



China Telecom Corporation Limited
Edited Transcript of 2021 Annual Results
Conference call

Host introduction

Good afternoon, ladies and gentlemen. On behalf of our management, I'd like to welcome all of you to join our 2021 Annual Results briefing conference call.

May I introduce our management attending the presentation today.

Mr. Ke Ruiwen, Executive Director, Chairman & CEO.

Mr. Li Zhengmao, Executive Director, President & COO.

Mr. Shao Guanglu, Executive Director.

Mr. Liu Guiqing, Executive Director, Executive Vice President.

Mr. Tang Ke, Executive Vice President.

Mr. Xia Bing, in charge of customer service, 2B business development and other areas.

Thank you for joining us and hope you will find this presentation helpful.

Now, let us welcome Chairman Ke to walk us through our 2021 Annual Results.

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

Slide 4: Overview

Good afternoon, ladies and gentlemen. For the sake of epidemic prevention and control, this year's results announcement briefing is conducted online. First please let me express sincere gratitude for media and investors' attention and support to the Company all along and thank you for joining the conference today.

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

We have six key development highlights in 2021:

1. Cloudification and Digital Transformation Strategy achieved prominent results while A share listing injected new impetus;
2. Integrated intelligent information services upgraded with revenue and net profit double-digit growths;
3. Strengthened leading edge in cloud-network integration and constructed green and secure infrastructure;
4. Increased dividend to reward shareholders and committed to create more corporate values;
5. Proactively completed new planning for sci-tech innovation to forge core competitiveness for future; and
6. Full implementation of Cloudification and Digital Transformation Strategy and deepen reform to foster high-quality development.

Slide 6: Successful A Share Listing Expanded Ecology, Deepened Reform and Strengthened Momentum

On 20 August 2021, the Company's A Shares successfully listed on Shanghai Stock Exchange, and the Company marched towards a new stage of development. The Company leveraged the A-share listing by utilising the broader financing channel and introducing more flexible incentive schemes to implement the Cloudification and Digital Transformation Strategy, further strengthen sci-tech innovation, expedite the construction of intelligent integrated digital information infrastructure, continue to deepen corporate reforms, stimulate corporate development energy and intrinsic momentum, commence broader and deeper ecological collaboration, and continue to strengthen the capability of providing integrated intelligent information services, with an aim to build a service-oriented, technology-oriented and secured enterprise, and push forward corporate high-quality development with full force.

Slide 7: Double-digit Revenue and Net Profit Growths with Profitability Continuously Increased

In 2021, the Company seized opportunities from digital economy, implemented the Cloudification and Digital Transformation Strategy, insisted on customer-oriented approach, and promoted profitable scale development, leading to significant enhancement of operating results with double-digit growth in operating revenues and net profit. Operating revenues were RMB439.6 billion, up 11.7% yoy; EBITDA up 4.2%; net profit up 24.5% to RMB25.9 billion.

Slide 8: Implemented Cloudification and Digital Transformation Strategy and

Achieved New Results in High-quality Development

The Company carried out “Cloudification & Digital Transformation” strategy which produced new results of high-quality development. In terms of overall results, comparable service revenues were above industry average for 5 consecutive years, profitability continued to increase with comparable net profit growth at 17.7%. The Company’s mobile subs net add was industry no. 1 for 4 straight years; 5G penetration was also industry-leading; Smart Family revenues growth was 25.1%; Industrial Digitalisation revenue was nearly RMB100 billion, accounting for nearly a fourth of service revenues and revenue size was industry-leading; e-Surfing Cloud development exhibited strong momentum with revenue doubled. Placing high importance on customer service, the Company maintained industry-leading overall user satisfaction.

Slide 9: Wireline & Mobile Revenue Growth Accelerated and Industrial Digitalization Growth Doubled

The Company’s business divisions enjoyed accelerated revenue growth. Mobile Communications Service growth increased to 4.9%; Wireline and Smart Family Service revenues growth increased to 4.1%; comparable growth of Industrial Digitalisation revenue even doubled to 19.4%.

