



**China Telecom Corporation Limited**  
**Edited Transcript of 2023 Interim Results**  
**Investor presentation**

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

**Slide 3: Overview**

Good afternoon, ladies and gentlemen, welcome to our 2023 interim 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. Shao Guanglu will go through the business review and financial performance.

**Slide 4: Summary of Highlights**

In the first half of 2023 the Company had the following six development highlights:

1. Implemented Cloudification and Digital Transformation fully and deeply to achieve steady growth in operating results;
2. Insist on the leading role of sci-tech innovation to elevate corporate core competitiveness;
3. China Telecom Cloud maintained rapid growth and AI continued to strengthen in capability of intelligence empowerment;
4. Precision investment with structure optimised and solidify digital information infrastructure;
5. Digital transformation as the steadfast main line to enhance quality and efficiency and facilitate value creation;
6. Deepen reform and open for cooperation and accelerate the building of World-class Enterprise.



### **Slide 5: Steady Growth in Operating Results**

In the first half of the year, 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 the first half, among which revenue, EBITDA and net profit achieved favourable growth.

### **Slide 6: New Achievements in Corporate Development**

The Company's operations achieved new results in the first half. Service revenues increased by 6.6% yoy, higher than industry growth and maintained growth for 10 consecutive years. The revenue contribution of Industrial Digitalisation continued to increase to nearly 30%. Net profit maintained double-digit growth by 10.2% yoy, and net profit margin increased by 0.2pp. Sci-tech innovation continued to make breakthroughs, as China Telecom Cloud, the source of original technologies, achieved multi-chip architecture in one cloud with full stack proprietary technologies, while R & D in AI and quantum also delivered meaningful results. Corporate reform continued deepening, and the Company was awarded Grade A in the key missions assessment of the three-year action for reform of central enterprises in 2022.

### **Slide 7: Insist on the Leading Role of Sci-tech Innovation and Continue to Strengthen Core Competitiveness**

The Company formed the cycle of technology, product and industry and accelerated achievement conversion to forge new momentum and new advantages for development. The Company stepped up R&D input by increasing R&D expenses by 27% yoy and number of R & D personnel by 21% versus end-2022; accelerated the layout of strategic emerging businesses and achieved breakthroughs in key areas such as cloud, network, Big Data, AI, security and quantum; strengthened the research on key core technologies and accelerated the transfer of innovation achievements. The proportion of proprietary IT systems and business platforms was nearly 40%, while number of items in proprietary achievements list grew by 124%.



### **Slide 8: China Telecom Cloud Maintained Rapid Growth**

In the first half, the revenue of China Telecom Cloud reached RMB45.9 billion, maintaining high speed growth of 63.4% yoy, and we strive to achieve the full year goal of RMB100 billion. China Telecom Cloud possesses competitive advantages shaping the National Cloud framework, such as proprietary full-stack technologies, industry-leading computing power layout, diverse and high-quality product capabilities, secure and reliable operation capabilities, and open and collaborative National Cloud ecosystem. China Telecom Cloud maintained leading market position, for ranking No. 1 in government public cloud infrastructure, No. 3 in PRC's public cloud IaaS and public cloud IaaS + PaaS markets, No. 1 in PRC's Desktop-as-a-Service, and the world's largest telco cloud. China Telecom Cloud accounted for 60% in the first batch of 40 industrial public cloud projects of SASAC, fully demonstrating its leading position in the National Cloud market.

### **Slide 9: Continued to Strengthen AI Capabilities to Empower Digital Applications**

The Company seized opportunities from AI and continued to deepen AI layout accordingly by taking the Xinghe platform as the core and leveraging the advantages of cloud-network integration. The generative large language model TeleChat was launched, while the Xinghe visual foundation model was upgraded to version 2.0, and an algorithm warehouse and ecosystem with 5,500 scenario-based algorithms was built, some of these algorithms are even industry-leading. All these satisfied the Company's need of accelerating internal digital transformation and injecting intelligence into digital life, while at the same time empowering numerous application scenarios in thousands of industries.

### **Slide 10: Precision Investment with Structure Optimised and Solidify Digital Information Infrastructure**

In the first half, the Company's capital expenditure was RMB41.6 billion and structure was further optimised by further increasing proportion on Industrial Digitalisation to 28%, up by 4.1p.p. yoy, effectively strengthening the momentum of Industrial Digitalisation.

