



China Telecom Corporation Limited
Edited Transcript of 2022 Annual Results
Investor presentation

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

Slide 3: Overview

Good afternoon, ladies and gentlemen, and welcome. I am very delighted that we can communicate face-to-face again after 3 years. Please let me express sincere gratitude for your attention and support to the Company all along!

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

Slide 4: Summary of Highlights

We have six key development highlights in 2022:

1. Fully implemented Cloudification and Digital Transformation taking high-quality development to a new level;
2. Fundamental Businesses and Industrial Digitalisation Serve as Dual Engines and China Telecom Cloud revenue doubled again;
3. Insist on the leading role of sci-tech Innovation with substantial progress in capability deployment;
4. Expedite promotion of cloud-network integration to solidify the foundation of digital infrastructure;
5. Fully deepen corporate reform and further enhance corporate vitality and impetus;
6. Develop World-class Enterprise and fulfill the responsibility in building Digital China.

Slide 5: Solid Results

In 2022, the Company made all-out effort to implement the Cloudification and Digital Transformation strategy with customer-



oriented approach to develop individual, family and enterprise informatised services, lifting operating results to new heights. This table shows key financial figures in which revenue, profits and others achieved favourable growth.

Slide 6: Fully Implemented Cloudification and Digital Transformation Taking High-quality Development to a New Level

The Company's high-quality development advanced to new stage in the year. Service revenues grew 8.0% yoy, marking the 10th consecutive year of growth. Profitability further enhanced with net profit growth above revenue growth as net profit maintained double-digit growth at 12.5% yoy; service quality continued to enhance with overall customer satisfaction maintained industry-leading.

The Company's sci-tech innovation strengthened substantially with breakthroughs in cloud-network core technologies. For instance, the computing power distribution network platform of China Telecom Cloud 4.0, "XiRang", was selected as 2022 Top 10 Super Projects of Central Enterprises; the Initiator of original cloud computing technologies established; China Telecom Cloud's market position further enhanced as its public cloud IaaS, IaaS+PaaS market shares advanced to industry top 3; digital information infrastructure solidified and cloud-network integration resulted substantial progress with cloud, network, data, AI, security, DC and other capability deployment basically completed.

Slide 7: Fundamental Businesses and Industrial Digitalisation Serve as Dual Engines with New Impetus from Deepened Integration

In 2022, the fundamental businesses and Industrial Digitalisation served as dual engines to drive favourable revenue growth. Fundamental business revenues grew 4.0% yoy, driving service revenue growth by 2.9p.p., while Industrial Digitalisation revenue grew 19.7% on comparable basis, accounting for over 27% of service revenue, and is targeted to reach 35% by 2025.

Leveraging integration with cloud, security, AI and platform, the Company accelerated digitalised, scene-based and converged product



and service upgrade. In 2022, China Telecom Cloud's proportion to service revenue increased by 6.4p.p.; security service revenue grew 23.5%; AI revenue grew 51.8%; proprietary digital platform drove project revenue over RMB6 billion. The deepened "quadruple-integration" injected new impetus to development.

Slide 8: China Telecom Cloud Revenue Doubled Again

In 2022, China Telecom Cloud revenue doubled again to RMB57.9 billion. After over a decade's development, China Telecom Cloud has now evolved to version 4.0 and fully commercialised, with the edges in cloud-network integrated new digital infrastructure, proprietary distributed cloud structure, leading security service capability, scene-based industrial solutions and customer foundation further solidified. Its market share further increased to become the world's largest telco-operated cloud and the PRC's largest hybrid cloud, advancing to the top 3 of the PRC's public cloud IaaS and IaaS+PaaS markets. It supports the nation's digital transformation of economy and society and achieved particularly prominent results in people's livelihood areas and scale development.

China Telecom Cloud's revenue in 2023 is targeted to reach RMB100 billion.

Slide 9: Insist on the Leading Role of Sci-tech Innovation with Substantial Progress in Capability Deployment

Upholding the idea that "technology is the top productivity", the Company takes sci-tech innovation as a strategic driver of high-quality development. The RDO R&D system planning fully completed in 2022, and the Company builds technology-oriented enterprise through initiating fundamental researches, striving for core technology breakthroughs and accelerating adoption of applications. Breakthroughs in cloud and cloud-network integration, security, AI, quantum and other key core technologies. Sci-tech power also strengthened as R&D expense for the year increased 52%, number of R&D employees increased 46%, and items on proprietary achievement list increased 2.9 times.



