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China Telecom Corporation Limited

中国电信股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 728)

THE FIRST QUARTER REPORT OF 2022

The board of directors (the “Board”) of China Telecom Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) hereby announces the results of the Group for the three months ended 31 March 2022. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management personnel of the Company warrant that the information in this quarterly report is true, accurate, complete and contains no false record, misleading statement or material omission, and assume several and joint liabilities for the information contained herein.

The Company’s person-in-charge, the principal-in-charge of accounting and the person-in-charge of accounting department of the Company (the principal officer of accounting) hereby warrant that the financial statements contained in this quarterly report are true, accurate and complete.

Whether the First Quarter Report of 2022 of the Company is audited

Yes No

I. KEY FINANCIAL DATA

Financial information set out in this announcement has been prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

Amounts expressed in RMB million unless otherwise specified

Item	For the three months ended 31 March 2022		The year-on-year increase/decrease in the reporting period (%)
	(the “reporting period”)	(the “reporting period”)	
Operating revenues		119,629	11.94
Profit attributable to equity holders of the Company		7,223	12.14
Basic earnings per share (RMB per share)		0.08	–
			Increase/ decrease as at the end of the reporting period as compared to the end of last year (%)
	As at the end of the reporting period	As at the end of last year	
Total assets	768,146	762,234	0.78
Equity attributable to equity holders of the Company	435,688	428,674	1.64

II. SHAREHOLDER INFORMATION

As of the end of the reporting period, total number of the Company's shareholders was 745,225 (including 743,588 A shareholders and 1,637 H shareholders) and there were no holders of preference shares with voting rights restored.

The top 10 shareholders as of the end of the reporting period are as follows:

Unit: Share

Name of Shareholder	Nature of shareholder	Number of shares held	Shareholding percentage (%)	Number of restricted shares held	Status of shares pledged, marked or locked up	
					Status of shares	Number
China Telecommunications Corporation	State-owned legal person	57,977,641,515	63.36	57,377,053,317	None	–
HKSCC Nominees Limited	Foreign legal person	13,848,148,623	15.13	0	None	–
Guangdong Rising Holdings Group Co., Ltd.	State-owned legal person	5,614,082,653	6.14	5,614,082,653	None	–
Zhejiang Provincial Financial Development Co., Ltd	State-owned legal person	2,137,473,626	2.34	2,137,473,626	None	–
Fujian Investment & Development Group Co., Ltd	State-owned legal person	969,317,182	1.06	969,317,182	None	–
Jiangsu Guoxin Group Limited	State-owned legal person	957,031,543	1.05	957,031,543	None	–
Suzhou High Speed Rail New Town Economic Development Co., Ltd	Unknown	662,251,000	0.72	662,251,000	None	–
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	Unknown	662,251,000	0.72	662,251,000	None	–
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	State-owned legal person	551,876,000	0.60	551,876,000	None	–
State Grid Yingda International Holdings Group Co., Ltd.	State-owned legal person	441,501,000	0.48	441,501,000	None	–

The top 10 shareholders of unrestricted tradable shares as of the end of the reporting period are as follows:

Unit: Share

Name of Shareholder	Number of unrestricted tradable shares held	Type and number of shares	
		Type of shares	Number
HKSCC Nominees Limited	13,848,148,623	Overseas-listed foreign- invested shares	13,848,148,623
China Telecommunications Corporation	600,588,198	RMB ordinary shares	600,588,198
Bank of China — E Fund Steady Return Debt Securities Investment Fund	94,479,441	RMB ordinary shares	94,479,441
Industrial and Commercial Bank of China — SSE 50 Trading Open-ended ETF	33,274,600	RMB ordinary shares	33,274,600
National Social Security Fund 006 Portfolio	22,745,700	RMB ordinary shares	22,745,700
Postal Savings Bank of China Co., Ltd — China EU Small and Medium Cap Equity Securities Investment Fund (LOF)	18,202,568	RMB ordinary shares	18,202,568
Kong Fanxing	17,000,000	RMB ordinary shares	17,000,000
Bank of Communications Co., Ltd — China-EU Liability Investment Hybrid Securities Investment Fund	16,885,454	RMB ordinary shares	16,885,454
Gu Jiawei	15,710,300	RMB ordinary shares	15,710,300
Zheng Shenggui	15,447,056	RMB ordinary shares	15,447,056

Note 1: The HKSCC Nominees Limited is the nominee shareholder of the H shares of the Company held by the non-registered shareholders.

