



China Telecom Corporation Limited
Edited Transcript of 2023 Annual Results
Investor presentation

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

Slide 3: Overview

Good afternoon, ladies and gentlemen, welcome to our 2023 annual results presentation, and thank you for your long-term attention and support!

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

Slide 4: Summary of Highlights

There are six development highlights in 2023:

1. Operating results maintained favourable trajectory and fully fulfilled the commitment made during A Share issuance;
2. Sci-tech innovation achieved breakthroughs and formation of new quality productive forces accelerated;
3. Strategic emerging businesses deployment fully completed with integration and mutual promotion of fundamental businesses and Industrial Digitalisation;
4. Deepen cloud-network integration and propel intelligent upgrades of digital information infrastructure;
5. Fully deepen reforms and open-up and creating value to reward shareholders;
6. Implement Cloudification and Digital Transformation deeply and fully promote high-quality development.

Slide 5: Operating Results Maintained Favourable Trajectory

In 2023, the Company firmly and fully implemented the Cloudification and Digital Transformation strategy. With a customer-oriented approach, the Company actively expanded the informatisation services for individuals, families, government and enterprises, and achieved steady growth in operating results. This table shows the key financial data in 2023, among which revenue, EBITDA, net profit and ROE all achieved favourable growth.

Slide 6: Fully Fulfilled the Commitment Made During A Share Issuance with High-quality Development Advancing to New Level

It's been three years since the Company's A-share listing, and the Company has fully fulfilled various commitments made during offering and advanced high-quality development to a new level. Service revenue increased 6.9% yoy and maintained growth for 11 consecutive years, with three-year CAGR above industry average. Net profit increased 10.3% yoy, maintaining double-digit growth for three consecutive years. Dividend payout ratio increased to over 70%, and the three-year CAGR of DPS was 31% and is industry-highest. Market capitalisation management achieved remarkable results as the market capitalisation of the Company has soared to 3.2 times to that at end-2020.

Slide 7: Sci-tech Innovation Achieved Breakthroughs and Formation of New Quality Productive Forces Accelerated

Adhering to the root technology plan of network, cloud, AI, security and quantum, the Company continued to optimise the RDO innovation layout for the five-year period since 2021. The input in "new" elements made a breakthrough in the past three years, with R&D expenses increasing by nearly 1.8 times, leading talents increasing by nearly 4 times, and R&D engineers increasing by 1.7 times. The Company has also created "new" digital tools in R&D, operation and marketing with remarkable results.

the Company has established a technology-driven and industry-leading new digital information infrastructure for cloud-network integration in the fields of cloud computing, network, AI, security and quantum. The national cloud framework was fully formed, and the aerial-ground integration framework is taking shape, providing the whole society with a large platform for digital economy development.

Slide 8: Deployment of Strategic Emerging Businesses Fully Completed

The Company continued to strengthen capabilities, improve products and services, and fully completed the deployment of seven strategic emerging businesses, namely cloud and computing power, AI, Big Data, security, quantum, new generation information and communication and digital platform, forming powerful engines for market expansion and propelling the formation of new quality productive forces. Among them, China Telecom Cloud has built a



high-quality source of original cloud computing technology, maintaining the leading position of global operator cloud. The Company's big data pool is over 500PB in scale, and 1.6PB of data is collected daily on average. Quantum communication enjoys industry-leading commercialisation progress as well as market share. Satellite Communication launched the world's 1st consumer-grade handset direct-to-satellite voice and SMS service.

Slide 9: China Telecom Cloud Maintained Leadership and Fully Upgraded to an Intelligent Cloud

In 2023, the revenue of China Telecom Cloud was RMB97.2 billion with a growth of 67.9%. China Telecom Cloud maintained its leading position in the market, such as no. 1 in government administration public cloud infrastructure, top 3 in IaaS/IaaS+PaaS in PRC, no. 1 in DaaS in PRC. China Telecom Cloud's competitive edges further strengthened based on its full-stack proprietary technology system, industry-leading products and services, and secure and trustworthy operation capabilities. Without AI, there is no future for cloud. Focusing on the new requirements for cloud service providers in the era of AI models, China Telecom Cloud has accelerated the upgrade to intelligent cloud at all fronts and built the ubiquitous computing infrastructure integrating cloud, intelligent computing and supercomputing by establishing three fully linked intelligent computing platforms, namely "Huiju", "Yunxiao" and "Xirang". The Company has become a leading computing power service provider for large models in PRC.

