



## 1. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD

According to the performance of the communications industry economy in the first half of 2022 released by MIIT, in the first half of the year, the overall operation of the communications industry in China was stable and positive and the revenue from telecommunications services increased steadily to a total of RMB815.8 billion, representing a year-on-year increase of 8.3%. The number of subscribers continued increasing. As of the end of June, the total number of wireline Internet broadband access subscribers of the three fundamental telecommunications enterprises reached 563 million and the total number of mobile phone subscribers reached 1.67 billion. The mobile Internet traffic grew rapidly, with cumulative traffic reaching 124.1 billion GB, representing a year-on-year increase of 20.2%. The revenue from emerging businesses increased significantly, the revenue from emerging businesses such as IPTV, Internet datacentre, big data, cloud computing and IoT of the three fundamental telecommunications enterprises amounted to RMB162.4 billion, representing a year-on-year increase of 36.3%.

In the first half of the year, adhering to the new development principles, the Company proactively seized the strategic opportunities brought by the new round of technological revolution and industrial transformation, coordinated COVID-19 Epidemic ("Epidemic") prevention and control with corporate operation and development, and fully implemented its "Cloudification and Digital Transformation" strategy. The Company intensified sci-tech innovations, deepened the cloud-network integration and accelerated its development as a service-oriented, technology-oriented and secured enterprise, maintaining rapid growth in its operating results. In terms of individual informatisation services, the Company continued to strengthen the integrated operation of 5G, enhanced 5G coverage and network experience, enriched 5G featured applications and privilege portfolio, resulting in further enhancement of the scale and value of mobile subscribers. In terms of household informatisation services, we have further developed digital life products and services, accelerated the development of the Gigabit broadband, and promoted the integration and mutual promotion as well as connected development among Smart Family, Smart Community and Digital Village. In terms of government and enterprise informatisation services, the Company accelerated the expansion of Industrial Digitalisation, fully leveraged resources in whole process and whole network as well as



the edges in clientele accumulation and service localisation, so as to proactively empower the transformation and upgrades of traditional industries and support “the cloud migration, the use of data and intelligence injection” of thousands of industries. In the first half of the year, the operating revenues of the Company amounted to RMB242.3 billion, representing an increase of 10.5% year-on-year. Of which, service revenues amounted to RMB221.4 billion, representing an increase of 8.8% year-on-year, remaining above the industry’s average growth rate. As at the end of June, the total number of mobile subscribers reached 384 million, with a net addition of 11.79 million. Mobile ARPU amounted to RMB46.0, maintaining its growth momentum. The total number of wireline broadband subscribers reached 175 million, representing a net addition of 5.73 million. Broadband blended ARPU reached RMB47.2 and the value contribution from Smart Family services continued to increase. Revenue for Industrial Digitalisation amounted to RMB58.9 billion, representing a year-on-year growth of 19.0% on a comparable basis<sup>1</sup>.

For detailed business analysis of the Company, please refer to “3. Discussion and Analysis of Operations” under “Section III Management’s Discussion and Analysis” of this report.

## 2. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, China Telecom proactively fulfilled its mission and responsibility of building Cyberpower and Digital China as well as safeguarding network and information security, fully implemented the strategy of “Cloudification and Digital Transformation” and accelerated the construction of digital information infrastructure to continuously contribute to the opening up of the information “artery” for economic and social development.

### INDUSTRY-LEADING CLOUD-NETWORK SERVICE CAPABILITIES

The Company gave full play to the fundamental edges of its network, grasped the development trend of cloud and took the lead in the industry to put forward the idea of cloud-network integration which has evolved to the new stage of cloud-network integration 3.0 after years of implementation. The Company strengthened sci-tech innovation in particular and promoted the integration and innovation of various elements such as DC, network, computing power, cloud, Big Data/AI, security and greenness. The Company has completed the construction of the world’s largest 5G SA co-built and co-shared network and the largest Gigabit fibre network, and is the only satellite mobile communications operator in China. The Company accelerated the development of cloud

<sup>1</sup> Revenue for Industrial Digitalisation in the first half of 2021 has excluded the Internet Finance revenue before the disposal of E-surfing Pay Co., Ltd (which was disposed of in April 2021).



computing and built an independent, controllable, secured and reliable cloud platform. The Company has mastered more than 50 core technologies, such as elastic computing and distributed database, with e-Surfing Cloud securing a solid position in the front rank in terms of market share within the industry while maintaining its leading position in the government and enterprise public cloud market. The Company established a “2+4+31+X+O” resource layout, built datacentre parks in 2 regions of Inner Mongolia and Guizhou, and deployed a large number of datacentres in 4 regions, including Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau as well as Sichuan-Shaanxi-Chongqing, which is highly consistent with hubs and nodes of the national “East-to-West Computing Resources Transfer” project. Adhering to the customer-oriented principle, the Company launched six “Good Service as You Wish” service initiatives to resolve the most pressing difficulties and problems that are of great concern to customers, with an aim to meet the people’s ever-growing needs for a better digital life and support the digital transformation and upgrades of enterprises.

### **SIGNIFICANT ENHANCEMENT OF SCI-TECH INNOVATION CAPABILITY**

The Company continued to increase its efforts in sci-tech innovation and set a clear goal to become a sci-tech company. The special plan for sci-tech innovation for the 14th Five-Year Plan has been formulated and implemented. The Company fully completed deployment of sci-tech innovation and research and development (R&D) system of RDO and facilitated the penetration of key core technologies such as network, AI, security and quantum into fundamental research of applications, technological R&D of applications and operation-based development. By pushing forward the independence and self-control of core technologies, the Company achieved significant results in the innovation of technologies such as e-Surfing Cloud

4.0, 5G edge network, the new generation cloud-network operating system, AI, and Quantum-encrypted Calls. The Company also expedited the conversion of sci-tech achievements and increased the level of patents with equal emphasis on quantity and quality, further enhancing the Company’s sci-tech influence.