The Company focuses on the construction of intelligent and integrated



digital information infrastructure featuring “high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon, secure and controllable”. In the first half, intelligent computing power increased by 62%, while general computing power increased by 19%. Number of IDC cabinets serving external customers reached 534,000. Network architecture continued to optimise centering around datacentres and cloud by building an east-west, north-south low latency network for enhancing the capabilities of cloud-network integrated, green and low-carbon computing power infrastructure. Gigabit fibre network continued to expand coverage. 5G and satellite networks were strengthened for building a high-speed and ubiquitous, aerial-ground in one network.

The Company and China Unicom continued to promote 5G co-building and co-sharing. In the first half, number of 5G base stations amounted to over 1.15 million, and the 4G mid-spectrum networks are comprehensively co-shared, with 4G base stations amounted to over 2 million.

#### **Slide 11: Digitalisation Enhances Resource Efficiency**

The Company fully leverage AI, big data and other technologies and data to drive internal digital transformation and took multiple measures to promote cost reduction and efficiency enhancement, and to maintain double-digit growth in net profit. In particular, the proportion of selling expense to revenue, the proportion of low-sales stores, the electricity cost per 4/5G station and the unit carbon emission decreased year-on-year, which promoted cost saving, environmental protection, and energy conservation. The proportion of intelligent customer service volume, tower sharing ratio, overall FTTH port utilisation ratio and wireline terminal recovery rate increased year-on-year, contributing to the enhancement of operating quality and efficiency.

#### **Slide 12: Increase Dividend to Reward Shareholders**

I would like to thank all shareholders, investors and analysts for your support and attention to the development of the Company. The Company will continue to work hand in hand with you and share the development results. The Board proposed a dividend of RMB 0.1432 per share for the first half of 2023, implying 65% of the profit attributable



to shareholders of the Company.

Adhering to the commitment during A Share Offering, the Company will propose at general meeting to increase the profit to be distributed in cash for 2023 to above 70% of the profit attributable to shareholders of the Company for the year.

**Slide 13: Deepen Reform and Strengthen Cooperation to Fully Unleash the New Momentum for Corporate Development**

The Company will continue to comprehensively deepen corporate reform, including accelerating reform of sci-tech innovation mechanism, fully promoting the restructuring of organisational process, stepping up market-oriented reform, and strengthening ecological integration and innovation to further unleash new momentum for corporate development.

**Slide 14: Accelerate Developing a World-class Enterprise to Expedite the Building of Digital China**

The Company will follow the “2522” overall framework of Digital China, seize opportunities for digital economy; firmly, fully and deeply implement the Cloudification and Digital Transformation strategy; accelerate the development of a service-oriented, technology-oriented and secured enterprise from technology, accelerate establishing World-class Enterprise and share development results with shareholders, customers and the society.

I will now pass the floor to Mr. Shao Guanglu to walk you through the business and financial performance of the Company.

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

**Slide 15: Business and Financial Performance**

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

**Slide 16: Favourable Progress in Operational Development**



In the first half, the Company's business performance continued to do well. This table sets forth the revenue and key financial indicators of various businesses. Now I will go into details about the business and financials.

#### **Slide 17: Rapid Industrial Digitalisation Growth Maintained**

In the first half, all major businesses of the Company achieved good growth, of which Industrial Digitalisation maintained rapid growth, with revenue increasing by 16.7% and continued to be the main driver of revenue growth by contributing RMB9.87 billion to incremental revenue. Mobile Communications Service and Wireline and Smart Family contributed RMB2.65 billion and RMB2.15 billion of incremental revenues respectively.

#### **Slide 18: Quality of Fundamental Businesses Steadily Enhanced**

In the first half, Mobile Communication Service, Wireline and Smart Family businesses developed steadily with revenue growing by 2.7% and 3.6% respectively. Mobile and broadband user structures continued to optimise as the penetration of 5G package users increased to 73.4%, while that of gigabit broadband users increased to 20.3%, both maintaining industry leadership position. User value of fundamental businesses increased for three consecutive years as mobile APRU increased to RMB46.2 and broadband blended ARPU increased to RMB48.2.

#### **Slide 19: Integration and Mutual Promotion of Fundamental Businesses Enhanced Value Continuously**

The Company achieved remarkable results in integration development with increasing revenue and value contribution. Mobile value-add and applications revenue grew by 19.4% yoy, further accelerating from 17.0% in 2022; Smart Family revenue increased by 15.7% yoy; mobile value-add and applications contributed RMB6.5 to mobile ARPU, up 14.0% yoy, while Smart Family contributed RMB8.5 to broadband blended ARPU, up 9.0% yoy.

Standard digital products and diverse scenario-based solutions extended from individuals and families to communities and villages saw robust momentum with rapid growth in scale. The strong market





demand for these innovatively integrated fundamental services formed a robust driving force for the long-term growth of the Company's fundamental businesses.

