepaid expenses and receivables mainly include prepayments of construction and materials, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

14. JOINT OPERATION

On 9 September 2019, the Group entered into a framework cooperation agreement (the “Cooperation Agreement”) with China United Network Communications Corporation Limited (“China Unicom”) to co-build and co-share certain 5G access network. Pursuant to the Cooperation Agreement, the Group and China Unicom delineate and designate the regions to jointly construct and operate one 5G access network nationwide. In certain regions, the 5G access network is constructed, operated and maintained by China Unicom, while the Group operates its 5G business relying on China Unicom’s network; whereas in other regions where the 5G access network is constructed, operated and maintained by the Group, China Unicom operates its 5G business relying on the Group’s network.

Pursuant to the Cooperation Agreement, the Group and China Unicom co-share 5G spectrum resources while the 5G core network is respectively constructed, operated and maintained by each party. Both parties jointly ensure an unified standard on network planning, construction, operation, maintenance and service quality in the 5G network co-build and co-share regions, and assure the same service level be delivered.

The 5G network co-build and co-share arrangement is agreed by the Group and China Unicom through coordination and promotion institution jointly established by both parties, in order to set up the relevant mechanism, system and rules with unanimous consensus reached by both parties. The main function of such joint coordination and promotion institution is to carry out joint network planning and investment decision, project initiation and acceptance and other related works, such as the determination of the location of 5G base stations and the types of equipment to be used, and coordinate the operation and maintenance of 5G co-build and co-share network in order to ensure the effective implementation of the Cooperation Agreement. For example, the timing, scale and location of the 5G base station construction, selection of equipment and appointment of maintenance suppliers across all regions are all negotiated and agreed by both parties with unanimous consensus.

Under the joint operation, the business and branding of each party continue to operate independently, and the subscribers to the services are owned by each party, respectively. Revenues derived from each party’s subscribers are recognised by each party independently; cost and expenses are assumed by each party respectively; while assets constructed by each party and the related liabilities are recognised and assumed by each respective party.

SECTION IX FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

15. INVENTORIES

	31 December	
	2022	2021
	RMB million	RMB million
Materials and supplies	433	410
Goods for resale	3,080	3,417
	3,513	3,827

16. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

		31 December	
	Note	2022	2021
		RMB million	RMB million
Third parties		27,714	25,067
China Telecom Group	(i)	2,073	1,889
China Tower		23	9
Other telecommunications operators in the PRC		619	475
		30,429	27,440
Less: Allowance for credit losses		(6,117)	(5,051)
		24,312	22,389

Note:

(i) China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as "China Telecom Group".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

16. ACCOUNTS RECEIVABLE, NET (continued)

As at 31 December 2022 and 2021, the gross carrying amounts of accounts receivable from contracts with customers amounted to RMB30,350 million, and RMB27,339 million.

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

	31 December	
	2022	2021
	RMB million	RMB million
Current, within 1 month	6,405	7,164
1 to 3 months	2,040	1,683
4 to 6 months	807	692
7 to 12 months	1,234	928
Over 12 months	1,317	1,079
	11,803	11,546
Less: Allowance for credit losses	(3,335)	(2,690)
	8,468	8,856

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

	31 December	
	2022	2021
	RMB million	RMB million
1 to 6 months	11,817	10,581
7 to 12 months	3,537	1,909
1 to 2 years	1,709	2,012
2 to 3 years	677	563
Over 3 years	886	829
	18,626	15,894
Less: Allowance for credit losses	(2,782)	(2,361)
	15,844	13,533

As at 31 December 2022 and 2021, included in the net balance of the Group's accounts receivable are debtors with an aggregate carrying amount of RMB2,142 million and RMB1,790 million, respectively, which are past due as at the reporting date.

Details of impairment assessment of accounts receivable for the year ended 31 December 2022 and 2021 are set out in Note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

17. CONTRACT ASSETS

	31 December	
	2022	2021
	RMB million	RMB million
Third parties	2,937	792
China Telecom Group	180	139
	3,117	931
Less: Provision for impairment loss	(75)	(19)
	3,042	912

Contract assets mainly arise from contracts for the provision of industrial digitalisation and wireline and smart family services. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle which is generally within a year.

18. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	31 December	
		2022	2021
		RMB million	RMB million
Amounts due from China Telecom Group	(i)	8,846	2,756
Amounts due from China Tower		43	63
Amounts due from other telecommunications operators in the PRC		199	207
Other receivables		5,582	4,404
Less: Allowance for credit losses		(722)	(508)
Prepayments in connection with terminal equipment purchases		6,296	4,843
Prepaid expenses and deposits		3,657	3,184
Value-added tax recoverable		9,850	9,636
		33,751	24,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

18. PREPAYMENTS AND OTHER CURRENT ASSETS (continued)

Note:

- (i) As at 31 December 2022, amounts due from China Telecom Group included short-term loans of RMB8,071 million granted to China Telecom Group and its subsidiaries by Finance Company, and an impairment allowance recognised at RMB161 million, including:
- (a) Amount of RMB2,000 million with issue date of 26 January 2022, expiry date of 25 January 2023, interest rate of 3.3%;
- (b) Amount of RMB4,000 million with issue date of 25 May 2022, expiry date of 24 May 2023, interest rate of 3.3%;
- (c) Amount of RMB80 million with issue date of 4 July 2022, expiry date of 3 July 2023, interest rate of 4.3%; the principal of RMB24 million has been repaid in 2022;
- (d) Amount of RMB25 million with issue date of 18 August 2022, expiry date of 17 August 2023, interest rate of 3.9%; the principal of RMB10 million has been repaid in 2022;
- (e) Amount of RMB2,000 million with issue date of 23 December 2022, expiry date of 22 December 2023, interest rate of 3.3%.

19. CASH AND CASH EQUIVALENTS

	31 December	
	2022	2021
	RMB million	RMB million
		(restated)
Cash at bank and in hand	65,234	71,760
Time deposits with original maturity within three months	7,231	1,524
	72,465	73,284

20. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	31 December	
	2022	2021
	RMB million	RMB million
Loans from banks – unsecured	2,840	2,821
Total short-term debts	2,840	2,821

The weighted average interest rate of the Group's total short-term debts as at 31 December 2022 was 3.3% (31 December 2021: 3.7%) per annum. As at 31 December 2022, the Group's loans from banks bear interests at rates ranging from 3.0% to 4.1% (31 December 2021: 3.3% to 4.4%) per annum, and are repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

20. SHORT-TERM AND LONG-TERM DEBTS (continued)

Long-term debts comprise:

	Interest rates and final maturity	31 December	
		2022	2021
		RMB million	RMB million
Bank loans – unsecured			
Renminbi denominated (Note (i))	Interest rates ranging from 1.08% to 1.20% per annum with maturities through 2036	5,321	6,179
US Dollars denominated	Interest rates ranging from 1.25% to 2.00% per annum with maturities through 2028	178	185
Euro denominated	Interest rate of 2.30% per annum with maturities through 2032	97	114
		5,596	6,478
Other loans – unsecured			
Renminbi denominated		1	1
Medium-term notes – unsecured (Note (ii))		–	5,150
Company bonds – unsecured (Note (iii))		2,047	2,046
Total long-term debts		7,644	13,675
Less: Current portion		(3,160)	(6,280)
Non-current portion		4,484	7,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

20. SHORT-TERM AND LONG-TERM DEBTS (continued)

Long-term debts comprise (continued):

Notes:

- (i) *The loans from banks include long-term RMB denominated government loans with below-market interest rates ranging from 1.08% to 1.20% per annum obtained by the Group through banks (the "Low-interest Loans"). The Group recognised the Low-interest Loans at their fair value on initial recognition, and accreted the discount to profit or loss using the effective interest rate method. The difference between the fair value and face value of the Low-interest Loans was recognised as government grants in accrued expenses and other payables and other non-current liabilities.*
- (ii) *On 22 January 2019, the Group issued a three-year RMB denominated medium-term note, amounting to RMB3,000 million, with interest rate of 3.42% per annum, and incurred issuing costs of RMB3 million. The medium-term note is unsecured and has been fully repaid on 21 January 2022.*
- On 19 March 2019, the Group issued a three-year RMB denominated medium-term note, amounting to RMB2,000 million, with interest rate of 3.41% per annum and incurred issuing costs of RMB3 million. The medium-term note is unsecured and has been fully repaid on 18 March 2022.*
- (iii) *On 10 March 2020, the Group issued three-year RMB denominated company bonds, amounting to RMB2,000 million, to qualified investors on Shanghai Stock Exchange, with interest rate of 2.90% per annum. The company bonds are unsecured and are repayable on 9 March 2023.*

The aggregate maturities of the Group's long-term debts subsequent to 31 December 2022 are as follows:

	31 December	
	2022	2021
	RMB million	RMB million
Within 1 year	3,160	6,280
Between 1 to 2 years	1,079	3,103
Between 2 to 3 years	1,045	1,028
Between 3 to 4 years	743	995
Between 4 to 5 years	328	647
Thereafter	1,289	1,622
	7,644	13,675

The Group's short-term and long-term debts do not contain any financial covenants. As at 31 December 2022, the Group had unutilised credit facilities amounting to RMB233,639 million (31 December 2021: RMB276,483 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

21. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	31 December	
	2022	2021
	RMB million	RMB million (restated)
Third parties	98,076	89,299
China Telecom Group	23,971	21,013
China Tower	4,340	3,914
Other telecommunications operators in the PRC	873	667
	127,260	114,893

Amounts due to China Telecom Group and China Tower are payable in accordance with contractual terms which are similar to those terms offered by third parties.