Note 2: The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.

Note 3: As of the end of the reporting period, shareholder Kong Fanxing held 17,000,000 shares of the Company, all of which were held through credit securities accounts.

III. OTHER IMPORTANT INFORMATION

Other important information in relation to the operation of the Company of which investors should be aware

✓ Applicable □ Not applicable

	As at 31 March 2022/ For the period from 1 January 2022 to 31 March 2022	As at 31 March 2021/ For the period from 1 January 2021 to 31 March 2021
Mobile Subscribers (Million)	379.54	356.25
Net Add of Mobile Subscribers (Million)	7.11	5.23
5G Package Subscribers (Million)	210.75	111.23
Net Add of 5G Package Subscribers (Million)	22.95	24.73
Handset Data Traffic (kTB)	13,041.5	10,318.8
Wireline Broadband Subscribers (Million)	173.11	161.55
Net Add of Wireline Broadband Subscribers (Million)	3.40	3.02
Access Lines in Service (Million)	106.52	107.53
Net Increase/(Decrease) of Access Lines in Service (Million)	(0.12)	(0.35)

Note: Mobile subscribers and net add of mobile subscribers include 5G package subscribers and net add of 5G package subscribers.

In the first quarter of 2022, the Company seized the important strategic opportunities emerged from the rapid development of the digital economy, fully implemented the “Cloudification and Digital Transformation” strategy, took a customer-oriented approach to expand integrated intelligent information products and services, increased technological innovation, and empowered the construction of digital information infrastructure. Meanwhile, the Company efficiently assisted the effective implementation of the “East-to-West Computing Resource Transfer” project, accelerated digital transformation, established industrial and capital ecologies featuring open cooperation, comprehensively deepened the reforms and innovation of systems and mechanisms, adhered to green and low-carbon development, and strengthened network and information security capabilities. As a result, the Company’s operating performance continued to improve with new achievements in high-quality development.

In the first quarter of 2022, operating revenues were RMB119,629 million, representing an increase of 11.9% over the same period of last year, of which service revenues¹ were RMB110,024 million, representing an increase of 9.9% over the same period of last year. The profit attributable to equity holders of the Company was RMB7,223 million, representing an increase of 12.1% over the same period of last year. Basic earnings per share was RMB0.08. EBITDA² was RMB32,361 million, representing an increase of 4.2% over the same period of last year. EBITDA margin³ was 29.4%.

In terms of mobile communications services, the Company insisted on the individual informatisation upgrade led by 5G, continued to improve 5G network coverage and quality, enriched 5G applications and privilege portfolio, promoted the upgrade of services from connection-based integration to informatisation and scenario-based integration, and facilitated the upgrade of individuals' demands for emerging information consumption, effectively driving the continuous enhancement in the scale and value of mobile subscribers. In the first quarter of 2022, revenues from mobile communications services amounted to RMB49,014 million, representing an increase of 5.0% over the same period of last year. The total number of mobile subscribers reached approximately 380 million with a net addition of 7.11 million. The number of 5G package subscribers reached approximately 211 million with a net addition of 22.95 million, while the penetration rate reached 55.5%. The mobile ARPU amounted to RMB45.1.

