

China Telecom Corporation Limited
Edited Transcript of 2024 Interim Results
Investor Presentation

Speaker: KE Rui Wen Mr., Executive Director, Chairman and Chief Executive Officer

Slide 3: Overview

Ladies and gentlemen, good afternoon. Welcome to our 2024 interim results presentation. Thank you all for your long-term attention and support!

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

Slide 4: Summary of Highlights

There are six development highlights in the first half of 2024:

1. Operating performance grew steadily and high-quality development maintained positive trend;
2. Continued to strengthen sci-tech innovation and constructed “Xirang” intelligent computing capabilities;
3. Promoted AI+ & Quantum+ and accelerated development of new quality productive forces;
4. Fostered infrastructure upgrade with intelligent and green transformation;
5. Reform and open-up deepened across the board further uplifting corporate vitality;
6. Proactively fulfilled social responsibilities and further enhanced shareholder returns.

Slide 5: Key Operating Results

In the first half, the Company continued in-depth implementation of the Cloudification and Digital Transformation strategy, and, with a customer-oriented approach, actively expanded the informatisation services for individuals, families, government and enterprises, leading to steady growth in operating results. Revenues, EBITDA, net profit, and ROE all achieved favourable growth.

Slide 6: High-quality Development Maintained Positive Trend

In the first half, the Company's revenues maintained favourable

growth, with service revenues growing 4.3% yoy, outpacing the industry growth; profitability continued to strengthen, with net profit growing 8.2% yoy, outpacing revenue growth, and net profit margin increasing by 0.4% yoy; shareholder returns continued to grow, with ROE increasing by 0.2pp yoy; China Telecom Cloud advanced to a new stage of becoming an intelligent cloud and maintained rapid growth, with revenue reaching RMB55.2 billion and contributing 22.4% to service revenues, with solid market leadership maintained. The company accelerated the uplift of intelligent service capabilities, leading to further consolidation and increase of user satisfaction and reputation advantages.

Slide 7: Sci-tech Innovation Advanced to a New Level

The Company focused on 4 major technological directions, namely network, cloud and cloud-network integration, AI, quantum & security, and has completed the RDO layout for sci-tech innovation and R&D systems. Resources for sci-tech innovation and R&D continued to increase, with R&D expenses increasing 12.5% yoy, while building of research teams accelerated, with the number of sci-tech experts and talents “flying geese paradigm” surpassing 10,000 and that of R&D personnel reaching nearly 38,000, up over 15% from end 2023. The Company’s sci-tech innovation capability continued to enhance, for being named Central Enterprises with Outstanding Sci-tech Innovation in 2023, achieving breakthroughs in 4 root technological directions, being granted sources of original technologies of several cutting-edge technologies, leading the innovation consortiums for cloud computing, quantum communication, and next-generation optical network, and two projects winning First Prize of National Science and Technology Progress Award.

Slide 8: Construct Leading Integrated Intelligent Computing Service Capability of “Xirang”

The Company built “Xirang”, the leading integrated intelligent computing service system and capabilities, created a five-in-one intelligent computing cloud capability system integrating computing power, platform, data, model and application, and opened up ecological cooperation in an all-round way to provide customers with intelligent computing services that are “available, affordable and useful”.

The “Xirang” integrated intelligent computing platform broke through several key technologies with powerful computing network scheduling, efficient heterogeneous computing and one-stop

training and inference service capabilities, providing diverse public intelligent computing services. Currently “Xirang” has 39 computing power partners, with various types of computing power totaling 22EFLOPS, and has accumulated a wealth of application cases in public computing power, computing power Internet, heterogeneous computing, etc.

Slide 9: Promoted “Xingchen” Large Foundation Model to Achieve Further Breakthroughs in Innovation and Capabilities

The company continued enhancing the capabilities of Xingchen large foundation model, with multiple breakthroughs of proprietary technologies achieved, dual recordation of the Xingchen large language, speech and multimodal models, in which Xingchen large speech model was PRC’s first independent recordation; and 1B, 10B and 1T parameter models became first to be open sourced among central enterprises.