Ageing analysis of accounts payable based on the due dates is as follows:

	31 December	
	2022	2021
	RMB million	RMB million (restated)
Due within 1 month or on demand	22,078	20,291
Due after 1 month but within 3 months	28,308	23,965
Due after 3 months but within 6 months	33,280	36,338
Due after 6 months	43,594	34,299
	127,260	114,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

22. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December	
	2022	2021
	RMB million	RMB million
Amounts due to China Telecom Group	19,841	15,249
Amounts due to China Tower	1,590	1,596
Amounts due to other telecommunications operators in the PRC	19	22
Accrued expenses	25,404	24,041
Value-added tax payable	952	1,029
Deposits and rental receipt in advance	5,844	5,777
Accrued salaries, wages and other benefits	11,579	8,051
	65,229	55,765

23. CONTRACT LIABILITIES

	31 December	
	2022	2021
	RMB million	RMB million
Third parties	67,570	70,713
China Telecom Group	271	198
China Tower	-	3
	67,841	70,914

Majority of contract liabilities as at 31 December 2021 was recognised as operating revenues for the year ended 31 December 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

24. LEASE LIABILITIES

	31 December	
	2022	2021
	RMB million	RMB million (restated)
Within one year	14,488	13,810
Within a period of more than one year but not more than two years	13,225	8,780
Within a period of more than two years but not more than five years	35,655	14,447
Within a period of more than five years	3,528	5,367
	66,896	42,404
Less: Current portion	(14,488)	(13,810)
Non-current portion	52,408	28,594

25. SHARE CAPITAL

	31 December	
	2022	2021
	RMB million	RMB million
Registered, issued and fully paid		
77,629,728,699 A shares of RMB1.00 each	77,630	77,630
13,877,410,000 H shares of RMB1.00 each	13,877	13,877
	91,507	91,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

26. RESERVES**The Group**

	Capital reserve RMB million (Note (i))	Share premium RMB million	Surplus reserves RMB million (Note (iii))	General risk reserve RMB million (Note (v))	Other reserves RMB million (Note (ii))	Exchange reserves RMB million	Retained earnings RMB million	Total RMB million
Balance as at 1 January 2021	17,468	10,746	79,854	56	321	(937)	175,016	282,524
Total comprehensive income for the year (restated)	-	-	-	-	5	(233)	25,949	25,721
Adjusted for entity combination under common control	3	-	-	-	-	-	-	3
Issuance of shares upon A Shares Offering, net of issuing expenses	-	36,941	-	-	-	-	-	36,941
Contribution from non-controlling interests	463	-	-	-	-	-	-	463
Disposal of subsidiaries	-	-	-	(3)	(28)	-	31	-
Share of associates and joint ventures' other changes in reserves	(42)	-	-	-	-	-	-	(42)
Dividends (Note 37)	-	-	-	-	-	-	(8,439)	(8,439)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,423	-	-	-	(2,423)	-
Appropriations to general risk reserve (Note (v))	-	-	-	44	-	-	(44)	-
Balance as at 31 December 2021, as restated	17,892	47,687	82,277	97	298	(1,170)	190,090	337,171
Total comprehensive income for the year	-	-	-	-	(172)	712	27,593	28,133
Consideration for entity combination under common control	(3)	-	-	-	-	-	-	(3)
Acquisition of non-controlling interests	(1)	-	-	-	-	-	-	(1)
Contribution from non-controlling interests	1,824	-	-	-	-	-	-	1,824
Share of associates and joint ventures' other changes in reserves	(2)	-	-	-	-	-	(3)	(5)
Dividends (Note 37)	-	-	-	-	-	-	(26,537)	(26,537)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,624	-	-	-	(2,624)	-
Appropriations to general risk reserve (Note (v))	-	-	-	86	-	-	(86)	-
Balance as at 31 December 2022	19,710	47,687	84,901	183	126	(458)	188,433	340,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

26. RESERVES (continued)**The Company**

	Capital reserve RMB million (Note (i))	Share premium RMB million	Surplus reserves RMB million (Note (iii))	Other reserves RMB million (Note (ii))	Retained earnings RMB million (Note (iv))	Total RMB million
Balance as at 1 January 2021	28,803	10,746	79,854	132	145,351	264,886
Total comprehensive income for the year	-	-	-	45	24,234	24,279
Issuance of shares upon A Shares Offering, net of issuing expenses	-	36,941	-	-	-	36,941
Share of associates and joint ventures' other changes in reserves	(42)	-	-	-	-	(42)
Dividends (Note 37)	-	-	-	-	(8,439)	(8,439)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,423	-	(2,423)	-
Balance as at 31 December 2021	28,761	47,687	82,277	177	158,723	317,625
Total comprehensive income for the year	-	-	-	(123)	26,244	26,121
Share of associates and joint ventures' other changes in reserves	(2)	-	-	-	-	(2)
Dividends (Note 37)	-	-	-	-	(26,537)	(26,537)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,624	-	(2,624)	-
Balance as at 31 December 2022	28,759	47,687	84,901	54	155,806	317,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

26. RESERVES (continued)

Notes:

- (i) *Capital reserve of the Group mainly represents the sum of (a) the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation; (b) the difference between the consideration paid by the Group for the companies acquired, from China Telecom Group which were accounted for as equity transactions, and the historical carrying amount of the net assets of these acquired companies; and (c) the difference between the consideration paid by the Group for the acquisition of non-controlling interests and the carrying amount of the non-controlling interests acquired.*

Capital reserve of the Company represents the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation.

- (ii) *Other reserves of the Group and the Company represent primarily the change in the fair value of investment in equity instruments at FVTOCI and the deferred tax recognised due to the change in fair value of those investment in equity instruments.*

- (iii) *The surplus reserves consist of statutory surplus reserve and discretionary surplus reserve.*

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined in accordance with the lower of the amount determined under China Accounting Standards for Business Enterprises and the amount determined under IFRSs, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the years ended 31 December 2022 and 2021, the net profit of the Company determined in accordance with China Accounting Standards for Business Enterprises and IFRSs are the same. For the year ended 31 December 2022, the Company transferred RMB2,624 million (2021: RMB2,423 million), being 10% of the year's net profit, to this reserve. As at 31 December 2022, the amount of statutory surplus reserve was RMB38,822 million (31 December 2021: RMB36,198 million).

The Company did not transfer any discretionary surplus reserve for the years ended 31 December 2022 and 2021. As at 31 December 2022 and 2021, the amount of discretionary surplus reserve was RMB46,079 million.

The statutory and discretionary surplus reserves are non-distributable other than in liquidation and can be used to make good of previous years' losses, if any, and may be utilised for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining statutory surplus reserve balance after such issue is not less than 25% of the registered capital.