Slide 10: e-Surfing Cloud Fully Upgraded to Continue to Strengthen Competitiveness

The Company’s e-Surfing Cloud is developing rapidly with revenue growth at 102% and share in public cloud IaaS + PaaS market increased by 1.6 p.p. to 9.0%. In 2021, e-Surfing Cloud 4.0 achieved core technology breakthroughs with full upgrade to distributed cloud infrastructure and in product and servicing capability; together with 5G and AI, cloud migration of industries and clients’ projects is supported with a focus on society management, eco-environment and other fields. During the year, China Telecom Cloud Technology Co. was established for effective consolidation of the Company’s cloud computing resources; while shareholding diversification reform was also commenced by signing framework agreement to increase registered capital and shares with 4 large SOEs, with an aim to further boost the company’s vitality.

Slide 11: Expedite Construction of Intelligent Integrated Digital Information Infrastructure

Aiming at enhancing customer perception and expanding business use cases, the Company promoted precision cloud-network construction by building new digital information infrastructure that is high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon, secure and

controllable. The Company further consolidated the edge of cloud-network integration and strengthened the connectivity edge of holistic network covering land, sea, air and space; promoted efficiently-centralised IDC construction and operation with enhanced green operation capability by proactively introducing energy saving technology and optimising energy usage structure; established new-generation cloud-network operating system to enhance network intelligentisation capability and strengthen the edge of fundamental network, namely network adaptive to cloud, and intelligent and agile; constructed security defense system covering cloud, network, edge and terminal; built systems for e-Surfing Cloud capability establishment and servicing, and promoted upgrade of new businesses based on cloud-network integration.

Slide 12: Fully Leverage Cloud-Network Integration Edges to Foster “East-to-West Computing Resource Transfer” Implementation

The Company leveraged the edge of cloud-network integration to conduct advanced planning of computing power network highly matched with the requirement of the “East-to-West Computing Resource Transfer” project. The Company built the cloud-network integrated computing power network structure in four layers, namely datacentre, DCI network, computing power and e-Surfing Cloud. The Company’s over 700 IDC sites and the “2+4+31+X+O” layout perfectly matches that of the integrated national big data centre, while the 470,000 cabinets are industry-leading in scale. The Company also has an industry-leading high-speed DCI network with backbone bandwidth over 300Tbps, and a 320,000km artery of optical cable network, with DCI core nodes directly accessible to backbone network. The Company continued to ramp up computing power by advanced capacity expansion with 80% yoy increase in computing power planned in 2022. The Company’s distributed e-Surfing Cloud boasts independent and controllable core technologies and strengthened ecological synergy to serve customers. The Company will continue to leverage cloud-network resources and edges to further expedite building industry-leading, secure and green computing power network and support the “East-to-West Computing Resource Transfer” project.

Slide 13: Progressive 5G Network Construction with Prominent Results in Co-build and Co-share

The Company pushed forward 5G network construction at a steady pace and continuously enhanced servicing capability. By end-2021 there were 690,000 5G BTS in use and 5G CAPEX for the year was RMB38 billion. In 2022, 5G network coverage will be further increased in depth and breadth with a 5G CAPEX budget of RMB34 billion, down 10.5% yoy, and over 990,000 5G BTS in use planned by year end. The

Company will promote inter-operator network roaming and co-build and co-share among various operators.

The Company has already co-built and co-shared 1.35 million of 4/5G BTS with China Unicom so far, as well as 15,000km of trunk optical cable and 750,000km of local optical cable. Benefit of network resource co-build and co-share continued to exhibit with over RMB210 billion of CAPEX and over RMB20 billion of yearly OPEX saved in total for both companies.