### **CONTINUOUS REINFORCEMENT OF NETWORK AND INFORMATION SECURITY CAPABILITY**

The Company has always regarded network security as the cornerstone of digital information infrastructure. We have built a security capabilities pool comprising of cloud, network, edge and terminals which covers 31 provinces, continued to enhance cloud network security protection capabilities and gradually achieved on-demand selection and flexible deployment of security capabilities. We coordinated and planned the cloud-network end-to-end security capability system with data integration, capability aggregation, unified structure and open ecology, and gradually realised the centralised security data, intelligent security analysis, scheduled security operation as well as security services as capabilities. The Company continued to expand security products and services, proactively promoted a series of products and services such as e-Surfing Security Brain, Quantum-encrypted Calls and Internet Fraud Prevention, and built the “Cloud Dam” platform, the only platform with full network coverage and global reach in China, to provide industry-leading customised security services for industry customers. The Company strengthened the independence and controllability of security for key information infrastructure, conducted proprietary R&D in key core capabilities, such as cloud-network security capability management platform and 5G automatic scheduling system, and unified security technical standards to ensure data security and compliance.



**Ke Ruiwen**  
*Chairman and Chief Executive Officer*

### 3. DISCUSSION AND ANALYSIS OF OPERATIONS

In the first half of 2022, the digital economy has become a stabiliser and an important engine for the national economic development, as the scale commercialisation of the new-generation digital technologies accelerated while the integration and innovation of multiple technologies further drove industrial transformation. Adhering to the new development principles, the Company seized strategic opportunities brought about by the new round of technological revolution and industrial transformation, responded to the challenges brought about by the

Epidemic in the country, coordinated Epidemic prevention and control with corporate operation and development, and fully implemented its “Cloudification and Digital Transformation” strategy. The Company intensified sci-tech innovations, deepened the cloud-network integration and continued deepening its system and mechanism reforms. The Company proactively expanded the new open ecosystem of win-win cooperation and accelerated its development as a service-oriented, technology-oriented and secured enterprise. The Company maintained rapid growth in its operating results and continued to share its high-quality development achievements with its shareholders, customers and the society.



## 1. OVERALL RESULTS

In the first half of 2022, operating revenues of the Company amounted to RMB242.3 billion, representing an increase of 10.5% year-on-year. Of which, service revenues<sup>2</sup> amounted to RMB221.4 billion, representing an increase of 8.8% year-on-year, remaining above the industry's average growth rate<sup>3</sup>. EBITDA<sup>4</sup> amounted to RMB69.8 billion, representing an increase of 5.3% over the same period last year. The net profit<sup>5</sup> was RMB18.3 billion, representing an increase of 3.1% over the same period last year. Excluding the one-off after-tax gain<sup>6</sup> from the disposals of its subsidiaries last year, the year-on-year growth rate was 12.0%. The basic earnings per share were RMB0.20. Capital expenditure was RMB41.7 billion and free cash flow<sup>7</sup> reached RMB14.5 billion.

The Company attaches great importance to shareholder returns and strives to enhance its profitability and cash flow generation capability while effectively controlling capital expenditure. The Board of Directors has resolved to declare an interim dividend for the first time in 2022, and the profit distributed in cash will be 60% of the profit attributable to equity holders of the Company in the first half of 2022, i.e., RMB0.120 per share. This successfully fulfilled the commitment to introduce interim dividends made by the Company during A-Share offering. The Board of Directors will take into full consideration the Company's profitability, alongside cash flow levels and capital needs for its future development, and will make recommendations at the shareholders' meeting after comprehensively reviewing the annual dividend distribution proposal for 2022, furthering its efforts to create more value for shareholders.

<sup>2</sup> 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 RMB104.5 billion, representing an increase of 6.7% year-on-year; wireline service revenues amounted to RMB116.9 billion, representing an increase of 10.7% year-on-year.

<sup>3</sup> According to the performance of the communications industry economy in the first half of 2022 released by MIIT.

<sup>4</sup> EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

<sup>5</sup> Net profit represents profit attributable to equity holders of the Company.

<sup>6</sup> 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.

<sup>7</sup> Free cash flow is calculated based on EBITDA minus capital expenditure, income tax and depreciation charge for right-of-use assets other than land-use-rights.



## **2. FULLY IMPLEMENTING “CLOUDIFICATION AND DIGITAL TRANSFORMATION” STRATEGY AND ELEVATING HIGH-QUALITY DEVELOPMENT TO A NEW LEVEL**

In the first half of the year, the Company accelerated the construction of digital information infrastructure, further boosted its cloud-network operating capabilities and continued to strengthen its sci-tech innovation. As a result, the Company made breakthroughs in becoming the source of original technologies and also in problem-tackling efforts in core technologies. The Company further unleashed its corporate vitality through deepened system and mechanism reforms, expanded the industrial and capital ecosystems featuring strong alliances and open cooperation and effectively elevated its high-quality development to a new level.