- (iv) *According to the Company's Articles of Association, the amount of retained earnings available for distribution to shareholders of the Company is the lower of the amount of the Company's retained earnings determined in accordance with China Accounting Standards for Business Enterprises and the amount determined in accordance with IFRSs. As at 31 December 2022, the amount of retained earnings available for distribution was RMB155,806 million (31 December 2021: RMB158,723 million), being the amount determined in accordance with IFRSs. Final dividend of approximately RMB6,955 million in respect of the financial year 2022 proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements at the end of the reporting period (Note 37).*

- (v) *Pursuant to "Requirements on Impairment Allowance for Financial Institutions" (Caijin [2012] No. 20) issued by the Ministry of Finance of the PRC effective on 1 July 2012 (the "Requirements"), the Group's subsidiaries, mainly Finance Company, establish a general risk reserve within equity, through appropriation of retained earnings, to address unidentified potential losses relating to risk assets. The general risk reserve balance should not be less than 1.5% of the ending balance of risk assets, as defined in the Requirements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

27. OPERATING REVENUES**Disaggregation of revenue**

	Notes	2022 RMB million	2021 RMB million (restated)
Type of goods or services			
Service revenues		434,928	402,828
Mobile communications service revenues	(i)	191,026	184,158
Wireline and Smart Family service revenues	(ii)	118,534	113,522
Industrial Digitalisation service revenues	(iii)	117,756	98,945
Other service revenues	(iv)	7,612	6,203
Sales of goods and others	(v)	46,520	36,725
Total operating revenues		481,448	439,553
Revenue from customer contracts		472,952	431,911
Revenue from other sources and others		8,496	7,642
Total operating revenues		481,448	439,553
Timing of revenue recognition			
A point in time		40,039	31,332
Over time		441,409	408,221
Total operating revenues		481,448	439,553

Notes:

- (i) Represent primarily the aggregate amount of mobile communications service fees, mobile Internet access service fees, caller ID service fees, and short messaging service fees, etc., charged to customers for the provision of mobile services.
- (ii) Represent primarily the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees, etc., charged to customers for the provision of wireline services.
- (iii) Represent primarily the aggregate amount of fees charged to customers for the provision of Internet datacentre services, cloud services, digital platform services, dedicated Internet access services, etc.
- (iv) Represent primarily the aggregate amount of revenues from property rental and other revenues.
- (v) Represent primarily revenues from sales of mobile terminal equipment as well as wireline communications equipment and government grants.

As at 31 December 2022 and 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts represents revenue expected to be recognised in the future when services are provided over the contract terms over the next 1 to 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

28. NETWORK OPERATIONS AND SUPPORT

	Note	2022 RMB million	2021 RMB million (restated)
Operating and maintenance		88,682	79,377
Utility		18,055	16,209
Network resources usage and related fees	(i)	28,173	25,318
Others		12,679	12,436
		147,589	133,340

Note:

- (i) Network resources usage and related fees include fees in respect of the short-term leases and leases of low-value assets, variable lease payments not depending on an index or a rate and fees for non-lease components in respect of communications towers and related assets lease and the usage of network resources provided by third parties.

29. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	2022 RMB million	2021 RMB million (restated)
Network operations and support	53,347	48,576
Selling, general and administrative	31,425	27,481
	84,772	76,057

SECTION IX FINANCIAL REPORTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

30. OTHER OPERATING EXPENSES

	Notes	2022 RMB million	2021 RMB million
Interconnection charges	(i)	13,052	12,858
Cost of goods sold	(ii)	39,592	30,415
Donations		6	12
Others	(iii)	1,801	1,803
		54,451	45,088

Notes:

- (i) Interconnection charges represent amounts incurred for the use of other domestic and foreign telecommunications operators' networks for delivery of voice and data traffic that originate from the Group's telecommunications networks.
- (ii) Cost of goods sold primarily represents cost of communications equipment sold.
- (iii) Others mainly include tax and surcharges other than value-added tax and income tax.

31. SELLING, GENERAL AND ADMINISTRATIVE

	Note	2022 RMB million	2021 RMB million (restated)
Channel commission and customer services expenses		47,290	45,157
Advertising and promotion expenses		2,804	2,904
Property and transportation related expenses		2,982	2,865
Research and development expenses	(i)	4,199	3,379
Auditors' remuneration			
– Audit services		59	57
– Non-audit services		6	7
Others		6,937	6,785
		64,277	61,154

- (i) The item does not include depreciation and amortization and personnel expenses related to research and development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

32. NET FINANCE COSTS

	2022	2021
	RMB million	RMB million
Interest expense on lease liabilities	1,425	1,399
Interest expense on short-term and long-term debts	556	1,110
Less: Interest expense capitalised*	(100)	(105)
Net interest expense	1,881	2,404
Interest income	(1,808)	(1,104)
Net foreign exchange gain or loss and others	(66)	(7)
	7	1,293
* Interest expense was capitalised in construction in progress at the following rates per annum	3.4%-3.6%	3.0%-4.5%

33. INCOME TAX

Income tax in the profit or loss comprises:

	2022	2021
	RMB million	RMB million
Provision for PRC income tax	3,676	3,606
Provision for income tax in other tax jurisdictions	177	215
Deferred taxation	4,185	3,895
	8,038	7,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

33. INCOME TAX (continued)

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

	Notes	2022 RMB million	2021 RMB million (restated)
Profit before taxation		35,714	33,865
Expected income tax expense at statutory tax rate of 25%	(i)	8,929	8,466
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		(1,061)	(738)
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	(764)	(495)
Differential tax rate on other subsidiaries' income	(ii)	(54)	(70)
Non-deductible expenses	(iii)	821	1,036
Non-taxable income	(iv)	(568)	(522)
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognized		803	245
Others	(v)	(68)	(206)
Income tax expense		8,038	7,716

Notes:

- (i) Except for certain subsidiaries and branches which are mainly taxed at the preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of mainland China.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 8% to 35%.
- (iii) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iv) Amounts represent share of profits of associates and joint ventures and miscellaneous income which are not subject to income tax.
- (v) Amounts primarily represent settlement of tax filing differences of prior year annual tax return, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. DIRECTORS' AND SUPERVISORS' REMUNERATION

The following table sets out the remuneration of the Company's directors and supervisors:

2022	Directors'/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ⁷ RMB thousand	Retirement scheme contributions RMB thousand	Share-based payments RMB thousand	Total RMB thousand
Executive directors						
Ke Ruiwen	-	234	352	110	-	696
Li Zhengmao ¹	-	137	141	59	-	337
Shao Guanglu	-	221	331	105	-	657
Liu Guiqing	-	209	316	104	-	629
Tang Ke ²	-	209	313	104	-	626
Non-executive director						
Chen Shengguang	-	-	-	-	-	-
Independent non-executive directors³						
Tse Hau Yin, Aloysius ⁴	491	-	-	-	-	491
Xu Erming ⁴	250	-	-	-	-	250
Wang Hsuehming	268	-	-	-	-	268
Yeung Chi Wai, Jason	268	-	-	-	-	268
Supervisors						
Sui Yixun ⁵	-	66	229	25	-	320
You Minqiang ⁵	-	-	-	-	-	-
Zhang Jianbin	-	253	720	110	-	1,083
Dai Bin	-	226	720	106	-	1,052
Xu Shiguang	-	115	729	85	-	929
Han Fang ⁶	-	158	511	89	-	758
Wang Yibing ⁶	-	-	-	-	-	-
	1,277	1,828	4,362	897	-	8,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 *Mr. Li Zhengmao resigned as an executive director of the Company on 12 July 2022.*
- 2 *Mr. Tang Ke was appointed as an executive director of the Company on 22 March 2022.*
- 3 *The independent non-executive directors' remunerations were for their services as directors of the Company.*
- 4 *Mr. Tse Hau Yin, Aloysius ("Mr. Tse") and Mr. Xu Erming ("Mr. Xu") resigned from position as independent non-executive directors of the Company on 16 August 2022. The resignation of Mr. Tse and Mr. Xu took effect on the date of election of the proposed independent non-executive directors at the extraordinary general meeting of the Company convened on 6 January 2023. Prior to that, Mr. Tse and Mr. Xu continued to carry out their duties as independent non-executive directors.*
- 5 *Mr. Sui Yixun and Mr. You Minqiang resigned as supervisors of the Company on 22 March 2022.*
- 6 *Madam Han Fang and Madam Wang Yibing were appointed as supervisors of the Company on 22 March 2022.*
- 7 *The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.*
- 8 *During year 2022, the Company also settled the bonus for year 2021, including RMB1,080 thousand for Ke Ruiwen, RMB727 thousand for Shao Guanglu, RMB970 thousand for Liu Guiqing, RMB254 thousand for Tang Ke.*
- 9 *The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year. None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2021	Directors/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ⁵ RMB thousand	Retirement scheme contributions RMB thousand	Share-based payments RMB thousand	Total RMB thousand
Executive directors						
Ke Ruiwen	–	234	352	119	–	705
Li Zhengmao	–	234	359	119	–	712
Shao Guanglu	–	211	317	114	–	642
Liu Guiqing	–	209	313	102	–	624
Zhu Min ¹	–	209	313	95	–	617
Chen Zhongyue ²	–	44	–	11	–	55
Non-executive director						
Chen Shengguang	–	–	–	–	–	–
Independent non-executive directors³						
Tse Hau Yin, Aloysius	450	–	–	–	–	450
Xu Erming	250	–	–	–	–	250
Wang Hsuehming	245	–	–	–	–	245
Yeung Chi Wai, Jason	245	–	–	–	–	245
Supervisors						
Sui Yixun ⁴	–	235	688	100	–	1,023
Zhang Jianbin	–	222	747	100	–	1,069
Dai Bin	–	195	690	98	–	983
Xu Shiguang	–	112	338	80	–	530
You Minqiang ⁴	–	–	–	–	–	–
	1,190	1,905	4,117	938	–	8,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 *Madam Zhu Min resigned as an executive director, executive vice president, chief financial officer, secretary of the board and authorised representative of the Company on 27 December 2021.*
- 2 *Mr. Chen Zhongyue resigned as an executive director of the Company on 19 January 2021.*
- 3 *The independent non-executive directors' remunerations were for their services as directors of the Company.*
- 4 *Mr. Sui Yixun ("Mr. Sui") and Mr. You Minqiang ("Mr. You") resigned from position as supervisors of the Company on 17 December 2021. The resignation of Mr. Sui and Mr. You took effect on the date of election of the proposed supervisors at the extraordinary general meeting of the Company convened on 22 March 2022. Prior to that, Mr. Sui and Mr. You continued to carry out their duties as supervisors.*
- 5 *The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.*
- 6 *During year 2021, the Company also settled the bonus for year 2020, including RMB416 thousand for Ke Ruiwen, RMB381 thousand for Li Zhengmao, RMB343 thousand for Shao Guanglu, RMB369 thousand for Chen Zhongyue and RMB364 thousand for each of Liu Guiqing and Zhu Min.*
- 7 *The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year. None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION**(a) Five highest paid individuals**