Slide 14: Precision Investment to Strengthen Leading Edge of Intelligent Network

The Company's CAPEX in 2021 was RMB86.7 billion, slightly below the RMB87.0 billion guidance at beginning of the year. CAPEX in 2022 is budgeted at RMB93.0 billion. 5G is still the focus of investment, yet with benefits from co-build and co-share, the CAPEX size and proportion decreases yoy. Meanwhile, the investment of the rapidly developing Industrial Digitalisation increased by 62% yoy and is the only area with increased proportion. Among which, IDC CAPEX will be RMB6.5 billion with 45,000 new cabinets added, and cloud resources CAPEX will be RMB14 billion with 160,000 new cloud servers added. In 2021, CAPEX-to-service revenues was 21.5%, down by 1.2p.p. The Company will strive to reduce CAPEX-to-service revenues ratio continuously.

Slide 15: Dividend

We are sincerely grateful to our shareholders, investors and analysts for their consistent support to and care of our development, and we look forward to marching forward hand in hand and sharing development results together. Honouring our earlier promise to the capital market, the Board of Directors recommends a final dividend of RMB0.170 per share for 2021 with a 60% payout ratio, and interim dividend will be declared from this year on. Going forward, we will seize the digital economy development opportunities and take due account into shareholders' returns, cash flow and capital requirement for future development, to strive to deliver good returns to shareholders.

Slide 16: Proactively Completed New Planning for Sci-tech Innovation to Forge Core Competitiveness for Future Development

The Company strives to drive corporate high-quality development by sci-tech achievements, and to take concrete steps towards becoming a leading sci-tech company. On one hand we completed the planning of RDO-based sci-tech innovation R&D system by penetrating network, AI, security, quantum and other key core

technologies through applied fundamental research, applied technological R&D and operating development, while on the other conducted problem tackling on core technologies in 4 key areas, and joined forces with partners on sci-tech innovation R&D, in a view to forge core competitiveness for future development with sci-tech innovation.

Slide 17: Enhance Green Operation Capability to Endow Green Development in Economy and Society

The Company insists on green development ideals and firmly promote green development by applying green and low-carbon concepts to the whole process and various links in production and operation. We support low-carbon production and green living in network construction areas including cloud-network, datacentre and computing power, as well as energy supply, supply chain and other business operation areas. The Company implemented the “1236” action plan for carbon dioxide peaking and carbon neutrality and continued to enhance green operating capability and empower the green development of the economy and society.

Slide 18: Seize Digital Economy Development Opportunities to Continue Deepening of Corporate Reform

The Company seized digital economy development opportunities and continued to deepen corporate reform. Internally, reform on mechanism, 2B business system, professional companies and local network was promoted, and resource allocation was optimised to boost corporate vitality and motivation. Externally, A-share listing was completed, cloud company restructuring was commenced, ecologies on R&D, sectors and industries were expanded, and cooperation on R&D, business, capital and other areas was conducted with partners. Hence, development momentum was further strengthened.

Slide 19: Fully Implement Cloudification and Digital Transformation Strategy with High-quality Development to Foster Value Enhancement

Looking forward, we will fully implement Cloudification and Digital Transformation Strategy to forge a service-oriented, technology-oriented and secured enterprise, strengthen existing differentiation edges, and create value for customers, shareholders and the company.

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 20: Business Review & Financial Performance

Thank you, Chairman Ke. I shall now discuss our business and financial performance in 2021.

Slide 21: Mobile Communications Service Maintained Steady Growth in Scale and Quality

Mobile business grew in both scale and quality in 2021. On scale, mobile and 5G subs scale continued to expand with accelerated pace as mobile subs net add increased 38.6% yoy, and 5G sub scale even increased by 117%. The Company continued to enrich 5G application and privilege system, and the data traffic of 5G network subs was substantially higher than package subs, with 5G network sub DOU at 24.1 GB by year end. Driven by 5G and sub growth, handset Internet access revenue increased 7.4%. On quality, mobile ARPU continued to go up by 2.0% yoy, showing the driving force of 5G and the result of the Company's effort to upgrade terminals, applications and channels, effectively enhancing both scale and quality of subscribers.