In terms of big data, the Company launched the D-CAN data element capability system by creating high-quality data sets, and fully integrating AI capabilities into Xinghai Data intelligent core platform; achieved multiple technological breakthroughs, and Lingze 2.0 data element platform supported Data Elements X Contest in 10 provinces.

Slide 10: Thoroughly Commence AI+ to Empower Intelligentised Development

The Company commenced AI+ thoroughly to extensively empower the intelligent development of thousands of industries. 32 large models for various scenes were launched in digital governance, digital livelihood and digital economy and other fields, serving over 7,600 customers; AI capabilities were fully integrated into digital platforms and customer solutions for business model innovation; based on Xingchen large foundation model capabilities, cloud-side and terminal-side AI application ecologies were built, with standardised products such as AI cloud drive, AI cloud computer and AI phones were launched to meet the diverse and intelligent needs of customers.

Slide 11: AI Empowers Internal Digital Transformation and Upgrade

Leveraging digital and intelligent means, the Company thoroughly promotes AI-empowered internal digital transformation and upgrade, by developing and promoting the 10 large models for own use, in terms of network operations, customer management, R&D and

other operation aspects. Efficiency uplift coverage continued to expand in breadth and depth, the dual drivers of assessment and incentives were strengthened, promoting comprehensive cost reduction, as well as quality and efficiency enhancement for the Company. During the first half, the Company's AI-empowered smart energy saving of base stations and facility rooms achieved significant results, the proportion of smart customer service grew steadily, and resource usage efficiency continued to increase.

Slide 12: Quantum+ to Forge Carrier-grade Security Capabilities

The company deeply promotes Quantum+ and builds carrier-grade security capabilities, by actively expanding the quantum industry ecosystem, strengthening industry-academia-research cooperation with scientific research institutions, leading enterprises and industrial chains, building a quantum security infrastructure covering quantum key distribution, quantum cryptography resource pool and quantum cryptography management platform based on QKD, PQC and other technical systems, and launching a quantum+ product system integrating quantum technology with fundamental businesses and strategic emerging businesses, to form differentiated advantages in security applications and achieve scale development.

Slide 13: Accelerate the Transformation and Upgrade of Digital Information Infrastructure

The Company seizes market demand to accelerate the transformation and upgrade of digital information infrastructure, by further enhancing computing power and network capabilities to strengthen market competitiveness. CAPEX for the first half was RMB47.2billion; in terms of computing power, 10 EFLOPS of intelligent computing was added, comprehensive datacenter upgrade to AIDC is underway, PRC-leading fully liquid-cooled 10,000-GPU pool in Beijing-Tianjin-Hebei and Yangtze River Delta were completed, inference pools were deployed in 31 provinces, and computing power interconnection was continuously optimised. In terms of network, 100,000 co-build and co-share 5G base stations were added, comprehensive 5G-A capability upgrade was promoted, number of 10G PON ports reached over 9 million, 50G PON network was deployed to support 10Gbps demand of key scenarios. Looking forward, the Company will continue to optimise CAPEX structure and reiterate that CAPEX to revenue ratio will be under 20% for 2024.

Slide 14: All-round Promotion of Green Transformation and Development

Guided by the “1248” development model, the company has taken multiple measures to build green cloud-network infrastructure, and launched a variety of green products and services. During the first half, the Company accelerated green update and modification of traditional facility buildings and base stations with 12 new additions of National Green Datacenters, the most in industry, and carbon emissions per unit of total volume of telecommunications services maintained double-digit decrease yoy. Meanwhile, focusing on clean production, pollution control, and environmental protection, the Company built a series of green solutions to empower socio-economic green and low-carbon transformation.