None of the five highest paid individuals of the Group for the years ended 31 December 2022 and 2021 were directors of the Company.

The aggregate of the emoluments in respect of the five (2021: five) individuals (non-directors) with the highest emoluments are as follows:

	2022	2021
	RMB thousand	RMB thousand
Salaries, allowances and benefits in kind	7,218	5,321
Discretionary bonuses	5,599	4,977
Retirement scheme contributions	777	479
	13,594	10,777

The emoluments of the five (2021: five) individuals (non-directors) with the highest emoluments are within the following bands:

	2022	2021
	Number of individuals	Number of individuals
RMB0 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	–	1
More than RMB2,000,001	5	4

None of these employees received any inducements for joining the Company or compensation for loss of office, or waived any emoluments during the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION (continued)**(b) Senior management remuneration**

The emoluments of the Group's senior management are within the following bands:

	2022	2021
	Number of individuals	Number of individuals
RMB0 – RMB1,000,000	17	18
RMB1,000,001 – RMB1,500,000	2	–
RMB1,500,001 – RMB2,000,000	–	–

36. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2022, the consolidated profit attributable to equity holders of the Company includes a profit of RMB26,244 million which has been dealt with in the stand-alone financial statements of the Company.

For the year ended 31 December 2021, the consolidated profit attributable to equity holders of the Company includes a profit of RMB24,234 million which has been dealt with in the stand-alone financial statements of the Company.

37. DIVIDENDS

Pursuant to a resolution passed at the Board of Directors' meeting on 22 March 2023, a final dividend of RMB0.076 per share (pre-tax) totalling approximately RMB6,955 million for the year ended 31 December 2022 was proposed for shareholders' approval at the Annual General Meeting. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

37. DIVIDENDS (continued)

Pursuant to a resolution at the Board of Directors' meeting on 16 August 2022, an interim dividend of RMB0.120 (equivalent to HK\$0.139523) per share (pre-tax) totalling approximately RMB10,981 million in respect of the six-month period ended 30 June 2022 was declared. The dividend of RMB9,316 million for A shares was paid on 8 September 2022, and the dividend of RMB1,665 million for H shares was paid on 14 October 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 19 May 2022, a final dividend of RMB0.170 (equivalent to HK\$0.197211) per share (pre-tax) totalling approximately RMB15,556 million in respect of the year ended 31 December 2021 was declared. The dividend of RMB13,197 million for A shares was paid on 8 June 2022, and the dividend of RMB2,359 million for H shares was paid on 18 July 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 7 May 2021, a final dividend of RMB0.104269 (equivalent to HK\$0.125) per share (pre-tax) totalling RMB8,439 million in respect of the year ended 31 December 2020 was declared, and paid on 1 June 2021.

38. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2022 and 2021 is based on the profit attributable to equity holders of the Company of RMB27,593 million and RMB25,949 million, respectively, divided by the weighted average number of 91,507,138,699 shares and 84,442,405,521 shares in issue.

The amount of diluted earnings per share equals basic earnings per share as there were no potential ordinary shares in existence for the years presented.

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39. COMMITMENTS AND CONTINGENCIES**Capital commitments**

As at 31 December 2022 and 2021, the Group had capital commitments as follows:

	31 December	
	2022	2021
	RMB million	RMB million
Contracted for but not provided		
Property	1,584	1,831
Telecommunications network plant and equipment	15,023	18,942
	16,607	20,773

Contingent liabilities

- (a) The Group assessed and concluded that no material contingent liabilities were assumed by the Group with assistance of the PRC lawyers.
- (b) As at 31 December 2022 and 2021, the Group did not have contingent liabilities in respect of guarantees given to banks in respect of banking facilities granted to other parties, or other forms of contingent liabilities.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and based on such assessment, believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

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40. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, bank deposits and restricted cash, equity instruments at fair value through other comprehensive income, accounts receivable, financial assets at fair value through profit or loss and financial assets included in prepayments and other current assets. Financial liabilities of the Group include short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables.

(a) Fair Value Measurements

Based on IFRS 13, "*Fair Value Measurement*", the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

The fair values of the Group's financial instruments (other than long-term debts and financial instruments measured at fair value) approximate their carrying amounts due to the short-term maturity of these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS (continued)**(a) Fair Value Measurements (continued)**

The listed equity securities investments included in the Group's equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss are categorised as level 1 financial instruments. As at 31 December 2022, the fair value of the Group's listed equity securities investments is RMB762 million (31 December 2021: RMB942 million), based on quoted market price on PRC stock exchanges. The Group's investments in unlisted equity securities, included in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3. As at 31 December 2022, the fair value of the Group's financial instruments categorised as level 3 is RMB525 million (31 December 2021: RMB522 million). For the financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation methods or models used primarily include net asset value method and market comparable company model, etc. The input values of valuation models mainly include net asset value and expected yield rates, etc.

The fair value of long-term debts is estimated by discounting future cash flows using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities. The fair value measurement of long-term debts is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debts, having considered the foreign currency denomination of the debts, ranged from 2.9% to 4.9% (31 December 2021: 2.9% to 4.9%). As at 31 December 2022 and 2021, the carrying amounts and fair values of the Group's long-term debts were as follows:

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB million	RMB million	RMB million	RMB million
Long-term debts	7,644	7,613	13,675	13,444

During the year, there were no transfers among instruments in level 1, level 2 or level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS (continued)**(b) Risks**

The Group's financial instruments are exposed to three main types of risks, namely, credit risk, liquidity risk and market risk (which mainly comprises of interest rate risk and foreign currency exchange rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as liquidity risk, credit risk, and market risk, etc. The Board regularly reviews these policies and authorises changes if necessary based on operating and market conditions and other relevant risks. The following summarises the qualitative and quantitative disclosures for each of the three main types of risks:

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. For the Group, this arises mainly from deposits it maintains at financial institutions and credit it provides to customers for the provision of telecommunications services.

Cash and cash equivalents, short-term bank deposits and restricted cash

To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large state-owned financial institutions in the PRC with acceptable credit ratings. The credit risks on bank balances are limited because the counterparties are banks with high credit ratings.

Accounts receivable and contract assets arising from contracts with customers

For accounts receivable and contract assets, management performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable and contract assets. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Furthermore, the Group has a diversified base of customers with no single customer contributing more than 10% of revenues for the years presented.