### **2.1 Continued strengthening of informatisation services as a courageous pioneer in empowering the digital economy**

Adhering to the customer-oriented approach, the Company strengthened the supply of integrated intelligent information products and services, accelerated the innovative expansion of fundamental businesses and Industrial Digitalisation, built a better life and empowered the digital transformation of numerous walks of life. The service quality of the Company maintained at the industry-leading position.

### **Insisting on 5G's leading role and the innovation of 5G applications, achieving steady enhancement of mobile subscriber scale and value**

The Company further enhanced 5G network coverage, promoted network access and usage for 5G subscribers with precision and optimised the experience of applications such as cloud VR/AR, cloud games, ultra HD and etc. The Company created innovative applications such as 5G Messaging, 5G New Calls, Quantum-encrypted Calls and etc., with an aim to further expand products and services under 5G scenes and promote the upgrade of individual's digital consumption demands as well as drive the continuous enhancement of subscriber scale and value. In the first half of the year, the Company's mobile communications service revenues amounted to RMB99.0 billion, representing an increase of 6.0% over the same period last year, maintaining healthy growth. The total number of mobile subscribers reached 384 million, with a net addition of 11.79 million, achieving steady growth of subscriber market share. The number of 5G package subscribers reached 232 million with a penetration rate of 60.3%, remaining at an industry-leading level. Mobile ARPU<sup>8</sup> amounted to RMB46.0, maintaining its growth momentum.

<sup>8</sup> Mobile ARPU = monthly average revenues from mobile services / the average number of mobile subscribers.

**Accelerating upgrade to Gigabit broadband and enriching applications of digital life, resulting in steady growth of family services**

Focusing on customers' demands for digital life upgrades, the Company further promoted the speed upgrade of broadband subscribers and accelerated the expansion of Gigabit products at scale. The Company built a platform for digital life applications with wider connectivity, broader reach and higher level of intelligence, promoted the migration of applications from interconnection between single products to inter-convergency across ecosystems. Leveraging ultra HD, multi-camera, multi-angle and VR/AR to create new experience of contents, the Company further promoted the integration and mutual promotion as well as connected development among Smart Family, Smart Community and Digital Village, while continuously enriching the content of digital life and promoting steady growth in volume and revenue of family services. In the first half of the year, Wireline and Smart Family service revenues of the Company amounted to RMB59.9 billion, representing an increase of 4.4% year-on-year. Of which, broadband access revenue reached RMB40.8 billion, representing an increase of 7.1% year-on-year. The total number of wireline broadband subscribers reached 175 million, of which the number of Gigabit broadband subscribers reached 20.68 million, with its penetration rate increasing to 11.8%, achieving an industry-leading level. The value contribution from Smart Family services continued to increase. Broadband blended ARPU<sup>9</sup> reached RMB47.2, maintaining healthy growth.

**Industrial Digitalisation continued to thrive amidst the undertaking of the vital mission of co-developing National Cloud**

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 resources in whole process and whole network as well as the edges in clientele accumulation, service localisation and etc., while also leveraging its abundant use cases and massive data, the Company focused on the dual driving engines of its projects and products, created edges from differentiation and convergence and proactively empowered the transformation and upgrades of traditional industries to support the "the cloud migration, the use of data and intelligence injection" for numerous walks of life. In the first half of the year, revenue from Industrial Digitalisation reached RMB58.9 billion, representing a year-on-year growth of 19.0% on a comparable basis<sup>10</sup>.

<sup>9</sup> Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services / the average number of broadband subscribers.

<sup>10</sup> Revenue for Industrial Digitalisation in the first half of 2021 has excluded the Internet Finance revenue before the disposal of E-surfing Pay Co., Ltd.



Adhering to the cooperation philosophy of “Broadest Scope, Best Service, Best Value, Farthest Growth”, the Company conducted ecological cooperation to further promote the vigorous development of cloud technologies and industry to form a new digital foundation featuring cloud-network integration for the development of the digital economy. Insisting on the leading role of sci-tech innovation, the Company’s efforts in tackling core cloud computing technologies constantly achieved new results, equipping itself with full stack cloud capabilities that are independent and controllable, secure and reliable, open to cooperation and industry-leading. The Company has become the source of original technologies for cloud computing. Focusing on cloud migration needs of different customer groups, the Company provides public, private and hybrid cloud services that are polymorphic, high-performance, inclusive and convenient for government, enterprises and the general public. The Company achieved remarkable results in market expansion and continued to lead in the government administration public cloud market. In the first half of the year, revenue from e-Surfing Cloud reached RMB28.1 billion with the year-on-year growth rate reaching 100.8%. In line with the demands from the “East-to-West Computing Resource Transfer” project, the Company accelerated the building of new hub capabilities. In the first half of the year, the development of IDC further enhanced with its revenue amounting to RMB17.9 billion, representing an increase of 11.1% year-on-year. As the fifth fundamental network of the Company, e-Surfing Internet of Video Things pushed forward the construction of digital cloud-network ecology of videos. The aggregate number of connected devices reached 30 million, with rapid launch of diversified use cases such as “Kitchen Monitoring” etc.

The development of the Company’s 5G 2B services maintained good momentum. The three customised network modes, namely “Wide-area”, “Adjacent”, and “Wingspan”, fully exerted the features of 5G including massive connectivity, high speed, low latency and data security. Focusing on the demands such as flexible production, HD video backhaul transmission and remote control of equipment, the Company created 5G industry use cases such as 5G+industrial vision, 5G+remote equipment control, and 5G+smart factory logistics to effectively empower the digital and intelligent transformation and upgrades of industries such as Industrial Internet, Internet of Vehicles (IoV), and smart healthcare. Fully leveraging the industry-leading benchmarking effects, the Company accelerated the expansion and replication of its projects. In the first half of the year, the number of the newly contracted customised network projects exceeded 1,300, with revenue from the newly contracted projects increasing by more than 80% year-on-year. The cumulative number of 5G industry commercial projects reached approximately 9,000.



