



**China Telecom Corporation Limited**  
**Edited Transcript of 2020 Annual Results**  
**Media conference call**

**Speaker: Mr. Ke Ruiwen, Executive Director, Chairman & CEO**

**Slide 4: Overview**

Good afternoon ladies and gentlemen. Thank you for joining, and for your care and support to the Company.

This presentation has two sections. I will provide an overview first, then Mr. Li Zhengmao will go through the business review and financial performance.

**Slide 5: Highlights**

Our highlights are summarized in seven points, in which the first six are related to key developments in 2020 and the last one is a key ongoing project:

1. Focused on high-quality development with operating results maintained positive trend;
2. Healthy 5G momentum with co-build and co-share bearing fruits;
3. Smart Family and broadband mutually promoted with scale and value both enhanced;
4. Industrial Digitalization led in scale with Overall Cloud continued rapid growth;
5. Strengthening sci-tech innovation to boost intrinsic power for corporate high-quality development;
6. Deepening “Cloudification & Digital Transformation” strategy for future development; and
7. A Share IPO and Listing: a new opportunity for reform and development.

**Slide 6: Solid and Stable Results**

In 2020, we proactively coordinated epidemic control and operations, fully seized the new demand for informatization from society, expedited scale commercialization of 5G, expanded informatization services for personal, family and enterprise markets, and vigorously promoted profitable scale development, leading to solid and stable operating results with revenue and profit growth maintained. Service revenue was RMB373.8 billion, up 4.5% yoy; EBITDA up 1.4%; net profit up 1.6% to RMB20.9 billion.

### **Slide 7: High-quality Development Started to Reward**

The Company carried out “Cloudification & Digital Transformation” strategy across-the-board, enhanced technology and innovation capabilities, and deepened corporate reforms, which altogether produced initial results of high-quality development: our 4.5% service revenue growth was above industry average of 3.6%; Overall Cloud revenue grew 58.4% to RMB13.8 billion; Smart Family revenue increased significantly by 37.5%; our over 15 million mobile subs net add was industry’s best; we were industry’s first to achieve scale 5G SA commercialization; and we enjoyed industry-leading overall user satisfaction.

### **Slide 8: Healthy 5G Momentum**

Our 5G business momentum remained healthy. Scale development achieved solid results as 5G package subs reached 86.50 million and 5G DOU 13.4GB; while 5G ARPU was RMB65.6, and there’s 10% of ARPU uplift in 4G upgrading to 5G. We pioneered to launch cloud handset “e-Surfing One” and rolled out other products such as cloud computer and cloud desktop. Application and content portfolio of ultra HD, cloud VR and cloud games also kept expanding.

We expedited 5G 2B development with around 1,900 customers secured and over 1,100 use cases accumulated. We also built capability platforms for several key industry applications and rolled out 5G customized network with 3 modes to address customer demands for different scenarios in terms of coverage, latency, security and other criteria requirements. With these, a solid foundation for 5G 2B business development was laid.

### **Slide 9: Progressive 5G Network Construction with Meaningful Benefits of Co-build and Co-share**

We made all-out effort to propagate network co-building and co-sharing with prominent result. 5G CAPEX in 2020 was RMB39.2 billion, and by end 2020 there were 380 thousand 5G base stations in use, effectuating contiguous outdoor coverage for all prefecture-level or above cities and some developed counties, as well as indoor coverage for key buildings. We were also the world’s first to achieve 2.7Gbps peak network speed. The co-build and co-share of 5G network led to around RMB60 billion of CAPEX savings for both companies during the year, as well as significant OPEX savings such as power, tower rental, maintenance and repair, among others, yet the actual benefits in terms of network coverage and quality, as well as expense savings are even greater than simply adding two parties’ numbers.



In 2021, our 5G CAPEX budget is RMB39.7 billion and 700 thousand 5G base stations are planned to be in use by year-end, with coverage extending to all counties and some developed townships. Networking will be demand-oriented, with 3.5GHz band to be used in mid-to-high traffic areas and 2.1GHz band in counties and developed towns. 5G customized networks will also be deployed.

We will proactively promote industry-wide co-building and co-sharing in rural areas, railways and highways, to further enhance investment efficiency and benefits.