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40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(i) Credit risk (continued)****Accounts receivable and contract assets arising from contracts with customers (continued)**

The Group measures loss allowances for accounts receivable and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix, or individually assessed for those debtors with significant balances or credit-impaired debtors. As different loss patterns were indicated during the analysis of the Group's historical credit loss experience between telephone and Internet subscribers and enterprise customers, the following tables provide information about the Group's exposure to credit risk and ECL for accounts receivable and contract assets from telephone and Internet subscribers and enterprise customers, respectively, as at 31 December 2022 and 2021:

Accounts receivable from telephone and Internet subscribers:

	31 December 2022		
	Expected	Gross carrying	Loss
	loss rate	amount	allowance
	%	RMB million	RMB million
Current, within 1 month	2	6,164	123
1 to 3 months	20	1,975	389
4 to 6 months	60	781	468
7 to 12 months	80	1,213	970
Over 12 months	100	1,317	1,317
		11,450	3,267

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40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(i) Credit risk (continued)****Accounts receivable and contract assets arising from contracts with customers (continued)**

Accounts receivable from telephone and Internet subscribers (continued):

	31 December 2021		
	Expected	Gross carrying	Loss
	loss rate	amount	allowance
	%	RMB million	RMB million
Current, within 1 month	2	7,164	133
1 to 3 months	20	1,683	329
4 to 6 months	60	692	407
7 to 12 months	80	928	742
Over 12 months	100	1,079	1,079
		11,546	2,690

Accounts receivable and contract assets from enterprise customers:

	31 December 2022		
	Expected	Gross carrying	Loss
	loss rate	amount	allowance
	%	RMB million	RMB million
1 to 6 months	2	8,253	189
7 to 12 months	23	2,405	548
1 to 2 years	68	869	595
2 to 3 years	100	379	379
Over 3 years	100	608	608
		12,514	2,319

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40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(i) Credit risk (continued)****Accounts receivable and contract assets arising from contracts with customers (continued)**

Accounts receivable and contract assets from enterprise customers (continued):

	31 December 2021		
	Expected	Gross carrying	Loss
	loss rate	amount	allowance
	%	RMB million	RMB million
1 to 6 months	3	7,299	182
7 to 12 months	21	1,068	223
1 to 2 years	65	948	619
2 to 3 years	97	364	355
Over 3 years	100	467	467
		10,146	1,846

As at 31 December 2022, the loss allowance for accounts receivable and contract assets was RMB6,117 million and RMB75 million (2021: RMB5,051 million and RMB19 million), respectively. Loss allowance of RMB466 million as at 31 December 2022 (2021: RMB517 million), which was not calculated collectively in the above tables, was made individually on debtors with significant balances or credit-impaired debtors.

Expected loss rates are based on actual loss experience over the past 1 to 3 years. These rates are adjusted to reflect differences among economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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for the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(i) Credit risk (continued)****Accounts receivable and contract assets arising from contracts with customers (continued)**

Movement in the loss allowance account in respect of accounts receivable is as follows:

	2022	2021
	RMB million	RMB million
At beginning of year	5,051	4,434
Impairment losses for ECL	2,027	1,689
Amounts written off	(961)	(1,072)
At end of year	6,117	5,051

(ii) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and adequate amount of committed banking facilities to meet its funding needs, including working capital, principal and interest payments on debts, dividend payments, capital expenditures and new investments for a set minimum period of between 3 to 6 months.

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40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(ii) Liquidity risk (continued)**

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if variable, based on prevailing rates at the end of the reporting period) and the earliest date the Group would be required to repay:

	31 December 2022					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
				RMB million	RMB million	RMB million
Short-term debts	2,840	2,884	2,884	-	-	-
Long-term debts	7,644	8,595	3,226	1,187	2,509	1,673
Accounts payable	127,260	127,260	127,260	-	-	-
Accrued expenses and other payables	42,056	42,201	42,201	-	-	-
Lease liabilities	66,896	73,034	16,163	14,685	38,195	3,991
Other non-current liabilities	143	152	-	152	-	-
	246,839	254,126	191,734	16,024	40,704	5,664

	31 December 2021					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
				RMB million	RMB million	RMB million
Short-term debts	2,821	2,870	2,870	-	-	-
Long-term debts	13,675	15,038	6,415	3,218	3,201	2,204
Accounts payable (restated)	114,893	114,893	114,893	-	-	-
Accrued expenses and other payables	35,111	35,241	35,241	-	-	-
Lease liabilities (restated)	42,404	46,070	15,194	9,557	15,560	5,759
Other non-current liabilities	34	34	12	22	-	-
	208,938	214,146	174,625	12,797	18,761	7,963

Management believes that the Group's current cash on hand, expected cash flows from operations and available credit facilities from banks (Note 20) will be sufficient to meet the Group's working capital requirements and repay its borrowings and payables when they become due.

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40. FINANCIAL INSTRUMENTS (continued)**(b) Risks (continued)****(iii) Interest rate risk**

The Group's interest rate risk exposure arises primarily from its short-term debts and long-term debts. Debts carrying interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group manages its exposure to interest rate risk by closely monitoring the change in the market interest rate.

The following table sets out the interest rate profile of the Group's debts at the end of the reporting period:

	31 December 2022		31 December 2021	
	Effective interest rate %	RMB million	Effective interest rate %	RMB million
Fixed rate debts				
Short-term debts	3.3	2,403	3.6	2,146
Long-term debts	1.4	7,644	2.1	13,675
		10,047		15,821
Variable rate debts				
Short-term debts	3.5	437	3.7	675
		437		675
Total debts		10,484		16,496
Fixed rate debts as a percentage of total debts		95.8%		95.9%

Management does not expect the increase or decrease in interest rate will materially affect the Group's financial position and result of operations because the interest rates of 95.8% (31 December 2021: 95.9%) of the Group's short-term and long-term debts as at 31 December 2022 are fixed as set out above.

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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iv) Foreign currency exchange rate risk

Foreign currency exchange rate risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in US dollars, Euros and Hong Kong dollars.

Management does not expect the appreciation or depreciation of the Renminbi against foreign currencies will materially affect the Group's financial position and result of operations because 94.3% (31 December 2021: 89.6%) of the Group's cash and cash equivalents and 97.4% (31 December 2021: 98.2%) of the Group's short-term and long-term debts as at 31 December 2022 are denominated in Renminbi. Details of bank loans denominated in other currencies are set out in Note 20.

41. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Management monitors its capital structure on the basis of total debts to total assets ratio. For this purpose the Group defines total debts as the sum of short-term debts and long-term debts. Total debts do not include balance of deposits received by Finance Company from China Telecom Group amounting to RMB17,427 million and lease liabilities amounting to RMB66,896 million as at 31 December 2022 (31 December 2021: RMB13,016 million and RMB42,404 million). As at 31 December 2022, the Group's total debt-to-total assets ratio was 1.3% (31 December 2021: 2.2%), which is within the range of management's expectation.

Except Finance Company is subject to certain capital requirements imposed by China Banking and Insurance Regulatory Commission, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Short-term debts RMB million	Long-term debts RMB million	Payables in respect of instalment purchase of equipment RMB million	Lease liabilities RMB million	Dividend payable RMB million	Deposits with Finance Company RMB million (Note (i))	Other payables in respect of certain equity transactions RMB million	Total RMB million
Balance as at 1 January 2021	27,994	25,348	-	40,647	-	9,826	978	104,793
Financing cash flows	(23,473)	(12,091)	-	(14,035)	(8,551)	3,190	-	(54,960)
Foreign exchange gain or loss	-	(18)	-	(8)	-	-	-	(26)
New leases (restated)	-	-	-	17,082	-	-	-	17,082
Disposal of subsidiaries	(1,700)	-	-	(42)	-	-	-	(1,742)
Acquisition of non-controlling interests	-	-	-	-	-	-	(978)	(978)
Distribution to non-controlling interests	-	-	-	-	116	-	-	116
Dividends declared	-	-	-	-	8,439	-	-	8,439
Others	-	436	-	(1,240)	-	-	-	(804)
Balance as at 31 December 2021 (restated)	2,821	13,675	-	42,404	4	13,016	-	71,920
Financing cash flows	19	(6,115)	173	(15,897)	(26,627)	4,411	-	(44,036)
Foreign exchange gain or loss	-	18	-	94	-	-	-	112
New leases	-	-	-	44,961	-	-	-	44,961
Distribution to non-controlling interests	-	-	-	-	89	-	-	89
Dividends declared	-	-	-	-	26,537	-	-	26,537
Others	-	66	1,356	(4,666)	-	-	-	(3,244)
Balance as at 31 December 2022	2,840	7,644	1,529	66,896	3	17,427	-	96,339

Notes:

- (i) As at 31 December 2022, the balance of deposits with Finance Company amounting to RMB17,427 million (31 December 2021: RMB13,016 million) were included in amounts due to China Telecom Group in accrued expenses and other payables (Note 22).
- (ii) For the year ended 31 December 2022, other than the net financing cash outflows totalling RMB44,036 million (2021: RMB54,960 million) as presented above, other primary financing activities include Finance Company's placing statutory deposit reserves amounting to RMB541 million (2021: RMB177 million) at the People's Bank of China which was included in the balance of short-term bank deposits and restricted cash as at 31 December 2022.