**Further optimised customer experience with user satisfaction rate maintaining the industry-leading position**

The Company organised and carried out activities such as upgrading service satisfaction and launched six "Good Service as You Wish" service initiatives. The Company also sped up the innovation of digitalised service mode and enhanced digital and intelligent service capabilities. The Company took the lead to build "Caring Stations", a channel for intelligent and universal services, while also promoted elderly-oriented and barrier-free renovation for various touchpoints to effectively enhance customer experience and the level of service quality. The Company's telecommunications user satisfaction rate ranked No.1 within the industry while its telecommunications user complaint rate ranked the lowest within the industry<sup>11</sup>.

**2.2 Promoting the construction of new digital infrastructure based on the new stage of cloud-network integration 3.0**

The Company strengthened the coordinated deployment of multiple digital elements, including cloud, network, data, intelligence, security, DC, computing power and greenness, among others, while stepping up the application of original technologies. The Company also promoted the evolution towards cloud-network integration 3.0, strengthened sci-tech endowment and 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, as well as secure and controllable.

In line with the national layout of integrated Big Data centres, the Company continued to optimise the "2+4+31+X+O" computing power layout in accordance with the regional economic development and natural resources conditions. Through the establishment of a layer-based computing power service system coordinating cloud, edge and terminals, the Company created an integrated and innovative computing power infrastructure. The Company carried out network reconstitution around computing power centres and promoted the change of traffic flow from the dominant "north-south" direction to "north-south + east-west" directions. The Company also continued optimising its three-dimensional, wide-coverage, and high-performance network deployment with holistic coverage of land, sea, air and space. The Company pushed forward integrated and intelligent channelling of cloud-network and realised cloud-led network resource allocation and cloud-led network channelling. The Company currently owns more than 700 IDC sites and the number of IDC cabinets amounted to 487,000 with a utilisation rate of 72%. The Company has the greatest number and the most extensive distribution of IDC resources in China. In the first half of the year, the number of newly built e-Surfing Cloud servers reached 81,000, with the scale of computing power reaching 3.1EFLOPS while "One-City-One-Pool of Cloud Resources" cumulatively covered more than 160 cities.

<sup>11</sup> Source of telecommunications user satisfaction rate and telecommunications user complaint rate: MIIT.



The Company proactively pushed forward a new model for cloud-network construction and operation to reduce duplicated resources input, and achieved further cost reduction and efficiency enhancement, while at the same time striving to build a green cloud-network with high efficiency and lower energy consumption. The Company continued deepening the co-building and co-sharing of networks with China Unicom on all fronts. In the first half of the year, the number of co-built and co-shared 5G base stations increased by 180,000, with the number of 5G base stations in use reaching 870,000. The number of co-shared 4G base stations increased by 210,000, with accelerated promotion of “one single 4G network”. The cumulative investment savings for both parties amounted to RMB240 billion. The Company established a systematic green and low-carbon development model, which incorporates green development into all processes and fields of production and operation, comprehensively transforming from “dual control of energy consumption and intensity” to “dual control of carbon emission and intensity.”

The Company has always placed network security as the cornerstone of the digital information infrastructure. Capitalising on the resource endowment of its cloud-network and data, the Company continued enhancing its network security operating capabilities. The Company also developed a security capabilities pool covering cloud, network, edge and terminals, conducted integrated and coordinated monitoring and control over a series of security risks in the process of data storage, information transmission and cloud computing. The Company also realised the on-demand selection and flexible deployment of its security capabilities through the integration and innovation of multiple technologies such as cloud-network security and data security. Adhering to independent development, the Company offered various mainstream security products and services such as Cloud Dam and Quantum Metropolitan Network, providing customers with end-to-end integrated security protection services.



### **2.3 Promoting self-reliance and self-improvement of sci-tech innovation, accelerating the development as a sci-tech company**

The Company took the promotion of sci-tech innovation as the strategic guide for its high-quality development. The Company constantly scaled up sci-tech innovation, boosted its sci-tech capabilities, and made solid strides towards becoming a sci-tech company. The Company was awarded the title of “Enterprises with Outstanding Contribution to Sci-tech Innovation” by State-owned Assets Supervision and Administration Commission of the State Council (SASAC). The Company promoted the independence and self-control of core technologies, strengthened its leadership in forefront technologies of cloud computing and the innovation of original technologies, as well as completed and released the commercial version of CloudOS4.0. The Company made major breakthroughs in proprietary development of customised servers and databases. The Company’s proprietary Quantum-encrypted Calls product was launched nationwide, alongside the roll-out of its first proprietary smart cloud camera. The

Company also accelerated the conversion of its sci-tech achievements, with the number of proprietary achievements reaching 74 and its capabilities in proprietary development significantly strengthening. In the first half of the year, the percentage of proprietary IT systems and service platforms increased by 8.9 percentage points over the same period last year. The number of new patents was 1,128, representing an increase of 145% year-on-year. Cooperation and innovation among industry, academia, research and development (R&D) institutes and customers entered a substantive stage with more than 40 cooperation projects being initiated in the fields of fundamental research and application research with leading universities and scientific research institutes.