In terms of wireline and Smart Family services, focusing on the scenario-based needs of home smart upgrade, community smart management and rural digital governance, the Company deepened the integration and upgrade of products, and comprehensively promoted digital solutions such as whole-home intelligence, smart communities and digital villages, so as to create a shared intelligent and new digital life to achieve multi-scenario integration and mutual promotion as well as connected development. In the first quarter of 2022, the Company's wireline and Smart Family service revenues reached RMB29,645 million, representing an increase of 4.9% over the same period of last year. The number of wireline broadband subscribers reached 173 million, and the Smart Family revenue increased by 22.5% year-on-year, driving the broadband blended ARPU to reach RMB46.7. The value contribution from Smart Family continued to improve.

¹ Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

² EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

³ EBITDA margin is calculated based on EBITDA divided by service revenues.

In terms of Industrial Digitalisation, the Company vigorously promoted the integrated development of the digital economy and the real economy, gave full play to the market competitiveness of e-Surfing Cloud, propelled “the cloud migration, the use of data and intelligence injection” for customers, enriched and innovated the business model of 5G customised network, and created scenario-based integrated intelligent solutions. It actively empowered the transformation and upgrading of traditional industries, leveraged the leading edges of forward-looking resource deployment, accelerated the construction of computing network, and built intelligent integrated digital information infrastructure. In the first quarter of 2022, the Company’s Industrial Digitalisation service experienced an accelerated growth, with revenue reaching RMB29,414 million, representing a year-on-year increase of 23.2%.

In the first quarter of 2022, the Company’s operating expenses amounted to RMB110,517 million, representing an increase of 12.4% over the same period of last year and was mainly due to the increase in network operations and support expenses and other operating expenses. Of which, the network operations and support expenses amounted to RMB35,310 million, representing an increase of 14.0% over the same period of last year. It was mainly attributable to the fact that the Company continued to optimise network quality and improve user perception, actively supporting the business development of 5G and industrial digitalisation services, while moderately increasing investment in capabilities deployment. The other operating expenses amounted to RMB11,498 million, representing an increase of 24.3% over the same period of last year and was mainly due to the increase in the sales of mobile terminal products such as 5G handsets. The net finance costs amounted to RMB195 million, declined by 64.2% from the same period of last year, mainly because the Company had sound operating performance and operating cash flows, while A Share Offering effectively covered the capital needs of key investment projects and thus the scale of interest-bearing debt was effectively reduced.

In the future, the Company will firmly seize the current vital strategic opportunities, continue to take the A Share listing as an opportunity to further promote the implementation of the “Cloudification and Digital Transformation” strategy, launch higher-quality and more efficient integrated intelligent information products and services surrounding customer-oriented basis. The Company will strengthen R&D and problem-tackling efforts in key core areas, build intelligent integrated digital information infrastructure, and accelerate the construction of the cloud-network infrastructure in a computing era. At the same time, the Company will strengthen industrial coordination,

deepen the deployment of capital market ecology, and strive to transform the modes of development and growth. The Company will also accelerate digital transformation, comprehensively deepen reforms and innovation of systems and mechanisms, enhance employee vitality and invigorate enterprise momentum. In adhering to the principles of green development, the Company will improve capabilities for green operation and empower the green development of the economy and society. Meanwhile, the Company will actively undertake social responsibilities, support the construction of Cyberpower and Digital China, maintain network and information security, protect user rights and interests, promote rural revitalisation, and empower industrial upgrade. Overall, the Company will put all efforts into promoting high-quality development, accelerate towards a service-oriented, technology-oriented and secured enterprise, and continuously create value for shareholders, customers and the society.

IV. QUARTERLY FINANCIAL STATEMENTS

(1) Type of audit opinion

Applicable Not applicable

(2) Financial statements

Financial statements prepared in accordance with IFRSs are set out in the Appendix to this announcement.

(3) Adjustment to financial statements at the beginning of the year since 2022 due to application of new accounting standards for the first time

Applicable Not applicable

This announcement has been prepared in Chinese and English. In case of discrepancy, the Chinese version shall prevail.