### **Slide 10: Smart Family and Broadband Mutually Promoted to Achieve Revenue Growths Together**

We continued to expand Smart Family product and service portfolio and strengthen broadband servicing capabilities. We carried out fibre broadband network upgrade in 280 cities to boost family informatization. Number of connected devices on our Smart Family platform increased 61.5% while number of e-Surfing Webcam subscribers increased 5 times. With the mutual promotion of family informatization applications and broadband, Smart Family revenue increased 37.5%, broadband revenue turned around and resumed growth of 5.1% yoy.

Leveraging “Triple-Gbps” broadband while integrating IoT, AI and other technologies, we foster the upgrade of connectivity, applications and platform and further augment Smart Family applications.

### **Slide 11: Industrial Digitalization Leadership Sustained with Fast-growing Cloud Business**

Our revenue of Industrial Digitalization grew by nearly 10% during the year to an industry-leading revenue size of RMB84.0 billion. Overall Cloud revenue increased 58.4% to RMB13.8 billion, and our public cloud IaaS ranked 7<sup>th</sup> globally and 1<sup>st</sup> among telcos.

Our rapidly developing e-Surfing Cloud business boasts significant core capabilities. We deploy cloud and IDC resources according to “2+4+31+X+O” layout planning and forge edge on cloud-network integration by incorporating 5G, fibre connectivity, CN2-DCI, OTN and other network capabilities. We also leverage our massive number of edge sites to commence MEC construction and establish cloud-edge coordination capabilities. We proprietarily developed key core technologies for e-Surfing Cloud 3.0 and worked with partners to strengthen full stack cloud servicing capabilities. We continued to diversify core security capabilities and products, consolidated security

properties of backbone networks to construct all-round security protection capability of clouds. We also leverage digitalized platform, open up core capabilities, empower products and services, with an aim to construct industry leadership position of e-Surfing cloud from all aspects.

### **Slide 12: Optimized CAPEX Structure to Focus on New Growth Drivers**

We continued to optimize investment structure to focus on new development drivers. CAPEX in 2020 was RMB84.8 billion, while CAPEX in 2021 is budgeted at RMB87.0 billion, a minor increase of 2.6% from 2020. Our investment focuses on 5G, yet with strong commitment to co-build and co-share, the CAPEX size is basically flat versus last year. Meanwhile, we proactively commenced 4G network co-building and co-sharing, in a bid to further enhance network coverage, save CAPEX and operating and maintenance expenses, hence 4G investment decreased significantly by 83.3%. The investment of our booming Industrial Digitalization business increased 67% yoy, with planned addition of 52 thousand IDC cabinets and 100 thousand cloud servers.

### **Slide 13: Dividend**

The Board of Directors recommends a final dividend of HKD0.125 per share for 2020 which remains stable. During last year we went through various challenges, and we are sincerely grateful to our shareholders and investors for their consistent support to and care of our development and share development results together. Going forward, we will seize the 5G opportunity and strive to deliver good returns to shareholders and maintain the sustainability and stability of dividend.

### **Slide 14: Promote Sci-tech Innovation to Boost Intrinsic Power for Corporate High-quality Development**

We are proactively advancing sci-tech innovation to strengthen the intrinsic power for our corporate high-quality development; we also position sci-tech self-sufficiency and self-enhancement as the strategic pillar for corporate development.

First is to solidify the core position of sci-tech innovation and step up the problem tackling efforts of core technologies. Technological planning will commence for breakthroughs in core technologies such as cloud and cloud-network integration, cloud-network operation, digitalization foundation, security, platform and other cutting-edge technologies.

Second is to promote reforms and strengthen the Company's innovation main body. We will proactively push forward internal consolidation and coordination, conduct

market-oriented reforms, step up R&D initiatives and talent nurturing and acquisition, and invigorate innovation; meanwhile we will also commence external collaboration on innovation, and foster joint technological problem tackling.

Third is to induce ecology and empower high-quality development. Pathways for achievement transformation were established, in which we published the list of research achievements and product transformation in 2020 and completed the transformation of 15 R&D achievements. Industry-academia-R&D institute ecological cooperation kicked off, in which we join hands with universities, national laboratories, etc. to promote research on key technologies and innovation of applications and services, and plan for emerging industries development.