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43. RELATED PARTY TRANSACTIONS**(a) Transactions with China Telecom Group**

The Group is a part of companies under China Telecommunications Corporation, a company owned by the PRC government, and has significant transactions and business relationships with members of China Telecom Group.

The principal transactions with China Telecom Group which were carried out in the ordinary course of business are as follows. These transactions constitute continuing connected transactions under the Listing Rules and the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph “Continuing Connected Transactions” in the “Significant Events”.

	Notes	2022 RMB million	2021 RMB million
Construction engineering and design services	(i)	16,993	15,869
Receiving ancillary services	(ii)	22,309	22,613
Interconnection revenues	(iii)	48*	52
Interconnection charges	(iii)	102*	131
Receiving community services	(iv)	4,340	3,899
Centralised services transaction revenues	(v)	3,572	3,242
Centralised services transaction expenses	(v)	870	2,280
Property and land use right lease income	(vi)	51	50
Property and land use right lease related expenses	(vii)	715	638
Addition to right-of-use assets	(vii)	463	240
Interest expense on lease liabilities	(vii)	21	17
Provision of IT services	(viii)	1,944	1,186
Receiving IT services	(viii)	4,834	3,548
Purchases of telecommunications equipment and materials	(ix)	4,249	4,105
Sales of telecommunications equipment and materials	(ix)	4,692	3,901
Internet applications channel services	(x)	57	60
Interest expense on loans from China Telecom Group*	(xi)	-	356

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43. RELATED PARTY TRANSACTIONS (continued)**(a) Transactions with China Telecom Group (continued)**

	Notes	2022 RMB million	2021 RMB million
Consideration received from disposal of subsidiaries	(xii)	–	4,072
Payment and digital finance related services	(xiii)	1,068	802
Communications resources lease	(xiv)	442	216
Net deposit by China Telecom Group with Finance Company*	(xv)	4,411	3,190
Interest expense on the deposit by China Telecom Group with Finance Company*	(xv)	238	182
Short-term loans granted by Finance Company to China Telecom Group	(xv)	8,105	2,000
China Telecom Group's repayments of short-term loans granted by Finance Company	(xv)	2,034	–
Interest income from loans granted by Finance Company to China Telecom Group	(xv)	201	1
Receiving finance lease services	(xvi)	2,212	–

* These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76 or 14A.90 of the Listing Rules.

Notes:

- (i) Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.
- (ii) Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.
- (iii) Represent amounts received and receivable from/paid and payable to China Telecom Group for interconnection of local and domestic long distance calls.
- (iv) Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, health care and other community services.
- (v) Represent related revenues and expenses shared between the Company and China Telecom Group for centralised services.
- (vi) Represent amounts of property lease fees received and receivable from China Telecom Group for leasing of properties and land use rights.

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43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

Notes (continued):

- (vii) Represent amounts in respect of the leasing of properties and land use rights from China Telecom Group, which include the fees for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate, fees for non-lease components and interest expenses of right-of-use assets and lease liabilities recognized for leases.
- (viii) Represent IT services provided to and received from China Telecom Group.
- (ix) Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.
- (x) Represent amounts received and receivable from China Telecom Group in respect of Internet applications channel services, including the provision of communications channel and applications support platform and billing and deduction services, etc.
- (xi) Represent interest paid and payable to China Telecom Group with respect to the loans from China Telecom Group (Note 20).
- (xii) Represent consideration received in respect of disposal of subsidiaries from China Telecom Group.
- (xiii) Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.
- (xiv) Represent amounts in respect of the leasing of related communications resources from China Telecom group, including transmission network communications resources, wireless network communications resources and wireline access network communications resources, etc.
- (xv) Represent amounts related to financial services provided by Finance Company to China Telecom Group, including lending service, deposit service and other financial services.
- (xvi) Represent amounts related to finance lease services provided by China Telecom group, including finance lease services such as sale and leaseback, direct lease, etc., and related finance lease consulting services.

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43. RELATED PARTY TRANSACTIONS (continued)**(a) Transactions with China Telecom Group (continued)**

Amounts due from/to China Telecom Group are summarised as follows:

	31 December	
	2022	2021
	RMB million	RMB million
		(restated)
Accounts receivable	2,073	1,889
Contract assets	180	139
Prepayments and other current assets	8,846	2,716
Other assets	92	45
Accounts payable	23,971	21,013
Accrued expenses and other payables	19,841	15,249
Contract liabilities	271	198
Other current liabilities	1,529	–
Lease liabilities	652	501

Amounts due from/to China Telecom Group, other than short-term loans granted by Finance Company included in prepayments and other current assets (Note 18(i)) and deposit with Finance Company included in accrued expenses and other payables (Note 42(i)), bear no interest, are unsecured and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

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43. RELATED PARTY TRANSACTIONS (continued)**(b) Transactions with China Tower**

The principal transactions with China Tower are as follows. These transactions do not constitute connected transactions under the Listing Rules.

	Notes	2022 RMB million	2021 RMB million
Tower assets lease related expenses	(i)	12,193	11,438
Addition to right-of-use assets	(i)	2,239	2,829
Interest expenses on lease liabilities	(i)	387	630
Provision of IT services	(ii)	30	31
Addition to right-of-use assets due to lease modification	(i)(iii)	33,518	–

Notes:

- (i) Represent amounts in respect of the lease of tower assets. Tower assets lease related expenses include the variable lease payments not depending on an index or a rate and fees for non-lease components.
- (ii) Represent IT and other ancillary services provided to China Tower.
- (iii) The original commercial pricing agreement and the service agreement of the Company's leasing of telecommunications towers and related assets from China Tower was due to expire on 31 December 2022. The Board of Directors and the Board of Supervisors considered and approved the Company to enter into the commercial pricing agreement and the service agreement with China Tower for a term of five years commencing from 1 January 2023 to 31 December 2027. This is considered as lease modifications to terms including lease considerations and lease terms that were set in the original commercial pricing agreement and its service agreement. Therefore, on the date of lease modifications, the Group reallocated the considerations in the agreements, determined the lease terms, remeasured the lease liabilities using the present value calculated with revised lease payments and discount rates, and adjusted related right-of-use assets accordingly.

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43. RELATED PARTY TRANSACTIONS (continued)**(b) Transactions with China Tower (continued)**

Amounts due from/to China Tower are summarised as follows:

	31 December	
	2022	2021
	RMB million	RMB million
Accounts receivable	23	9
Prepayments and other current assets	43	45
Accounts payable	4,340	3,914
Accrued expenses and other payables	1,590	1,596
Contract liabilities	–	3
Lease liabilities	40,339	13,806

Amounts due from/to China Tower bear no interest, are unsecured and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group.

Key management personnel compensation of the Group is summarised as follows:

	2022		2021	
	RMB thousand		RMB thousand	
Short-term employee benefits	11,400	10,289		
Post-employment benefits	1,059	1,032		
	12,459	11,321		

The above remuneration has been reflected in personnel expenses.

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for the year ended 31 December 2022

43. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with other government-related entities

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the parent company and its fellow subsidiaries (Note 43(a)) and China Tower (Note 43(b)), the Group has transactions that are collectively but not individually significant with other government-related entities, which include but not limited to the following:

- rendering and receiving services, including but not limited to telecommunications services
- sales and purchases of goods, properties and other assets
- lease of assets
- deposits and borrowings
- use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors of the Company believe the above information provides appropriate disclosure of related party transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December	
		2022 RMB million	2021 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment, net		393,043	404,882
Construction in progress		49,966	44,018
Right-of-use assets		83,693	60,288
Goodwill		29,877	29,877
Intangible assets		18,992	18,093
Investments in subsidiaries	9	33,086	30,716
Interests in associates and joint ventures		41,878	40,901
Financial assets at fair value through profit or loss		3	–
Equity instruments at fair value through other comprehensive income		757	921
Deferred tax assets		3,272	6,196
Other assets		8,586	6,832
Total non-current assets		663,153	642,724
Current assets			
Inventories		1,460	1,391
Income tax recoverable		37	419
Accounts receivable, net		20,491	19,178
Contract assets		2,054	600
Prepayments and other current assets		16,887	16,598
Short-term bank deposits and restricted cash		534	14
Cash and cash equivalents		47,733	50,812
Total current assets		89,196	89,012
Total assets		752,349	731,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Note	31 December	
		2022	2021
		RMB million	RMB million
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts		26,964	28,421
Current portion of long-term debts		3,160	6,280
Accounts payable		108,354	105,447
Accrued expenses and other payables		43,052	41,921
Contract liabilities		59,639	63,439
Income tax payable		526	196
Current portion of lease liabilities		14,039	13,555
Total current liabilities		255,734	259,259
Net current liabilities		(166,538)	(170,247)
Total assets less current liabilities		496,615	472,477
Non-current liabilities			
Long-term debts		4,484	7,395
Lease liabilities		51,131	28,168
Deferred tax liabilities		27,608	26,400
Other non-current liabilities		4,678	1,382
Total non-current liabilities		87,901	63,345
Total liabilities		343,635	322,604
Equity			
Share capital		91,507	91,507
Reserves	26	317,207	317,625
Total equity		408,714	409,132
Total liabilities and equity		752,349	731,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

45. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by provincial, autonomous regional and municipal governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 20% of the salaries, bonuses and certain allowances of employees. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. During the year ended 31 December 2022, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2021: nil).