By Order of the Board
China Telecom Corporation Limited
Ke Ruiwen
Chairman and Chief Executive Officer

Beijing, China, 20 April 2022

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement 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.

As at the date of this announcement, the Board of Directors of the Company consists of Mr. Ke Ruiwen (as the Chairman and Chief Executive Officer); Mr. Li Zhengmao (as the President and Chief Operating Officer); Mr. Shao Guanglu; Mr. Liu Guiqing and Mr. Tang Ke (both as the Executive Vice Presidents); Mr. Chen Shengguang (as the Non-Executive Director); Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming, Madam Wang Hsuehming and Mr. Yeung Chi Wai, Jason (all as the Independent Non-Executive Directors).

APPENDIX – FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

at 31 March 2022

(Amounts in million)

	31 March 2022 RMB	31 December 2021 RMB
ASSETS		
Non-current assets		
Property, plant and equipment, net	402,134	415,981
Construction in progress	62,954	51,456
Right-of-use assets	58,762	61,186
Goodwill	29,918	29,919
Intangible assets	18,593	19,753
Interests in associates and joint ventures	41,601	41,166
Financial assets at fair value through profit or loss	298	248
Equity instruments at fair value through other comprehensive income	1,022	1,216
Deferred tax assets	6,035	6,688
Other assets	7,432	7,261
	<hr/>	<hr/>
Total non-current assets	628,749	634,874
Current assets		
Inventories	5,236	3,827
Income tax recoverable	782	437
Accounts receivable, net	34,324	22,389
Contract assets	1,226	912
Prepayments and other current assets	26,340	24,585
Short-term bank deposits and restricted cash	1,791	1,929
Cash and cash equivalents	69,698	73,281
	<hr/>	<hr/>
Total current assets	139,397	127,360
	<hr/>	<hr/>
Total assets	768,146	762,234

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED) (Continued)**

at 31 March 2022

(Amounts in million)

	31 March	31 December
	2022	2021
	RMB	RMB
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debts	2,851	2,821
Current portion of long-term debts	3,122	6,280
Accounts payable	124,650	114,895
Accrued expenses and other payables	57,016	55,765
Contract liabilities	64,728	70,914
Income tax payable	2,031	588
Current portion of lease liabilities	12,735	13,809
	<hr/>	<hr/>
Total current liabilities	267,133	265,072
	<hr/>	<hr/>
Net current liabilities	(127,736)	(137,712)
	<hr/>	<hr/>
Total assets less current liabilities	501,013	497,162
	<hr/>	<hr/>
Non-current liabilities		
Long-term debts	4,930	7,395
Lease liabilities	27,111	28,593
Deferred tax liabilities	26,121	26,677
Other non-current liabilities	4,628	3,329
	<hr/>	<hr/>
Total non-current liabilities	62,790	65,994
	<hr/>	<hr/>
Total liabilities	329,923	331,066
	<hr/>	<hr/>
Equity		
Share capital	91,507	91,507
Reserves	344,181	337,167
	<hr/>	<hr/>
Total equity attributable to equity holders of the Company	435,688	428,674
Non-controlling interests	2,535	2,494
	<hr/>	<hr/>
Total equity	438,223	431,168
	<hr/>	<hr/>
Total liabilities and equity	768,146	762,234
	<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

for the three-month period ended 31 March 2022

(Amounts in million except for per share data)

	Three-month period ended	
	31 March	
	2022	2021
	RMB	RMB
Operating revenues	119,629	106,873
Operating expenses		
Depreciation and amortisation	(23,249)	(22,516)
Network operations and support	(35,310)	(30,973)
Selling, general and administrative	(16,122)	(14,131)
Personnel expenses	(24,338)	(21,465)
Other operating expenses	(11,498)	(9,252)
	<u>(110,517)</u>	<u>(98,337)</u>
Operating profit	9,112	8,536
Net finance costs	(195)	(546)
Investment income and others	–	–
Share of profits of associates and joint ventures	408	403
	<u>9,325</u>	<u>8,393</u>
Profit before taxation	9,325	8,393
Income tax	(2,061)	(1,889)
	<u>7,264</u>	<u>6,504</u>
Profit for the period	7,264	6,504
Other comprehensive income for the period		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Change in fair value of investments in equity instruments at fair value through other comprehensive income	(194)	(79)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	44	20
	<u>(150)</u>	<u>(59)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED) (Continued)**

for the three-month period ended 31 March 2022

(Amounts in million except for per share data)