#### **Slide 15: Deepening “Cloudification & Digital Transformation” Strategy for Future Development**

The essence of “Cloudification & Digital Transformation” Strategy that we are thoroughly implementing is to be customer-oriented while promoting cloud & network convergence based digital upgrade, and innovating digital products and services offering, to provide integrated intelligent information service for 2B/2H/2C customers. It mainly implies sci-tech innovation as the core, cloud-network integration as the foundation, digitalized platform as the hub, ecological cooperation as the key, structure and mechanism reform as the driving force, network & information security as the support, with an aim to provide customers with integrated information services that are flexible and diversified, integrated and convenient, with high quality and good experience, as well as secure and reliable.

We will continue to implement “Cloudification & Digital Transformation” Strategy” thoroughly for future development.

#### **Slide 16: Deepening “Cloudification & Digital Transformation” Strategy to Enhance Operating Efficiency and Customer Value**

We are vigorously enforcing digitalization, expediting migration of business functions to cloud, usage of data, and injection of intelligence. We are also promoting intensively the digitalization of investment, maintenance and repair, sales & marketing and servicing. We employ AI and big data to facilitate quality and efficiency enhancement and energy and emission reduction, and step up leveraging digitalized platform to carry and integrate internal capabilities, aggregate digital ecologies, accelerate the external empowerment of products, services, and Industrial Digitalization, with an aim to better serve our customers.



### **Slide 17: A Share Public Offering: China Telecom's New Opportunity for Reform and Development**

Today, the Board of Directors approved the A Share public offering proposal.

The Company plans to issue no more than 12.093 billion A Shares, while the final offering result and size of capital raised will be subject to the Company's funding needs, the approval of CSRC, and the market conditions during the offering. The proceeds will be mainly used in 5G industrial Internet, cloud-network integration new infrastructure, R&D of sci-tech innovation and other areas.

The Company will convene EGM, H Shareholders' and Domestic Shareholders' Class Meetings on 9 April to consider the A Share public offering proposal. After obtaining the approval in the shareholders' meetings, we will submit application to CSRC as soon as possible and disclose the progress in a timely manner.

We believe that A Share offering will bring new opportunities to China Telecom's reform and development. The Company will leverage domestic and overseas capital markets to further strengthen market competitiveness, seize the opportunity arose from economic and social digitalization transformation, enhance capability of sustainable healthy development, increase corporate and shareholder value, to share the fruits of high-quality development with domestic and overseas shareholders.

My part ends here, and Mr. Li Zhengmao will walk you through our business and financial performance.

**Speaker: Mr. Li Zhengmao, Executive Director, President & COO**

### **Slide 18: Business Review & Financial Performance**

Thank you, Chairman Ke. I shall now discuss our business and financial performance in 2020.

### **Slide 19: Mobile Business: Growth Momentum Continued**

The growth momentum for mobile business was maintained in 2020. On scale development, mobile subs scale reached 351 million, while our market share in mobile market further increased to 22%, handset data traffic increased 42.3% yoy, and mobile service revenue and handset Internet access revenue increased 3.5%

and 6.0% yoy respectively. Hence, we achieved growth in both revenue and scale. Our subs value further stabilized with mobile ARPU at RMB44.1, denoting result of customer value restoration. We rolled out over a hundred members-exclusive eco-privileges and further enhanced cloud games, UHD, cloud VR content and other value-added services to address consumer needs. We will leverage 5G development and the continuous enrichment of application and privileges to drive mobile subs value growth.

### **Slide 20: Smart Family: Informatization Applications Drove Rapid Revenue Growth**

Our Smart Family business maintained rapid development, as Smart Family revenue grew 37.5%, in which e-Surfing HD, whole-home WiFi, e-Surfing Webcam revenue grew 15.3%, 110% and 7 times. The adoption of family informatization applications continued to increase, with penetration of Family Cloud, whole-home WiFi and e-Surfing Webcam reached 32.8%, 24.5% and 5.6% respectively. Driven by revenue growth and Smart Family applications and services, broadband access ARPU turned around and increased 0.8% yoy, while broadband blended ARPU even increased 4.2%. We will continue to enhance capabilities in operations, applications, content, technology and other areas, and forge Smart Family servicing capabilities to offer more diversified and better services and user experience.

### **Slide 21: Industrial Digitalization: Leadership Maintained**

Our Industrial Digitalization revenue continued to grow healthily, in which IDC revenue grew by 10.1%, and Industry Cloud revenue grew by 58%. We are proactively planning in IoT, Internet Finance and Network Dedicated Line areas to forge new development drivers for Industrial Digitalization. We expedited construction of new type of customer-oriented organizational systems, in which vertically integrated unified enterprise business groups were formed to enhance service, product, delivery and operation capabilities, and better seize industry opportunities to foster long term development.