The Group's contributions to the above plans for the year ended 31 December 2022 were RMB9,915 million (31 December 2021: RMB9,043 million).

The amount payable for contributions to the above defined contribution retirement plans as at 31 December 2022 was RMB923 million (31 December 2021: RMB737 million).

46. SHARE APPRECIATION RIGHTS

The Company implemented a share appreciation rights plan for members of its management to provide incentives to these employees. Under this plan, share appreciation rights are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights plan. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollar amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollar at the date of the exercise. The Group recognises compensation expense of the share appreciation rights over the applicable period.

In November 2018, the Company approved the granting of 2,394 million share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$3.81 per unit, exercise price will be adjusted in accordance with the established rules of the plan. A recipient of share appreciation rights may exercise the rights in stages commencing November 2020. As at each of the third, fourth and fifth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed 33.3%, 66.7% and 100.0%, respectively, of the total share appreciation rights granted to such person.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

46. SHARE APPRECIATION RIGHTS (continued)

In March 2021, the Company approved the adoption of the Phase II Incentive Scheme for Share Appreciation Rights and the granting of approximately 2.4 billion share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$2.686 per unit.

At the balance sheet date, the Company used the Binomial Model to determine the fair value of the share appreciation rights. The model inputs to determine the fair value of share appreciation rights granted included the closing price at the grant date, exercise price, years to maturity, expected volatility, risk-free interest rate, dividend payout ratio, the lower price limit on expected exercise date and expected turnover rate.

Movements in the number of share appreciation rights for the years presented are as follows:

	2022	2021
As at 1 January	4,716,560,000	2,317,800,000
Granted	–	2,401,745,000
Forfeited	(1,320,000)	(2,985,000)
As at 31 December	4,715,240,000	4,716,560,000

For the years ended 31 December 2022 and 2021, no share appreciation right units were exercised. For the year ended 31 December 2022, compensation expense of RMB1,009 million (2021: RMB505 million) was recognised by the Group in respect of share appreciation rights.

As at 31 December 2022, the carrying amount of the liability arising from share appreciation rights was RMB1,579 million (31 December 2021: RMB571 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

47. ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the judgments and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 3. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

Provision of ECL for accounts receivable

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on customer's past history of making payments when due and current ability to pay by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical credit loss experience taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. The historical loss rates are reassessed annually, and changes in the forward-looking information are considered. The Group has taken into account various macroeconomic scenarios in consideration of forward-looking information of enterprise customers, and applied weightings of the following three economic scenarios as well as related forward-looking factors. For the years presented, the weighting of "Neutral", "Positive", and "Negative" scenarios is 60%, 20% and 20%, respectively. The Group regularly monitors and reviews the related assumptions used in calculation of ECL, which include the risk of economic slowdown, changes of external market environment and technological environment and customers' conditions, Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Gross Domestic Product ("GDP"), etc. In addition, accounts receivable with significant balances or credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Notes 40 and 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

47. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Impairment of goodwill and long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 3(h). The carrying amounts of the Group’s long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, construction in progress, right-of-use assets and contract costs are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at the end of each reporting period. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs of disposal. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate fair value of the Group’s long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant estimates and judgments relating to level of revenue, amount of operating costs and applicable discount rate, etc. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount.

For the years ended 31 December 2022 and 2021, no significant provision for impairment loss was made against the carrying value of long-lived assets.

In determining the recoverable amount of the assets within the cash-generating unit, significant estimates and judgments were required in estimating future cash flows, revenues, operating costs and applicable discount rate, etc. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods. Furthermore, revenue growth rate, terminal growth rate and pre-tax discount rate are subject to greater uncertainties in the current year due to uncertainty on volatility in financial markets.

Depreciation and amortisation

Property, plant and equipment and intangible assets with finite useful lives are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group’s historical experience with similar assets and take into account anticipated technological changes. The depreciation and amortisation expense is adjusted on a prospective basis if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

48. POSSIBLE IMPACT OF NEW AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2022

Up to the date of issue of the consolidated financial statements, the IASB has issued the following new and amendments to standards which are not yet effective and not early adopted by the Group for the annual accounting period ended 31 December 2022:

	Effective for accounting periods beginning on or after
IFRS 17 <i>"Insurance Contracts"</i>	1 January 2023
Amendments to IAS 1 <i>"Presentation of Financial Statement"</i> – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 <i>"Presentation of Financial Statement"</i> and IFRS Practice Statement 2 <i>"Making Materiality Judgements"</i> – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 <i>"Accounting Policies, Changes in Accounting Estimates and Errors"</i> – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 <i>"Income Taxes"</i> – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 <i>"Consolidated Financial Statements"</i> and IAS 28 <i>"Investments in associates and joint ventures"</i> – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of the impact that will result from adopting the new and amendments to standards issued by the IASB which are not yet effective for the accounting period ended on 31 December 2022. So far the Group believes that the adoption of these new and amendments to standards is unlikely to have a significant impact on its financial position and the results of operations.

49. PARENT AND ULTIMATE HOLDING COMPANY

The parent and ultimate holding company of the Company as at 31 December 2022 is China Telecommunications Corporation, a state-owned enterprise established in PRC.

FINANCIAL SUMMARY

(Amounts in million except for per share data)

	2022	Year ended 31 December			
		2021	2020	2019	2018
	RMB	RMB	RMB	RMB	RMB
		(restated)			
Results of operation					
Operating revenues	481,448	439,553	393,561	375,734	377,124
Depreciation and amortisation	(96,932)	(92,966)	(90,240)	(88,145)	(75,493)
Network operations and support	(147,589)	(133,340)	(119,517)	(109,799)	(116,062)
Selling, general and administrative	(64,277)	(61,154)	(55,059)	(57,361)	(59,422)
Personnel expenses	(84,772)	(76,057)	(65,989)	(63,567)	(59,736)
Other operating expenses	(54,451)	(45,088)	(29,074)	(27,792)	(37,697)
Impairment loss on property, plant and equipment	–	–	(5,042)	–	–
Operating expenses	(448,021)	(408,605)	(364,921)	(346,664)	(348,410)
Operating profit	33,427	30,948	28,640	29,070	28,714
Net finance costs	(7)	(1,293)	(3,014)	(3,639)	(2,708)
Investment income and others	243	2,244	60	30	38
Share of profits of associates and joint ventures	2,051	1,966	1,701	1,573	2,104
Profit before taxation	35,714	33,865	27,387	27,034	28,148
Income tax	(8,038)	(7,716)	(6,307)	(6,322)	(6,810)
Profit for the year	27,676	26,149	21,080	20,712	21,338

FINANCIAL SUMMARY

(Amounts in million except for per share data)

	Year ended 31 December				
	2022 RMB	2021 RMB	2020 RMB	2019 RMB	2018 RMB
		(restated)			
Other comprehensive income for the year					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Change in fair value of investments in equity instruments at fair value through other comprehensive income	(222)	20	(385)	604	(324)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	50	(15)	97	(147)	82
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translation of financial statements of subsidiaries outside mainland China	712	(233)	(312)	102	154
Share of other comprehensive income of associates and joint ventures	-	-	(4)	(2)	(7)
Other comprehensive income for the year, net of tax	540	(228)	(604)	557	(95)
Total comprehensive income for the year	28,216	25,921	20,476	21,269	21,243
Profit attributable to					
Equity holders of the Company	27,593	25,949	20,850	20,517	21,210
Non-controlling interests	83	200	230	195	128
Profit for the year	27,676	26,149	21,080	20,712	21,338
Total comprehensive income attributable to					
Equity shareholders of the Company	28,133	25,721	20,244	21,074	21,115
Non-controlling interests	83	200	232	195	128
Total comprehensive income for the year	28,216	25,921	20,476	21,269	21,243
Basic earnings per share (RMB)	0.30	0.31	0.26	0.25	0.26
Diluted earnings per share (RMB)	0.30	0.31	0.26	0.25	0.26