Slide 10: Expedite Promotion of Cloud-network Integration to Solidify the Foundation of Digital Information Infrastructure

The Company fully promotes the planning and coordination of cloud, network, big data, AI, security and other digital elements, expedites the construction of cloud-network integrated, secured and green digital information infrastructure, further optimises the planning for computing power to provide efficiently-centralised and ultra-low latency distributed cloud service. China Telecom Cloud computing power in 2022 reached 3.8EFLOPS, up 81% yoy. The Company also strengthened network and information security protection and fully promoted the green and low-carbon transformation of cloud-network infrastructure to solidify digital infrastructure.

Slide 11: Precision Investment Focusing on Future

The Company's CAPEX in 2022 was RMB92.5 billion, slightly lower than the budgeted RMB93 billion. CAPEX in 2023 will focus on future development with further optimised structure. Industrial Digitalisation CAPEX will increase by 40%, of which CAPEX on computing power and IDC are RMB19.5 billion and RMB9.5 billion respectively.

The Company continues to promote 5G co-build and co-share and 4G co-share with China Unicom with prominent results as over RMB270 billion of cumulative network construction, and over RMB30 billion of annualised OPEX were saved for both parties. By end 2023, the number of 5G base stations in use will reach 1.22 million.

Slide 12: Increase Dividend to Reward Shareholders

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 moving forward and sharing development results together. The Board of Directors recommends a final dividend of RMB0.076 per share for 2022, and with the interim dividend of RMB0.120 per share that has already been paid, the full-year dividend for 2022 is RMB0.196 per share, and the payout ratio would increase to 65% from 60% in 2021. Going forward, we will seize the opportunities of building Digital China to continue to promote high-quality development and strive to deliver good returns to shareholders.

Slide 13: Fully Deepen Corporate Reform and Further Enhance Corporate Vitality and Impetus

Targeted at satisfying customers' digitalisation needs and enhancing the Company's core competitiveness, the Company fully promotes the reform of organisation and process on enterprise service and professional companies, governance system and market-oriented operating mechanism, which resulted substantially enhanced corporate vitality. The Company also builds the big platform of digital transformation services that is open and co-shared and stimulates the potential of data elements by leveraging massive volume of data to empower digital transformation of economy and society. Meanwhile, the Company expedites internal digital transformation on products, sales, service, operation and management for cost reduction and efficiency enhancement, especially on operation.

Slide 14: Develop Open and Win-win Cooperation Ecologies

Upholding the principles of cooperation focusing on coverage, service, value and common growth, the Company engaged in more extensive and more in-depth cooperation with partners. For instance, the Company fully opens up and co-builds National Cloud ecology, continues to explore 5G industry ecology, builds a security ecology that effectively aggregates capabilities of different parties, co-builds innovative ecology for AI industry with well-known universities and sci-tech research institutions, builds industrial ecology by aggregating capabilities of proprietary R&D and cooperation, commences capital ecology planning on key areas to leverage the multiplier effect of capital to inject new impetus to corporate value growth.

Slide 15: Proactively Undertake Social Responsibilities

The Company proactively undertakes social responsibilities. We pursue green and low-carbon development by promoting low-carbon operation and empowering green development; provided informatised products for epidemic prevention, leveraged digital means to aid epidemic prevention and helped relief difficulties of SMEs; cared for employee and promoted mutual growth of employees and the Company persists in high level of corporate governance to effectively assure prudent corporate operation and protect best long-term interests of shareholders.



Slide 16: Develop World-class Enterprise and Fulfill the Responsibility in Building Digital China

In 2023, the Company will firmly seize the precious strategic opportunities and proactively undertake the responsibility of building Digital China. With high-quality development as the theme, digital transformation as the means and reform, open-up and innovation as the driving force, the Company will fully implement Cloudification and Digital Transformation strategy to earnestly enhance core competitiveness and accelerate developing world-class enterprise.

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

Speaker: Mr. Shao Guanglu, Executive Director, President & COO

Slide 17: Business Review & Financial Performance

Thank you, Chairman Ke. Ladies and gentlemen, I shall now discuss our business and financial performance in 2022.

Slide 18: Enhancing Business Performance

The Company's business performance further enhanced in 2022. This table demonstrates the revenue of major businesses and key financial indicators. Next, I will elaborate more on various businesses and financials.

Slide 19: Industrial Digitalisation Remained the Biggest Incremental Revenue Contributor

In 2022, the Company's 3 major businesses achieved favourable growth, in which Industrial Digitalisation contributed RMB18.8 billion to incremental revenue, driving service revenue growth by 4.7p.p., remaining the biggest incremental revenue contributor; Mobile Communications Service and Wireline and Smart Family contributed RMB6.9 billion and RMB5.0 billion respectively to incremental revenue.

Slide 20: Fundamental Businesses Enhanced in Both Quantity and Quality

In the year, Mobile Communications Service and Wireline and Smart



Family developed steadily with revenue increased by 3.7% and 4.4% respectively. User structure gradually optimised as well, with 5G package user penetration increased 18.1p.p. to 68.5%, while Gbps penetration increased 9.1p.p to 16.8%. User value also increased, with mobile APRU increased to RMB45.2, and broadband blended ARPU increased to RMB46.3.