Slide 10: Seize "AI+" Opportunities to Promote Growth and Accelerate the Marketisation of Data Elements

The Company actively plan for AI and big data businesses and accelerated empowering thousands of industries, and a series of benchmark projects in education, cultural tourism, customer service, finance and other industries were formed. The Company continued to strengthen its fundamental capabilities with the "1 + N + M" large model product system with a general-purpose large foundation model covering language, speech, visual and multimodal capabilities, as well as 12 large vertical models for government administration, education, transportation and other fields. Meanwhile, the Company launched 9 models for own use in internal production and operation. Backed by the Xinghe AI platform foundation, we have developed more than 10,000 algorithms for different use cases, with 410 million times of access daily on

average.

Relying on its own data resources, the Company launched over 50 Xinghai big data products, and launched the Lingze data element platform that provides full-process data trading services. As a result the Company ranked no. 1 among data element ecological service providers.

Slide 11: Digitalisation Empowered Internal Transformation and Upgrades

The Company actively promotes the integration of AI and big data into internal digital operations, and took multiple measures to save costs and increase efficiency. In 2023, selling expense to revenue ratio, electricity cost per 4/5G station, the cost of 10000 Hotline and AI-assisted network task processing duration continued to decrease; AI empowered intelligent customer service and automatic cloud-network operation and maintenance with remarkable results; % of fundamental businesses subs developed online, FTTH port utilisation rate and tower sharing ratio continued to increase.

Slide 12: Infrastructure Upgrade Accelerated

Focusing on high-speed and ubiquitous, cloud-intelligence integrated, secure and green, intelligent and agile, the Company accelerated the upgrade of digital information infrastructure.

In 2023, the Company's intelligent computing and general computing reached 11.0 EFLOPS and 4.1 EFLOPS respectively, and promoted the upgrade of datacentres to AIDC; accelerated the deployment of new generation large-scale intelligent computing cluster; maintained leadership in security capabilities with quantum metropolitan network debuted in Hefei, Anhui Province; and the launch of "Qiming", the first large model in the field of information and communications. Overall level of automation and intelligence of cloud-network operation reached L3, and even L4 in 5G core and other scenes.

The Company and China Unicom continued to deepen co-build and co-share and had over 1.21 million 5G base stations in use, over 2 million 4G mid-spectrum co-shared base stations, and 250 thousand 4/5G integrated 800MHz base stations. The urban residential gigabit coverage rate exceeded 90% with industry-leading scale. The Company actively seizes the opportunities in the

aviation internet market and continue to promote the construction of the aerial-ground integrated information network capability.

Slide 13: CAPEX Optimised to Focus on Future

In 2023, the Company's CAPEX was RMB98.8 billion, of which the proportion of Industrial Digitalisation reached 36.0%, along with an optimised CAPEX structure.

The Company's 2024 CAPEX budget is RMB96 billion, down 2.9% yoy, and estimated % to service revenues will decrease to under 20%. CAPEX for cloud and computing power is RMB 18 billion, and the intelligent computing capacity will increase by over 10 EFLOPS to reach over 21 EFLOPS. The Company will also build a flexible, elastic and green AIDC. Mobile network CAPEX decreases by 4.5p.p. yoy.

Slide 14: Fully Deepen Reforms and Open-up

The Company fully deepened the reforms and open-up and vitality of high-quality development continuously unleashed. The Company continued to enhance the building of organisational system, accelerate the digital transformation, deepen the reform of the market-oriented system and mechanism, and create comprehensive advantage of system integration aggregating professional capabilities, industry capabilities, ecological capabilities and sales and service capabilities. The Company will accelerate the promotion of high-level open-up and cooperation and build a win-win ecological landscape in terms of industrial development, technological research, talent nurturing, business and channel cooperation.