SECTION IX FINANCIAL REPORTS

FINANCIAL SUMMARY

(Amounts in million except for per share data)

	2022	As at 31 December of the year			
		2021	2020	2019	2018
	RMB	RMB	RMB	RMB	RMB
		(restated)			
Financial condition					
Property, plant and equipment, net	413,963	415,981	418,605	410,008	407,795
Construction in progress	58,443	51,457	48,425	59,206	66,644
Other non-current assets	194,220	167,438	164,050	160,735	115,938
Cash and bank deposits	76,300	75,213	33,092	24,419	23,480
Other current assets	64,772	52,150	50,924	48,763	49,525
Total assets	807,698	762,239	715,096	703,131	663,382
Current liabilities	281,737	265,071	271,142	264,661	258,920
Non-current liabilities	89,534	65,995	77,779	83,430	60,363
Total liabilities	371,271	331,066	348,921	348,091	319,283
Total equity attributable to equity holders of the Company	432,089	428,678	363,456	352,510	343,069
Non-controlling interests	4,338	2,495	2,719	2,530	1,030
Total equity	436,427	431,173	366,175	355,040	344,099
Total liabilities and equity	807,698	762,239	715,096	703,131	663,382

SHAREHOLDER INFORMATION

SHARE INFORMATION

Share Listing

China Telecom Corporation Limited's H shares were listed on The Stock Exchange of Hong Kong Limited on 15 November 2002 while its A shares were listed on the Shanghai Stock Exchange on 20 August 2021.

Stock Code

The Stock Exchange of Hong Kong Limited	728
Shanghai Stock Exchange	601728

Share Price Performance

2022 Share Price	HK\$ per H Share			RMB per A Share		
	High	Low	Close	High	Low	Close
	3.36	2.57	3.07	4.66	3.65	4.19

Number of issued shares: (as at 31 December 2022)	91,507,138,699
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Market capitalisation: (as at 31 December 2022)	HK\$410.5 billion
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SHAREHOLDER INFORMATION

Distribution of Shares and Shareholdings

The share capital of the Company as at 31 December 2022 was RMB91,507,138,699, divided into 91,507,138,699 shares of RMB1.00 each. As at 31 December 2022, the share capital of the Company comprised:

	Number of Shares	Percentage of the Total Number of Shares (%)
Total Number of A Shares:	77,629,728,699	84.83
<i>held by:</i>		
China Telecommunications Corporation	58,364,586,774	63.78
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653	6.14
Zhejiang Provincial Financial Development Co., Ltd.	2,137,473,626	2.34
Fujian Investment & Development Group Co., Ltd.	968,294,182	1.06
Jiangsu Guoxin Group Limited	957,031,543	1.05
Others	9,588,259,921	10.46
Total Number of H Shares:	13,877,410,000	15.17
Total	91,507,138,699	100.00

Major Shareholders of H Shares

The following table shows the major shareholders that exercised or controlled the exercise of 5% or above of H shares as at 31 December 2022:

Name of Shareholder	Number of Shares	Percentage of the Total Number of H Shares in Issue (%)
GIC Private Limited	2,086,663,702	15.04

Dividend History

A-share Dividend

Financial Year	Ex-Dividend Date	Payment Date	Dividend per Share (pre-tax)
2021 Final	8 June 2022	8 June 2022	RMB0.170
2022 Interim	8 September 2022	8 September 2022	RMB0.120

H-share Dividend

Financial Year	Ex-Dividend Date	Payment Date	Dividend per Share (pre-tax)
2002 Final	16 May 2003	10 July 2003	HKD0.00837*
2003 Final	1 April 2004	20 May 2004	HKD0.065
2004 Final	21 April 2005	23 June 2005	HKD0.065
2005 Final	20 April 2006	15 June 2006	HKD0.075
2006 Final	26 April 2007	15 June 2007	HKD0.085
2007 Final	28 April 2008	16 June 2008	HKD0.085
2008 Final	23 April 2009	30 June 2009	HKD0.085
2009 Final	22 April 2010	30 June 2010	HKD0.085
2010 Final	18 April 2011	30 June 2011	HKD0.085
2011 Final	5 June 2012	20 July 2012	HKD0.085
2012 Final	4 June 2013	19 July 2013	HKD0.085
2013 Final	4 June 2014	18 July 2014	HKD0.095
2014 Final	1 June 2015	17 July 2015	HKD0.095
2015 Final	30 May 2016	15 July 2016	HKD0.095
2016 Final	26 May 2017	21 July 2017	HKD0.105
2017 Final	31 May 2018	27 July 2018	HKD0.115
2018 Final	3 June 2019	26 July 2019	HKD0.125
2019 Final	1 June 2020	31 July 2020	HKD0.125
2020 Final	11 May 2021	1 June 2021	HKD0.125
2021 Final	31 May 2022	18 July 2022	RMB0.170
2022 Interim	31 August 2022	14 October 2022	RMB0.120
2022 Final	31 May 2023	21 July 2023	RMB0.076**

* On the basis of HK\$0.065 per share, pro-rated based on the number of days the Company's shares have been listed during the year of 2002.

** The dividend proposal is subject to shareholders' approval at the Annual General Meeting to be held on 23 May 2023.

ANNUAL REPORTS

Our annual reports in both English and Chinese are now available through the Internet at <https://www.chinatelecom-h.com>.

2022 Annual Report Survey

Annual Report is a key communication channel between shareholders and the Company. Last year, we received around 100 questionnaires of “Your Views on Annual Report 2021”. Each of these responses benefited us in enhancing and further improving our annual reports. We are deeply indebted to the respondents for their constructive responses. In accordance with our commitment, we have to contribute HK\$50 to a charitable organisation for each questionnaire received. In this regard, we have given a sum of HK\$10,000 to the charitable organisation, WWF, in 2022. In addition, we have already implemented the suggestion of allowing shareholders to choose means of receipt and language of corporate communication to enhance environmental protection and cost savings.

We value and are eager to keep hearing your comments on our annual report for our further improvement in the future. It is highly appreciated if you could spare your precious time to complete the questionnaire of “Your Views on Annual Report 2022”, as attached in this annual report, and return it by post or fax to us at +852 2877 0988. You can also fill in the electronic form at our website, www.chinatelecom-h.com.

Registered office

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Fax: (8610) 6601 0728

Any enquiries relating to the strategic development or operations of China Telecom Corporation Limited, please contact the Investor Relations Department:

Investor Relations Department

Tel: (852) 2877 9777/(8610) 5850 1508
IR Enquiry: (852) 2582 0388
Fax: (852) 2877 0988/(8610) 5850 1531
Email: ir@chinatelecom-h.com

SHAREHOLDER INFORMATION

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, loss of share certificates, please contact the share registrars:

H share registrar

Computershare Hong Kong Investor Services Limited

Address: Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: www.computershare.com/hk/contact

A share registrar

China Securities Depository and Clearing Corporation Limited Shanghai Branch

Address: No. 188 South Yanggao Road
Pudong New Area
Shanghai
Tel: (86) 4008-058-058
Website: http://www.chinaclear.cn/zdjs/shfgs/branch_BSH.shtml



CORPORATE CULTURE

Corporate Mission

Let the customers fully enjoy a new information life

Strategic Goal

Be a world-class integrated information services provider

Core Value

Comprehensive innovation, pursuing truth and pragmatism,
respecting people and creating value all together

Operation Philosophy

Pursue mutual growth of corporate value and customer value

Service Philosophy

Customer First Service Foremost

Code of Corporate Practice

- Keep promise and provide excellent service for customers
- Cooperate honestly and seek win-win result in joint innovation
- Operate prudently and enhance corporate value continuously
 - Manage precisely and allocate resources scientifically
 - Care the staff and tap their potential to the full
- Reward the society and be a responsible corporate citizen

Corporate Slogan

Connecting the World

China Telecom Corporation Limited
31 Jinrong Street, Xicheng District, Beijing, PRC, 100033

www.chinatelecom-h.com



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