Slide 21: Expedited Integrated Development of Smart Family, Communities and Digital Villages

The Company's integrated development achieved prominent results with revenue and value contribution further increased. Mobile value-added and applications revenues increased 17.0% yoy while Smart Family revenue increased 21.0%; the contribution of mobile value-added and applications to mobile ARPU increased 11.1%, while the contribution of Smart Family to broadband blended ARPU increased 14.3%.

The diverse digital products and scene-based solutions from family extending to communities and villages enjoyed strong momentum with triple-digit growth in scale.

Slide 22: Hardcore Edges Drive Rapid Growth of China Telecom Cloud

China Telecom Cloud revenue doubled in 2022, in which public cloud IaaS+PaaS revenue increased 132%. Government administration cloud infrastructure, dedicated hosted cloud services and medical cloud infrastructure service market share all ranked No. 1.

Proprietary technological capability further enhanced, with cloud-network operating system, computing power and efficiency, edge computing, cloud security and other areas at industry-leading level.

China Telecom Cloud accumulated numerous benchmark cases in digital government, smart city, central enterprise/SOE digital transformation, smart healthcare and other markets, and the Company is also actively exploring markets in industrials, SME, tourism, education and other markets, to drive continuous rapid growth of China Telecom Cloud.

Slide 23: AI Capabilities Planned for New Arena

The Company actively plans for AI capability and launched Xinghe Platform, the large model platform computing engine. The platform covers over 10 million customers and serves over 100 use cases to enhance service supply capability to address growing digitalisation demand in production, living, governance and other areas. Going forward, the Company will further enhance AI technological strength and industrial influence to seize market opportunities and convert into growth momentum.

Slide 24: Build Quality End-to-end Security Service System

The Company strives to become a secured enterprise. Network security service revenue in 2022 increased 23.5% to RMB4.69 billion. The Company plans extensively on network security, data security, security services and other areas to launch multiple products, in which Cloud Dam (anti-DDoS) serves over 8,500 2B/2G customers, while Security Butler has over 13 million registered users, and the number of security dedicated lines of e-Surfing Security Brain reached 114,000.

Slide 25: Open and Co-shared Digitalised Service Platform Facilitates Development

The Company builds open and co-shared big platform of digital transformation services, strengthens digital packaging and supply, aggregates IoVT, IoT, IDC+CDN and other capabilities to consolidate development, operation, vertical industries and other platforms to empower internal and external digital transformation and aggregate digital technology industry ecologies.

The scale of the Company's digital platform rapidly expanded with over 250 industry-leading digital platforms in key industries, over 2,800 fundamental capabilities launched, over 350 ecological fundamental capabilities launched, fully satisfied customer needs in urban/village governance, schools and other markets.

The Company has over 46 million IoVT users with revenue increasing 57.1% to RMB3.29 billion; IoT connections exceeded human connections with users increasing by 36.6% to 407 million, and revenue increasing 40.2% to RMB4.01 billion.

Slide 26: Accelerated 5G 2B Development

The Company's 5G 2B business' scale growth accelerated and product system further enhanced. During the year, there were over 8,000 new 5G 2B industry commercial projects, doubling that in 2021, with cumulative number of projects reaching 15,000. The Company promotes business model upgrade to realise integrated innovation from connection to application. The Company will continue to build and replicate diversified benchmark projects and promote them to more customers.

Slide 27: Effective Cost Control

During the year, the Company continued to optimise cost structure to appropriately input to increase corporate competitiveness and support high-quality development. Operating expenses increased 9.6%. To seize the digital economy opportunities, initiatives were appropriately increased on Industrial Digitalisation, Smart Family and other high-growth areas, while recruitment in sci-tech and innovative talents as well as incentives to frontline staff and high-performance teams were also stepped up, therefore resource allocation to network operation and personnel were also appropriately increased. Meanwhile, the Company implemented precision sales and marketing with selling expense-to-service revenue ratio reduced yoy.

Slide 28: Financial Strength Enhanced

The Company's financial strength enhanced. EBITDA increased 5.2% yoy to RMB130.4 billion. Total debt decreased 36.4% while debt-to-asset ratio was a healthy 46%. the Company's corporate credit rating remained at the top AAA grade.

Slide 29: Comprehensively and Deeply Implement the Cloudification and Digital Transformation Strategy and Continue to Propel High-quality Development

In 2023, the Company will fully implement Cloudification and Digital Transformation strategy with multi-pronged measures to promote high-quality development, and expedite building world-class Enterprise that has superb products, excellent brands, cutting-edge innovation and modern governance.



This concludes our briefing today. Thank you!

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.

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