### **Slide 22: IDC: Industry-leading Resources Scale with Precision Investment to Seize Opportunities**

Our IDC business is developing robustly with abundant resources, leading position and great potential. It has nearly 700 IDC sites and 420 thousand cabinets nationwide, the biggest scale in industry, in which 50% are in tier-1 cities. Overall cabinet utilization rate is nearly 70%. Our leading position of our IDC business is formed by powerful network servicing capability, expansive edge advantage, secure and reliable



service and extensive experience. We will accelerate IDC construction in key areas such as the four major economically developed regions and the sites in Inner Mongolia and Guizhou, to rapidly seize the opportunities from the macro trend of digitalization transformation.

### **Slide 23: Cloud: Core Technological Breakthroughs with Diversified Smart Use Cases Launched**

By integrating 5G, e-Surfing Cloud and AI, we launched over 100 new use cases to address customer demand of various sectors, covering smart cities, industrial Internet, finance, education, healthcare, SME and other areas. We endeavored the problem tackling of core technologies, and achieved breakthroughs in IaaS, PaaS, CDN, cloud handsets, AI and other areas. We will further strengthen the differentiated competitive edge of e-Surfing Cloud and strengthen its future growth momentum and market position.

### **Slide 24: Precision Initiatives to Enhance Cost Effectiveness**

In 2020, we advanced thoroughly the precision input and delicacy management of resources, resulting in continuously increasing resource utilization efficiency and optimizing cost structure. Network cost was increased appropriately to continue to optimize network quality, enhance user experience, and actively support the development of 5G and Industrial Digitalization. We also continued to step up recruitment of high-tech talents, incentivize frontline staff as well as high-performing teams, and to boost staff vitality. Marketing resources were utilized with higher precision and efficiency, hence the related cost reduced. Marketing model continued to be optimized to enhance the operating capability of all online and offline channels.

The substantial frequency reduction of 3G network led to effective release of 800MHz low band spectrum resources. Hence impairment of the 3G specific network assets was conducted during the year which amounted to RMB5 billion.

### **Slide 25: Digitalized Platform Empowers Internally to Facilitate Quality and Efficiency Enhancement of Operation and Management**

We focused our quality and efficiency enhancement efforts on frontend operation, network operation, network investment and operating efficiency, and achieved prominent results. In particular, selling expense kept decreasing, maintenance costs were effectively controlled, tower sharing ratio kept increasing, implementation of power saving measure in IDC sites and other facilities kept expanding, share of customer developed from online channels kept increasing, etc. We will continue to



deepen quality and efficiency enhancement measures to ensure proper use of valuable resources.

### **Slide 26: Enhanced Financial Strength**

Our financial strength continued to enhance, with efficiently-centralized capital management reducing interest-bearing debts. Debt level remained healthy, as total debt decreased by 32.5% yoy, while total debt to total capitalization dropped 5.5p.p. to 12.8%, and finance costs also reduced by 17.2%. The solid capital structure is poised to strongly support our sustainable development in future.

### **Slide 27: Customer-oriented and Carrying On High-quality Development**

In 2021, we will thoroughly carry out the “Cloudification & Digital Transformation” Strategy, enhance sci-tech innovation capabilities, expedite customer-oriented service upgrade, promote internal and external digital transformation, and make solid progress in mechanism and structural reform. We will strive to maintain healthy growth of service revenue and net profit, and to maintain stable dividend. On 5G and mobile business, we will maintain healthy development momentum with emphasis on both quality and quantity, and will enhance both value and quality, in a bid to advance high-quality development. Our 2021 target of mobile subs net add is 12 million, in which 5G package subs net add target is 80 million. On broadband and Smart Family, we will focus on the development of family informatization, push for further broadband business growth and Smart Family upgrade. Our 2021 broadband subs target is 5 million. On Industrial Digitalization, we will leverage the “Cloudification & Digital Transformation” Strategy and the progressive commercialization of various 5G 2B services to keep upgrading our products and services and solidifying the current industry leadership position. We strive to achieve a double-digit growth for Industrial Digitalization revenue in 2021.

This concludes our presentation today. Thank you!

### **Forward-Looking Statements**

Certain statements contained in this document may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of China Telecom Corporation Limited (the “Company”) to be materially different from any future performance, financial condition



or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") and in the Company's other filings with the SEC.

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