Slide 15: Comprehensively Deepen Reform to Continuously Enhance Corporate Vitality

The Company adheres to full deepening of reform and open-up, promoting high-quality development, and facilitating the construction of “three-type” enterprise. Reform of systems and mechanisms was deepened in areas such as sci-tech innovation, strategic emerging businesses, talent development, and market-oriented operations. The Company promoted sci-tech achievement transfer by strengthening research on cutting-edge technologies, deepened reform of vertical companies and strategic emerging business companies, comprehensively carried forward the optimisation of main process, and implemented strategy of strengthening enterprise through talents. Reform measures such as building a new operation responsibility system were formulated and corporate vitality was lifted.

The Company actively promoted high-level open-up in terms of sci-tech innovation, business, talent, and capital, strengthened the role as digital transformation service platform, conducted in-depth international cooperation with high-level open-up. It has been rated Grade A for three consecutive years in key central enterprise reform task assessment by the SASAC.

Slide 16: Proactively Fulfill Social Responsibilities

The Company actively fulfilled social responsibilities, in particular communication assurance for various events and leveraging technology for disaster prevention and aid; vigorously supporting rural revitalisation and universal services; being enthusiastic about public welfare and serving the public; caring for employees and encouraging their personal development and growth.

Slide 17: Continued to Increase Shareholder Returns

The Company could not have achieved high-quality development without the long-term support of shareholders, analysts and media friends, and we will continue to march forward with all of you and share the fruits of development together. The Board decided to continue distributing interim dividends in 2024 of RMB 0.1671 per share, representing a yoy increase of 16.7%, and a payout ratio of over 70%, up 5 pp yoy.

The commitment that, within 3 years from 2024, the profit to be distributed in cash will gradually increase to above 75% of the profit attributable to equity holders of the Company for that year, remains unchanged.

Slide 18: Seize Opportunities to Create Value

Currently, the Company is at a critical juncture of high-quality development. Facing huge market opportunities and favourable development momentum of the digital economy, the Company will continue to implement the cloudification and digital transformation strategy with strong execution, further intensify reforms, and promote high-quality development all-out, striving to achieve the operating goals of 2024, in particular maintaining favourable revenue and EBITDA growths, and net profit growth higher than revenue growth, with an aim to enhance corporate value, actively reward to shareholders, and to write the Telecom chapter of Chinese modernisation.

My introduction ends here. Next, Mr. Liang Baojun will go through the company's business and financial performance.

Speaker: Mr. Liang Baojun, President and COO

Slide 19: Business and Financial Performance

Thank you, Chairman Ke. Now, I will walk you through the Company's business and financial performance.

Slide 20: Summary of Operation and Revenues

During the first half, the Company's three major businesses achieved healthy revenue growth momentum, and operating expenses were effectively managed, leading to growing profitability. Next, I will elaborate more on the development of these businesses.

Slide 21: Fundamental Businesses Innovation and Upgrade to

Enhance value

During the first half, the Company's fundamental businesses developed steadily, and with "network + cloud + AI + application" to expedite the integration of cloud, AI, quantum, satellite and others into standardised products, contribution of mobile and wireline applications and services expanded, driving the dual increase of scale and value of fundamental businesses. Mobile communications service revenues increased by 3.6%, with revenue from mobile value-added and applications increasing by 17.1%, while contribution to mobile communications service revenues also increased to 17.2%, and mobile ARPU was RMB46.3. Wireline and Smart Family revenues grew by 3.2%, in which Smart Family grew by 14.4%, and contribution to Wireline and Smart Family revenue increased to 16.7%. Broadband blended ARPU was RMB48.3.

Slide 22: Industrial Digitalisation Achieved Deep Integration and Extensive Empowerment

During the first half, the Company's Industrial Digitalisation maintained favourable growth, with contribution to service revenues rising further to 30%, and the number of corporate and government customers growing by 11.9%. The proprietary digital platform capabilities continue to strengthen, with over 110 platforms empowering over 10 key industries such as government administration, industry, education, healthcare, and finance, and a wealth of solutions effectively promoting the digital transformation and upgrading of industry customers.