SLIDE 15: Increase Dividend to Reward Shareholders

I would like to thank all shareholders, investors and analysts for their support and attention to the development of the Company. The Company will continue to work with you to share the fruits of development. The Board proposed a final dividend of RMB0.09 per share at the end of 2023, hence the full-year dividend for 2023 will be RMB0.2332 per share, with the dividend payout ratio over 70%, fully fulfilling the profit distribution commitment during A-share issuance.

Slide 16: Active Implementation of Green Development Principles

The Company actively implements green development principles and promotes green transformation and development on all fronts. The Company deepens the research of key green and low-carbon technologies and conversion of proprietary products; accelerates the green upgrade of cloud-network by creating an efficient, intelligent, green and low-carbon network that is end-to-end dynamic adjustable and capable of independent energy-saving, and remarkable results in energy saving and emission reduction were achieved. The Company also enhances the green product and service system, promotes the formation of a green and low-carbon lifestyle, and empower the green and low-carbon transformation of the economy and society.

Slide 17: Proactively Fulfil Social Responsibilities

The Company continued to actively fulfil social responsibility and actively integrate green elements into energy use, products, operations and other aspects, resulting in further decline in greenhouse gas emissions. The Company fully accomplished the communications assurance tasks of major events as well as flood and disaster relief, promoted the construction of digital villages, held social welfare activities, and created an all-rounded employee care system. Adhering to the excellent, stable and effective corporate governance philosophy, the Company continued to improve its corporate governance.

Slide 18: Deeply Implement Cloudification and Digital Transformation Strategy and Comprehensively Push Forward High-quality Development

The Company will firmly seize opportunities by leveraging the technological and industry trends and its own competitive edges, continue to deeply implement the Cloudification and Digital Transformation Strategy, adhere to the principle of network as the foundation and cloud as the core, grasp development direction of AI development and innovate product and service offerings, accelerate the formation of new quality productive forces, and accelerate the construction of a world-class enterprise.

In the coming 3 years, the Company expects service revenues to maintain favourable growth, net profit growth to be higher than revenue growth, CAPEX-to-sales ratio to further decrease.



The Company will endeavour to create corporate value and share fruits of development with shareholders, and within 3 years from 2024 the dividend payout ratio will gradually increase to above 75%.

My introduction ends here and Mr. Liu Guiqing will continue with the Company's business and financial performance.

Speaker: Mr. Liu Guiqing, Executive Director and EVP

Slide 19: Business Review & Financial Performance

Thank you, Chairman Ke. Good afternoon, ladies and gentlemen. I will now go through our business and financial performance in 2023.

Slide 20: Fundamental Businesses Grew Healthily

In 2023, the Company's fundamental businesses developed healthily, with mobile communications service revenue increasing by 2.4% and wireline and smart family service revenue by 3.8%, respectively. The structure of mobile and broadband subs continued to be optimised, with the 5G package penetration rate increasing to 78.1% and the gigabit subs penetration rate increasing to 24.6%.

Slide 21: Innovative Applications Augment Value

The Company continued to enrich high-quality digital products and scene-based services, driving growth of mobile and broadband blended ARPU for three consecutive years.

The Company accelerated 5G renewal and upgrading, vigorously promoted 5G applications, with the contribution of mobile value-added and applications to mobile ARPU reached RMB5.4, up 8% yoy.

The Company also accelerated smart family renewal and upgraded applications and services such as whole-home intelligence and e-Surfing webcam, and smart family contributed to broadband blended ARPU by RMB 8.5, up 6.3% yoy. The scale of smart communities and digital villages increased significantly, while promoting integration and mutual promotion, which effectively boosted the scale and value of basic businesses.

Slide 22: Industrial Digitalisation Leadership by Integration of Digital Technologies and Real Economy

In 2023, Industrial Digitalisation contributed 70.4% of incremental



service revenues, up 11.8 p.p. yoy, and enterprise customers increased by 11.3%.