#### **2.4 Unleashing innovation and development potential through deepened system and mechanism reforms on all fronts**

In line with customer's demands for digitalisation, the Company promoted corporate reform centred around cloud. The Company accelerated the implementation of reform measures in key areas and core processes such as sales and operation, further optimised the market-oriented operating mechanism, boosted core corporate capabilities and effectively stimulated corporate vitality. The Company continued to deepen government and enterprise reform, constantly strengthened the mechanisms establishment for industrial research institutes, and accelerated the R&D and promotion of digitalised platforms. The Company also deepened direct sales for leading customers, enhanced the delivery level of local integration, while further strengthening its professional information service capabilities for government and enterprise customers. The Company accelerated its substantive operations of the cloud core platform, continued to enrich key talents in ABCI and related specialities, and

enhanced its capabilities for Industrial Digitalisation development with e-Surfing Cloud as the foundation. The Company further deepened professional company reforms, pursued the corporate operation of Big Data and AI centres, continuously enhanced its R&D and operating capabilities in Big Data and AI, with its Cloud company, Security company, IoT company being successfully shortlisted in the latest batch of "Sci-tech Reform Demonstration Enterprises", creating a new model for sci-tech company reforms and proprietary innovations. Meanwhile, the Company established professional companies in areas such as medical and healthcare and digital villages, introducing market-oriented operating mechanism while enhancing the capabilities of professional operation. The Company intensified its efforts to implement "three system reforms", fully implemented the tenure system and contractual management of management team at various levels of companies, having employees compete for key positions, reinforcing the standpoint that staff can be hired or let go and compensation can be raised or reduced, so as to fully stimulate its employees' vitality.



### **2.5 Expanding open and pragmatic ecological cooperation to build new prospects of win-win cooperation**

The Company promoted and attained mutual growth with multiple users, scenes, services and ecosystems, built the open value ecosystem featuring co-creation, co-sharing and win-win. The Company strove to build its capability ecosystem, accelerate its joint innovation in technical capabilities, and promote innovative R&D in the area of 5G technologies through the 5G Innovation Alliance, Joint Innovation Centre and Open Lab. The Company greatly expanded its service ecosystem by promoting in-depth cooperation with application developers, as well as with upstream and downstream participants of the terminal industrial chain. The Company enriched its industry solutions, pushed forward the integration of use cases and jointly built service domains for digital life and smart cities. The Company also accelerated the building of its platform ecosystem, consolidated internal and external capabilities and scenes, optimised its platform management and operating rules and continued to optimise the construction and operation for platforms of cloud ecological cooperation management, fundamental capabilities and etc.

### **2.6 Accelerating digital transformation and fully promoting corporate enhancement of quality and efficiency**

The Company strengthened digital operation by focusing on the front- and back-end resources as well as areas such as investment, R&D and integrated control, and leveraged digital and intelligent tools such as Big Data and AI to drive management, so as to promote the all-round enhancement of quality and efficiency at both front and back end. The Company realised 100% cloud migration of its IT system, created an IT cloud migration case that can accommodate 1 billion users, launched the cloud migration plan for service platforms of the whole network, and promoted the transformation and development of traditional services to be SaaS-based. The Company promoted precision management through digital means and enhanced the efficiency of channel and personnel resources input. The Company introduced AI intelligent customer service, with the percentage of service provided by AI reaching 70%, resulting in significant reduction in manual customer service volume and optimised customer experience. The Company also strengthened the refined management and control of electricity costs, promoted the application of AI energy-saving technologies and effectively controlled the increase in electricity costs. Adhering to the principle of efficient investment, the Company continued to optimise the investment structure, and steered investment allocation towards high-growth, high-value areas and regions. The proportion of Industrial Digitalisation investment increased by 9.3 percentage points compared to the same period last year.



## **2.7 Proactively implementing environmental and social responsibilities while continuing optimising corporate governance**

The Company implemented social responsibilities in building Cyberpower and Digital China. Through the co-building and co-sharing of mobile base stations, as well as measures such as the retirement of obsolete network equipment, AI energy saving for base stations and intelligent management of sites, the overall energy consumption per unit of information traffic flow declined by over 15% in the first half of the year compared to last year, while carbon emissions were reduced by over 3 million tons. The Company successfully completed communications assurance missions for major events such as the Beijing Winter Olympics, as well as major emergencies such as the earthquake in Lushan county, Sichuan province. The Company's targeted assistance effectively supported rural revitalisation while the new momentum of village governance was being activated with the construction of digital village. The Company bolstered its efforts to care for employees, strove to safeguard domestic and overseas employees' safety and well-being, and promoted mutual growth of employees and the Company, further enhancing employees' sense of achievement, happiness and security.

The Company coordinated Epidemic prevention and control with corporate operation and development while also undertook its responsibilities. The Company carried out various measures in areas such as precise speed upgrade, fee reduction or exemption, considerate service as well as digital and intelligent endowment, to effectively support the relief and problem-solving for small- and medium-sized enterprises (SMEs). The Company proactively implemented the further 10% reduction over last year in the average tariff of broadband and dedicated lines for SMEs, provided non-interrupted service in case of insufficient balance to over 100,000 SMEs and exempted rental fee for 24,000 small and micro-sized enterprises and individual business owners from the service industry. The Company provided informatised anti-epidemic products such e-Surfing Cloud Broadcasting, Cloud Conference, Cloud Computer, Cloud SaaS applications and Display of Caller Name Card, to help SMEs to reduce operating costs and enhance operating efficiency. The Company provided integrated informatised solutions for mobile cabin hospitals while also provided emergency dedicated lines and etc. for nucleic acid testing sites, effectively supporting the digitalisation process of the whole society.