### **Slide 20: Digital Products Extensively Empower Transformation and Upgrade**

In the first half, the Company's cloud, AI and cybersecurity businesses developed well. China Telecom Cloud achieved remarkable results in market expansion, winning 22,000 projects with a contracted amount of RMB26.4 billion, while the number of industrial customers increased by 17.4% to over 3.5 million. The Company's competitive advantages in the government and enterprise market continued to consolidate as its number of government customers exceeded 600,000 with a revenue contribution of 27.8%. The Company actively explored cloud demand in government, industrial, culture and tourism, finance and other sectors, continued to build benchmark projects and accelerated replication and promotion, driving the rapid growth and enhancing market position of China Telecom Cloud.

The Company's AI business developed rapidly with competitiveness enhanced on independent R&D capabilities, AI large models, talent teams, and industrial systems. The Company created end-to-end integrated AI services, on internal quality and efficiency enhancement programs such as empowering digital customer service and base station energy saving, and external provision of AI products and services such as Internet of Video Things (IoVT) and communication assistant to the market. Based on TeleChat and Xinghe visual foundation model, the Company empowered the applications for various industries, supported more than 500 Industrial Digitalisation projects, and helped accelerate the digital transformation of the economy and society.

For cybersecurity, the Company provided integrated products and services covering cloud, network, edge and terminal. In the first half, the revenue of the benchmark product, Cloud Dam, amounted to approximately RMB1.2 billion up 38.8% yoy.



### **Slide 21: Industry-leading Digital Platforms Satisfy Diversified Demand**

In the first half, the Company's digital platform business developed rapidly, with 110 industry-leading digital platforms independently developed, and continued to empower vertical sectors such as municipal, rural, healthcare, finance and campus. The Company stepped up construction of fundamental capacities, and capabilities on fundamental capacity platform were used 1.1 billion times, up 31% yoy.

The Company's IoT revenue increased by 75.7% year-on-year, further accelerating from 40.2% in 2022. IoVT expanded rapidly as the number of users increased by 11 million to and over 57 million, equipped by 76 open capabilities in 10 categories, and connecting with over 30 industrial platforms in security, emergency and other industries. Smart communities and digital villages flourished, with a net add of 14,000 communities and 38,000 villages servicing respectively, while relevant applications were continuously enriched to meet the needs of residents' livelihood and governance.

### **Slide 22: 5G Integrates with Multiple Elements to Achieve Rapid Replication and Promotion**

Leveraging integration and innovation, the Company continued to strengthen and expand 5G 2B services by deep empowerment of digital application use cases with AI, Big Data, cloud, ICT and other elements, with an aim to provide customers with better and more comprehensive solutions, and to continuously create high-value and replicable benchmark projects. The Company's 5G 2B business has accelerated after incorporating these new elements, covering more than 100 key industrial use cases, and has accumulated more than 1,000 benchmark projects. In the first half, the number of 5G industrial application projects increased by approximately 6,000, reaching a total of 20,500. The contracted amount of 5G applications increased by 92% yoy, and the accumulated contracted amount exceeded RMB21 billion, reflecting the strong demand for China Telecom's 5G + ABC + ICT innovative integrated services.

### **Slide 23: Precision Initiatives to Support High-quality Development**





In the first half, the Company maintained precise investment to enhance corporate competitiveness and support high-quality development. Operating expenses increased by 7.3% yoy, with growth rate decreasing for three consecutive years. To seize development opportunities of the digital economy, input was moderately increased on high-growth areas such as Industrial Digitalisation and Smart Family. The Company continued to allocate resources to personnel with strengthened introduction of sci-tech and innovation type talents and appropriate increase of incentives for high-performance teams, while control over network operating costs and SG&A expenses was enhanced.

#### **Slide 24: Financial Strength Enhanced**

The Company's financial strength continued to enhance, with EBITDA increasing by 5.0% yoy RMB73.3 billion. Total debt decreased by 26.1%, gearing ratio remained stable at 46.5%, and corporate credit rating remained the highest AAA.

#### **Slide 25: Continue to Promote High-quality Development**

The Company will continue to promote high-quality development by strengthening sci-tech innovation to become stronger, better and bigger, adhering to customer-oriented principle to continuously enhance operation level, accelerating the upgrade of digital information infrastructure and continuously strengthening cloud-network operating and servicing capabilities, as well as accelerating the development of strategic emerging industries and building core competitiveness for the future.

Our presentation ends here, 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,



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