The Company's proprietary digital platforms had 7,450 fundamental capabilities for sale and 27.2 billion of accesses cumulative. ICT projects development was benefited as well with over 5,000 projects driven and contract amount grew over 300% yoy.

The Company's digital government administration platforms and services cover multiple segments; digital industry solutions include networked connection, intelligent transformation, digital transformation and others; digital livelihood platforms are also widely used in healthcare, education, culture and publicity and other areas.

Slide 23: Empower Enterprises with Cloud, Big Data and AI

For cloud and computing power, in 2023 the Company's 2G and 2B customers increased 35.3% and secured 84 computing power projects, providing foundation support for customer's large model training and formed PRC's first computing power vehicle solution.

For AI, there were around 30 million subs of AI-enabled communications assistants, IoT and colour ringback tones with video; AI also empowered over 600 projects in use cases such as grassroots governance, intelligent customer service and smart city.

For big data, the Company accelerated the market layout of data elements, and has built over 100 data service platforms and over 40 products such as government services, urban governance, and convenient services for people and enterprises.

Slide 24: Strengthen Network Security with Innovative Breakthroughs in Quantum

The Company's revenue from security business in 2023 increased by 23.5% yoy, of which the anti-DDoS product, Cloud Dam, ranked first in market share. The Company was selected Gartner's list of global top service providers. Revenue of security brain nearly doubled.

The Company comprehensively upgraded quantum product capabilities, pioneered the quantum security 5GCPE product in the industry, launched the DICT + quantum holistic product portfolio,



and provided industry customers with quantum security access, data transmission encryption and other services.

Slide 25: Aerial-ground Integration with Platform Empowerment

5G customised network expanded in scale and benchmark cases in many industries such as manufacturing, mining, smart city and education were widely replicated. Industry application projects increased by 106.3% yoy to 31,000 projects cumulative.

For satellite communication, the Company pioneered consumer-grade handset direct-to-satellite voice and text services, for environmental monitoring, industrial remote monitoring and other use cases, with data collection and interactive control services, as well as basic communication assurance for disaster relief.

IoT revenue increased by 48.3% with the number of users exceeded 520 million. The Company's industry-leading proprietary IoT cognition cloud platform products empower over 100 urban governance applications and has been launched in over 10 provinces and cities across the country.

IoVT revenue increased by 29.7%, and the number of users exceeded 77 million.

Slide 26: Seize Opportunities with Solid Global Footprint

The global layout of the Company's international business has steadily enhanced, with 53 branches established, over 2,000 employees and over RMB13.7 billion of revenue. The Company continued to strengthen overseas cloud-network infrastructure, and the capacity of international transmission network backbone increased to 115Tbps. The Company strengthened overseas establishment of strategic emerging businesses by continuing to promote overseas development of China Telecom Cloud, and 15 global CDN nodes were added. The Company was also the first telco in PRC to obtain global satellite code resources, and the number of overseas IoT connections exceeded 300,000.

Slide 27: Precise Cost Allocation with Structure Continuously Optimised

Through precise and effective cost control, the Company realised resource efficiency uplift to support high-quality development.



OPEX grew by 6.3% and such growth rate was the lowest since 2020.

In order to seize the development opportunities of the digital economy, the Company moderately increased initiatives in high-growth areas such as Industrial Digitalisation and smart family, stepped up the introduction of sci-tech and innovative talents, and moderately increased the incentives for front-line employees and high-performance teams. In addition, the Company maintained necessary marketing initiatives, strengthened online and offline coordination and AI precision marketing for efficiency uplift of sales expense.

Slide 28: Financial Strength Enhanced

The Company's financial strength continued to enhance, with EBITDA increasing by 5.0% yoy to RMB136.8 billion, total debt decreased by 12.8%, and asset-liability ratio at 46.5%. The capital structure remained stable, and the corporate credit remained at the highest level of AAA.

Our introduction is here, thanks everyone!

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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