During the first half of the year, adhering to excellent, prudent, and effective corporate governance principles, the Company continued to strengthen internal control system, enhance the level of governance and insist on compliance operation. The Company's development and compliance performance were highly recognised and acclaimed by the international community. The Company was voted as the "Most Honoured Companies in Asia" for the 12th consecutive year in the "The All-Asia-Executive-Team Poll" organised by *Institutional Investor*. The Company also won the "Gold Award –Excellence in Environmental, Social and Governance" in the "ESG Corporate Awards 2021" poll organised by *The Asset*. The Company is committed to realising its healthy and sustainable development, while preserving the rights and long-term interest of shareholders.

### 3. OUTLOOK

Looking ahead, the Company will continue to seize on new stages of its development and implement its new development principles completely, accurately and comprehensively, while proactively serving and integrating into the new development pattern. The Company will continue to promote its high-quality development and fully implement its "Cloudification

and Digital Transformation" strategy. Through the integration of cloud, AI, security and greenness, the Company will speed up the digitalised, scene-based and convergent upgrade of products and accelerate the nurturing and development of strategic emerging services such as cloud, security, AI and Big Data. The Company will insist on leading its corporate development with sci-tech innovation, enhance its capabilities in corporate value creation and sustainable development and proactively implement social responsibilities. The Company will also fully motivate and stimulate the enthusiasm, initiative and creativity of all employees and expedite the building of a world-class enterprise.

**Ke Ruiwen**

*Chairman and Chief Executive Officer*  
Beijing, China

16 August 2022



## 4. MAJOR OPERATION DURING THE REPORTING PERIOD

### Financial Review

#### Operating Revenues

In the first half of 2022, the Company insisted on the new development principles, proactively seized the strategic opportunities brought about by the new round of technological revolution and industrial transformation and fully implemented its “Cloudification and Digital Transformation” strategy. Taking the dual listing of A+H shares as an opportunity, the Company intensified sci-tech innovations and deepened the cloud-network integration, achieving rapid growth in operating results while attaining new results in high-quality development. In the first half of the year, operating revenues amounted to RMB242,319 million, representing an increase of 10.5% over the same period of last year. Service revenues<sup>12</sup> amounted to RMB221,384 million, representing an increase of 8.8% over the same period of last year. Among the service revenues, mobile communications service revenues<sup>13</sup> amounted to RMB98,956 million, representing an increase of 6.0% over the same period of last year; Wireline and Smart Family service revenues<sup>14</sup> amounted to RMB59,871 million, representing an increase of 4.4% over the same period of last year; Industrial Digitalisation service revenues<sup>15</sup> amounted to RMB58,932 million, representing an increase of 17.6% over the same period of last year; and other service revenues<sup>16</sup> amounted to RMB3,625 million, representing an increase of 34.4% over the same period of last year.

#### Operating Expenses

The Company firmly seized the opportunities arising from the development of digital economy, increased investment in key areas such as sci-tech innovation and Industrial Digitalisation. At the same time, the Company strengthened digital operation to reduce cost and enhance efficiency, further increased the efficiency of resources, with expenditures in some areas being maintained while in other areas being reduced, so as to support corporate high-quality development and the long-term value creation of the Company. In the first half of 2022, the Company's operating expenses were RMB219,206 million, representing an increase of 10.7% over the same period of last year. Operating expenses accounted for 90.5% of operating revenues, representing an increase of 0.2 percentage point over the same period of last year.

In order to support the construction of 5G network at scale and enhance its competitive advantages in network, the Company proactively expanded the deployment of new infrastructure such as data centres and cloud, accelerated the construction of the cloud-network foundation in the computing power era, and continued to invest in capital expenditures. At the same time, the Company vigorously promoted the co-building and co-sharing of 5G network and co-sharing of 4G network. In the first half of the year, depreciation and amortisation amounted to RMB46,735 million, representing an increase of 3.6% over the same period of last year.

<sup>12</sup> Service revenues are calculated based on operating revenues minus sales of mobile terminals (first half of 2022: RMB14,736 million; first half of 2021: RMB10,367 million), sales of wireline equipment (first half of 2022: RMB4,099 million; first half of 2021: RMB3,677 million) and other non-service revenues (first half of 2022: RMB2,100 million; first half of 2021: RMB1,691 million).

<sup>13</sup> Mobile communications service revenues represent 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.

<sup>14</sup> Wireline and Smart Family service revenues represent amounts of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees charged to customers for the provision of wireline services.

<sup>15</sup> Industrial Digitalisation service revenues represent 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.

<sup>16</sup> Other service revenues represent primarily revenues from property rental and other revenues.





The Company continued to enhance network quality and capabilities building, so as to enhance customer experience and support the rapid development of 5G and Industrial Digitalisation services. In the first half of the year, network operations and support expenses amounted to RMB70,051 million, representing an increase of 9.6% over the same period of last year.

Firmly seizing the development opportunities of 5G, the Company promoted precision marketing, with the selling expenses as a percentage of revenue remaining stable. Meanwhile, the Company further increased input in R&D to enhance core capabilities and accumulate energy for future development. In the first half of the year, the selling, general and administrative expenses amounted to RMB32,026 million, representing an increase of 11.4% over the same period of last year.

The Company strengthened its sci-tech innovation, stepped up the introduction of high-tech talents and increased incentives for front-line employees and high-performance teams. Investments in personnel expenses were in line with the transformation of the Company towards a sci-tech company in the future. In the first half of the year, personnel expenses amounted to RMB44,618 million, representing an increase of 12.4% over the same period of last year.