Slide 23: China Telecom Cloud's Leading Intelligent Computing Services Development Gained Momentum

China Telecom Cloud leveraged leading intelligent computing capabilities to realise continued growth in customers and revenue, with 2B customers increasing by 29.2% to 4.55 million, public cloud revenue increasing by 26%, and market share growing. The Company seized customers' increasingly diverse digitalisation demand and leveraged China Telecom Cloud's multiple edges such as intelligent computing service, cloud-network integration, security and reliability and local services to develop differentiated solutions to meet diverse use case demands, forming multiple benchmark cases well-received by customers.

Slide 24: AI+ Market Promotion Achieved Prominent Results

The company's AI and Big Data applications continued to expand and achieved remarkable results. In the first half, AI extensively empowered 2B, 2C and 2H customers, creating typical application

cases in multiple industries. In terms of Big Data, the Lingze Data Element Platform 2.0 is supporting data infrastructure construction and public data operation in 22 provinces and cities, while the Xinghai intelligent data core platform secured over 150 projects, and the ecological data cooperation alliance has more than 50 members, driving the prosperity of data product ecology.

Slide 25: Security Products and Services Serving Extensively

the Company's high-quality security products and services were widely recognised by the market, in which the company's billion revenue-grade product, Cloud Dam Anti-DDoS, saw customers growing by 36%, while the 100 million revenue-grade products, e-Surfing Security Brain and Website Security Expert saw customers growing by 41% and 32% respectively. Xingchen-ChangeWay, the large model for security verticals, further integrates AI with security products to enhance security operating efficiency and customer experience. Benchmark cases for security products and services were widely replicated along with rapid scale development.

Slide 26: New Generation Information and Communication Accelerated Popularisation and Application

The Company's new-generation information and communication business is rapidly developing, with the cumulative number of 5G 2B industry application projects and contract amounts exceeding 36,000 and RMB34billion respectively. Satellite communications revenue doubled, and scale of handset-direct-to-satellite users grew by 67% from end-2023. Low-altitude economy projects were implemented in multiple areas. The IoVT revenue increased by 46.4%, with the number of users exceeding 80 million. The IoT platform possesses 1billion-grade connectivity and online sensing and control capabilities and has over 600 million subscribers.

Slide 27: International Business Achieved Scale Development

The Company's international business continued scale development, as in the first half revenue grew 10% yoy, overseas revenue of China Telecom Cloud grew 172%, and international roaming users surged by 136%. Strategic emerging businesses achieved breakthroughs with handset-direct-to-satellite service launching in Hong Kong, and international communication service accesses were established in Kunming and Haikou. International cloud network infrastructure was also further strengthened.

Slide 28: Precise Cost Allocation to Promote High-quality Development

The Company precisely controlled the intensity and direction of resource input to effectively support high-quality development, with yoy growth of operating expenses subsided to 2.4%, further enhancing input-output efficiency.

To seize the opportunities from digital economy, the Company prioritised resources in key areas, strengthened core technology research, continued promoting intelligent and green upgrade of infrastructure, stepped up recruitment of sci-tech and innovative talents, as well as incentives for frontline employees and high-performance teams, and promoted digital operation to improve resource efficiency.

Slide 29: Financial Strength Enhanced

The company's financial position continued to strengthen, with EBITDA increasing 4.7% to RMB77 billion; shareholders' equity increased by 3% to RMB456.3 billion; the debt-to-asset ratio at a healthy level of 47.1%, and the corporate credit rating remains at the highest AAA level.

Our presentation ends here, thank you!

Forward-looking Statements

The forward-looking statements in this document regarding development strategies, future business plans, and outlook do not constitute a commitment to investors by China Telecom Corporation Limited (the "Company"). These forward-looking statements are subject to known and unknown risks, uncertainties, and other factors, which may cause the Company's actual performance, financial condition, or results of operations to be materially different from any future performance, financial condition, or results of operations implied by such forward-looking statements. In addition, we will not update these forward-looking statements. Investors should be reminded of the risks of investments.

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