Slide 22: Wireline and Smart Family Service Contribution Continued to Increase

The Company seizes families' demand for digital living by providing diversified products and quality services, leading to increasing revenue contribution from Wireline and Smart Family Service. Smart Family and broadband access revenues grew 25.1% and 6.5% respectively, while subscriber quality and value continued to increase concurrently, with Gbps penetration increased by 5.9p.p. to 7.7% yoy, and broadband access ARPU increased 1.3% yoy, while broadband blended ARPU grew 3.4% yoy as the rapidly expanding family informatised applications further added RMB7 to the ARPU.

Smart Family services were upgraded to whole-home intelligent integrated solutions with rapidly increasing penetration, and was linked with Smart Communities and Digital Villages, with 19,000 Smart Communities and 41,000 Digital Villages developed in the year, injecting momentum to business development.

Slide 23: Industrial Digitalisation Became Key Growth Driver with Accelerating Reform to Strengthen Leadership

The Company's Industrial Digitalisation revenue scale continued to lead in industry and was the Company's biggest growth engine, as contribution to incremental service revenues increase by 5.7p.p. to over 50%, and that to total service revenues further increased to 24.6%. The Company strives to increase Industrial Digitalisation's

contribution to service revenues to over 30% in the next 3 years.

Over the years, the Company explored extensively in thousands of industries and accumulated rich experience servicing 2B customers and gained customers' support and trust. In 2021 the Company served 10 million customers in various industries and 11 million of mid/small/micro-sized enterprises and worked with over 3,000 ecological partners. The Company will keep pursuing perfection and deepen 2B business reform to further strengthen competitiveness and development momentum of Industrial Digitalisation.

Slide 24: Expedite Developing Benchmark Projects and Extensively Replicate 5G 2B Use Cases

The Company expedited development of 5G 2B business with nearly 200 benchmark projects built, over 1,000 replicated projects and over 1,200 5G customised network projects launched in the year. These projects cover chemicals, steelmaking, mining, ports, manufacturing and other industries. In 2022 the Company will fully leverage 5G features of massive connectivity, high speed, low latency, data security, etc., to achieve full in-depth coverage of 15 key industries such as industrials and government administration, and target to launch 1,500 to 2,000 customised network projects.

Slide 25: Enhance Differentiation Edges and Capabilities to Foster Rapid Growth of Cloud Business

The Company's e-Surfing Cloud ranked No. 1 in industry in government administration (public cloud) market share, boasting more than 50 independent and self-controlled key core technologies and over 200 products. With over 10,000 self-owned and customers' facility rooms, diverse edge cloud products and solutions, as well as extending computing power to edge nodes, the Company satisfies customers' demand for data residency and ultra-low latency. The Company's e-Surfing Cloud has served over 2 million corporate customers so far, and will focus on government, large/mid-sized enterprises, finance, manufacturing, healthcare, education and other sectors in supporting customers for cloud migration and drive continuous rapid growth of cloud business.

Slide 26: Launch e-Surfing Internet of Video Things to Forge New Growth Engine

e-Surfing Internet of Video Things is the Company's 5th fundamental network with nationwide coverage and integrating AI, cloud, computing power and other capabilities. IoVT provides new video security service with e-Surfing Webcam and e-

Surfing Cloud Eye targeting 2C/2H and 2B customers respectively. e-Surfing Webcam already has over 20 million subs, up 1.3 times yoy, and revenue soared 2.2 times yoy. Now, IoT service covers over 31 provinces and 40,000 communities.

Slide 27: Network and Information Security Capability Steadily Enhanced with Continuous Expansion in Security Products and Services Portfolio

The Company continued to enhance cloud-network security defense capability, and multiple provincial branches selected as MIIT's demonstrative centres of security innovation for 5G Applications.