In the first half of the year, other operating expenses amounted to RMB25,776 million, representing an increase of 25.4% over the same period of last year. The increase was mainly due to the significant increase in the scale of 5G mobile terminals sold.

### Net Finance Costs

In the first half of 2022, the Company managed the proceeds from A-Share Offering and continued to enhance its capital management capabilities. The scale of interest-bearing debts was effectively reduced, and the net finance costs amounted to RMB30 million, representing a decrease of 97.3% over the same period of last year.

### Profitability Level

The Company proactively seized the opportunities of digital transformation, deepened reform and innovation and continued to promote enhancement of efficiency. The Company's operating efficiency continuously increased while its profitability continued to enhance. In the first half of the year, profit attributable to equity holders of the Company reached RMB18,291 million, representing an increase of 3.1% over the same period of last year. Excluding the one-off after-tax gain from the disposals of its subsidiaries last year, the year-on-year growth rate was 12.0%. EBITDA<sup>17</sup> was RMB69,848 million, representing an increase of 5.3% over the same period of last year. EBITDA margin<sup>18</sup> was 31.6%.

<sup>17</sup> 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 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.

<sup>18</sup> EBITDA margin is calculated based on EBITDA divided by service revenues.



### Capital Expenditure And Cash Flows

The Company proactively supported the construction of 5G network at scale and expanded the deployment of new infrastructure such as data centres and cloud. In the first half of the year, the capital expenditure achieved balanced optimisation, reaching RMB41,655 million, representing an increase of 54.2% over the same period of last year. Due to the increase in capital expenditure in the first half of the year, free cash flow<sup>19</sup> in the first half of the year decreased to RMB14,502 million year-on-year, but still maintained a healthy cash flow level.

### Assets And Liabilities

The Company continued to maintain a solid financial position. As at 30 June 2022, the total assets increased by 2.8% from RMB762,234 million as at the end of 2021 to RMB783,849 million. Total indebtedness<sup>20</sup> decreased by 33.9% from RMB16,496 million as at the end of 2021 to RMB10,896 million. Gearing ratio<sup>21</sup> decreased to 2.5% from 3.7% as at the end of 2021.

## 5. OTHER DISCLOSURE

### (1) POTENTIAL RISKS

#### Risks of adapting to economic and policy environment

With the far-reaching impact of the global Covid-19 Epidemic, the international turmoil and increasing risk points, the Company may be exposed to restrictions, sanctions or other legal or regulatory measures in different jurisdictions. The domestic economy is facing the “triple pressure” of shrinking demand, supply shocks and weakening expectations. The

changing 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, actively prevent and respond to the risks brought by environmental changes, comprehensively deepen reform, promote the strategy of “Cloudification and Digital Transformation”, innovate business models, accelerate technological innovation, improve the compliance management system to solidly promote the high-quality development of the Company.

#### Business operation risks

Sci-tech innovation brings new opportunities but also presents new challenges to enterprises. With the rapid development of the digital economy, the upgrading and iteration of products and services have accelerated and customer's needs have become more diversified and personalised. Thus, a certain gap exists between the Company's products and services and customer's needs in terms of variety, performance and experience. A gap also exists between the level of Industrial Digitalisation and digital industrialisation and the requirements of digital economy development. Market competition further intensified, with the growth rate of subscribers in the communications industry facing downward pressure and technological and innovation development showing deficiencies. The Company will further strengthen the research and development and the conversion of achievements of sci-tech innovations, increase the dual driving forces of fundamental business and Industrial Digitalisation services and the mutual promotion of dual circulation of domestic and international markets, make efforts in the research and development and promotion of products from the supply-side, promote the optimisation of 5G business model and industry chain,

<sup>19</sup> Free cash flow is calculated based on EBITDA minus capital expenditure, income tax and depreciation charge for right-of-use assets other than land use rights.

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

<sup>21</sup> Gearing ratio is calculated based on total indebtedness divided by total capital, while total capital is calculated based on total equity attributable to equity holders of the Company plus total indebtedness.



increase the capital deployment intensity, expand the "circle of friends" in the ecology and continuously improve the market competitiveness of product supply to meet the diversified and personalised needs of customers.

### **Network and information security risks**

The accelerated evolution of information and communications networks and the growing number of cyber-attacks for different purposes have brought new challenges to network security operations. With the promulgation, revision and implementation of relevant laws and regulations including the *Network Security Law*, the *Data Security Law*, the *Personal Information Protection Law*, the *Regulations on Protecting the Security of Critical Information Infrastructure* and the *Cyber Security Review Measures*, the Nation has further strengthened the supervision over relevant fields. As illegal and criminal acts on the network have received widespread attention from the society, greater demands have been placed on the Company's data security and personal information protection. The Company will further consolidate the security foundation of new information infrastructure, enhance the independence and control capability of core network technologies, optimise the supply chain security management system and strengthen the emergency response and sourcing capability. At same time, the Company will further strengthen the risk prevention and control, establish the major risk monitoring mechanism, strengthen the protection of key information infrastructure, deepen data security and user personal information protection, accelerate the use of data and intelligence injection in the security core platform, continue to carry out network security risk investigation, to effectively ensure the security and reliability of network operation as well as data and personal information security.

### **International operation risks**

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

## **(2) OTHER DISCLOSURES**

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the six-month period ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.



### Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

Saved as disclosed below, as at 30 June 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 Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (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 HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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)			

As at 30 June 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.



### Material Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 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 SFO are as follows:

Name of shareholder	Number of shares*	Class of share	Approximate percentage of the respective class of shares in issue	Approximate percentage of the total number of shares in issue	Capacity
China Telecommunications Corporation	57,783,972,256 (Long Position)	A Share	74.43%	63.14%	Beneficial owner
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653 (Long Position)	A Share	7.25%	6.14%	Beneficial owner
GIC Private Limited	2,086,811,702 (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 30 June 2022 may be different from those as disclosed above.

Save as disclosed above, as at 30 June 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.



### **Audit Committee**

The audit committee has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters of the Group including the review of the Interim Report for the six-month period ended 30 June 2022.

### **Compliance with the Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors and Supervisors. Based on the written confirmations from the Directors and Supervisors, the Company's Directors and Supervisors have confirmed their compliance with the Model Code regarding the requirements in conducting securities transactions for the period from 1 January 2022 to 30 June 2022.

### **Deregistration of ADS and Termination of Reporting Obligations**

The delisting of the Company's ADSs 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.

### **Issue of Shares and Use of Proceeds**

On 20 August 2021, the Company successfully completed the offering and listing of A Shares on the SSE. 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. 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. 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 30 June 2022, the amount of proceeds invested during the Reporting Period was approximately RMB9,501 million, and the accumulated total amount of proceeds invested was approximately RMB24,396 million. The use of proceeds is as follows:



<b>Projects invested with proceeds</b>	<b>Total committed investment of proceeds</b> (RMB million)	<b>Amount invested during the Reporting Period</b> (RMB million)	<b>Total accumulated amount invested as of the end of the Reporting Period</b> (RMB million)	<b>Amount not utilised as of the end of the Reporting Period</b> (RMB million)	<b>Expected timeline for use of proceeds</b>
5G Industrial Internet Construction Project	9,957	3,464	6,261	3,696	2023 or before
Cloud-network integration new information infrastructure project	23,583	3,661	13,098	10,485	2023 or before
Research and development project of sci-tech innovation	13,976	2,376	5,037	8,939	2023 or before
<b>Total</b>	<b>47,516</b>	<b>9,501</b>	<b>24,396</b>	<b>23,120</b>	<b>-</b>

### Interim Dividend

The interim dividend is expected to be paid on or before 14 October 2022 to those shareholders whose names appear on the H Share Register of Members of the Company on Wednesday, 7 September 2022. For the purpose of determining H Share shareholders' entitlement to the interim dividend, the H Share Register of Members will be closed from Friday, 2 September 2022 to Wednesday, 7 September 2022 (both days inclusive). In order to be entitled to the interim dividend, holders of H Shares who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, 1 September 2022. The Company will announce the specific arrangement for the payment of interim dividend to holders of A Shares separately on the Shanghai Stock Exchange.



Dividends will be denominated and declared in Renminbi. 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 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 (i.e., 16 August 2022) (RMB0.860074 equivalent to HK\$1.00).

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China", the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China" and the "Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the 2022 interim dividend to non-resident enterprise shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H Share Register of Members on Wednesday, 7 September 2022.

Pursuant to the "Notice of the State Taxation Administration on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348), if the individual H Share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H Share shareholders. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H Share shareholders. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Share shareholders. If those shareholders need to request a refund of tax overpaid from the PRC tax authorities on his own or through an agent or the Company in accordance with the relevant requirements of the "Announcement of





the State Taxation Administration on Promulgating the Administrative Measures for Nonresident Taxpayers for Treatments under Tax Treaties” (Announcement [2019] No. 35 of the State Taxation Administration), they shall submit the “Information Report on Non-resident Taxpayers for Treatments under Tax Treaties” (Announcement [2019] No. 35 of the State Taxation Administration), and collect and file such information.

The Company will determine the country of domicile of the individual H Share shareholders based on the registered address as recorded in the H Share Register of Members of the Company on Wednesday, 7 September 2022 (the “Registered Address”). If the country of domicile of an individual H Share shareholder is not the same as the Registered Address or if the individual H Share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 1 September 2022. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share shareholders may either personally attend or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors of the Southbound Trading Link, will receive all dividends distributed by the Company and will distribute the dividends to the relevant investors under the Southbound Trading Link through its depository and clearing system. According to the relevant provisions under the “Notice on Taxation Policies for Shanghai- Hong Kong Stock Connect Pilot Programme” (Cai Shui [2014] No. 81) and “Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H Shares of the Company listed on the 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 the 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.

For H Share shareholders other than the Southbound Investors, the Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to such Receiving Agent the interim dividend declared for payment to H Share shareholders other than the Southbound Investors. The Receiving Agent will pay the interim dividend net of the applicable tax on 14 October 2022. The relevant dividend warrants will be despatched to H Share shareholders by ordinary post and the risk of errors involved in the postage will be borne by the H Share shareholders. For the Southbound Investors, the interim dividend net of the applicable tax will be paid by the Company to the Shanghai branch of China Securities Depository and Clearing Corporation Limited and Shenzhen branch of China Securities Depository and Clearing Corporation Limited on 14 October 2022. The Shanghai branch of China Securities Depository and Clearing Corporation Limited and Shenzhen branch of China Securities Depository and Clearing Corporation Limited will pay the interim dividend net of the applicable tax to the Southbound Investors.

### **Other Information**

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed in this report, the Company confirms that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2021 Annual Report prepared in accordance with International Financial Reporting Standards ("2021 Annual Report").