The Company is planning to build a security capabilities pool comprising cloud, network, edge and terminals covering 31 provinces, and a security core with architectural and logical unity.

Security products and services continued to expand, with edges in cloud-network, security and data resource aggregated to build a network security protection platform, to provide industry-leading customised security services.

Slide 28: Precision Initiatives to Enhance Cost Efficiency

During the year, the Company continued precision initiatives to enhance cost efficiency. The Company seized digital economy development opportunities to enhance input in key areas while also strengthened efficiency uplift, and OPEX increased 12.0% yoy.

Allocation on network operation capability buildup increased appropriately to enhance user perception and 5G and support Industrial Digitalisation development, and to increase network quality.

Input for recruiting high-tech talents, incentives for frontline staff as well as high performance teams increased for better motivating employees.

Allocation on R&D increased to promote sci-tech innovation.

Marketing resources also moderately increased to expedite scale development to seize 5G development opportunities.

Slide 29: Enhanced Financial Strength

The Company's financial strength continued to enhance, capital structure was sound, debt level remained healthy, as total debt decreased by 69.1% yoy, while total debt

to total capitalisation ratio dropped 5.4p.p. Cashflow was abundant as free cash flow increased 6.0p.p. to RMB15.1 billion. The solid capital structure is poised to strongly support our sustainable development in future.

Slide 30: Proactively Implementing Social Responsibilities and Optimizing Corporate Governance

The Company is committed to fulfill ESG responsibilities, strengthen governance mechanism and enhance ESG performance.

On environment, the Company launched the “1236” action plan for carbon dioxide peaking and carbon neutrality, while the network co-build and co-share reduced yearly carbon dioxide emission by over 6 million tons. In 2021 overall energy consumption per unit of information flow reduced 8.3%, and the targets for 2022 and 14th Five-Year Plan are to reduce by 8% and 22% respectively, in a view to support environment protection.

On society, the Company proactively promoted the construction of digital families, Smart Communities and Digital Villages, and leveraged new information communications technologies to support sci-tech-based anti-epidemic measures and normalised epidemic prevention and control; insisted on customer-oriented approach and continued to enhance servicing capability and earnestly built the reputation and image of “China Telecom is trustworthy”.

Insisting on people-oriented approach, the Company deeply cared for its employees and strived to achieve mutual growth of employees and the Company.

On corporate governance, the Company continued to promote modernisation of corporate governance system and capability, to strengthen the foundation of corporate high-quality development.

Slide 31: Expansion and Upgrade with Full Promotion of High-quality Development

In 2022, the Company will fully implement the Cloudification and Digital Transformation Strategy, step up sci-tech innovation, expedite scale development in a customer-oriented approach, expedite construction of safe digital information infrastructure, fully deepen corporate reform, insist on green and low-carbon development, enhance profitability and efficiency, strengthen corporate governance, and continue uplifting corporate value.

In 2022, the Company will strive to maintain double digit growth for operating revenues and comparable net profit. On 5G and mobile business, the Company will keep the development momentum and focus on increasing both scale and quality, and 2022 target is 80 million 5G subs net add. On broadband and Smart Family, the Company will focus on Smart Family service upgrade and continue to explore community and village markets, and 2022 target is 8 million broadband subs net add. On Industrial Digitalisation, the Company will leverage on Cloudification and Digital Transformation to keep upgrading products and services, promote development of cloud, IDC and 5G 2B and strengthen market leadership position, and 2022 target is to strive to maintain the Industrial Digitalisation revenues growth rate on par with 2021.

Forward-Looking Statements

The development strategies, future business plans, prospects and other forward-looking statements in this document do not constitute commitment by China Telecom Corporation Limited (the “Company”) to investors. 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 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. Investors are advised to pay attention to investment risks.

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 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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