	Three-month period ended	
	31 March	
	2022	2021
	RMB	RMB
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of subsidiaries outside mainland China	(59)	(8)
Share of other comprehensive income of associates and joint ventures	—	—
	<u>(59)</u>	<u>(8)</u>
Other comprehensive income for the period, net of tax	<u>(209)</u>	<u>(67)</u>
Total comprehensive income for the period	<u>7,055</u>	<u>6,437</u>
Profit attributable to		
Equity holders of the Company	7,223	6,441
Non-controlling interests	41	63
	<u>7,264</u>	<u>6,504</u>
Profit for the period	<u>7,264</u>	<u>6,504</u>
Total comprehensive income attributable to		
Equity holders of the Company	7,014	6,374
Non-controlling interests	41	63
	<u>7,055</u>	<u>6,437</u>
Total comprehensive income for the period	<u>7,055</u>	<u>6,437</u>
Basic earnings per share (RMB)	<u>0.08</u>	<u>0.08</u>
Diluted earnings per share (RMB)	<u>0.08</u>	<u>0.08</u>
Number of shares (in million)	<u>91,507</u>	<u>80,932</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the three-month period ended 31 March 2022

(Amounts in million)

		Three-month period ended	
	<i>Note</i>	31 March	
		2022	2021
		RMB	RMB
Net cash from operating activities	<i>(a)</i>	27,613	26,766
Cash flows used in investing activities			
Capital expenditure		(15,669)	(10,550)
Purchase of investments		(78)	(60)
Payments for right-of-use assets		(5)	(8)
Proceeds from disposal of property, plant and equipment		110	49
Proceeds from disposal of right-of-use assets		8	18
Purchase of short-term bank deposits		(90)	(4,763)
Maturity of short-term bank deposits		107	1,736
Short-term loans granted to China Telecommunications Corporation by Finance Company		(2,000)	–
Net cash used in investing activities		(17,617)	(13,578)
Cash flows used in financing activities			
Repayments of principal of lease liabilities		(2,528)	(2,843)
Proceeds from bank and other loans		390	11,887
Repayments of bank and other loans		(5,738)	(24,353)
Distribution to non-controlling interests		(1)	–
Net deposits with Finance Company		(5,606)	(3,023)
Increase in statutory deposit reserves placed by Finance Company		(76)	(156)
Net cash used in financing activities		(13,559)	(18,488)
Net decrease in cash and cash equivalents		(3,563)	(5,300)
Cash and cash equivalents as at 1 January		73,281	23,684
Effect of changes in foreign exchange rate		(20)	49
Cash and cash equivalents as at 31 March		69,698	18,433

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(Continued)

for the three-month period ended 31 March 2022

(Amounts in million)

(a) Reconciliation of profit before taxation to net cash from operating activities

	Three-month period ended	
	31 March	
	2022	2021
	RMB	RMB
Profit before taxation	9,325	8,393
Adjustment for:		
Depreciation and amortisation	23,249	22,516
Impairment losses for financial assets and other items, net of reversal	1,101	870
Write down of inventories, net of reversal	132	16
Share of profits of associates and joint ventures	(408)	(403)
Interest income	(322)	(158)
Interest expense	515	753
Net foreign exchange loss/(gain)	2	(49)
Net loss on retirement and disposal of long-lived assets	1,903	1,512
	35,497	33,450
Increase in accounts receivable	(13,021)	(10,408)
Increase in contract assets	(312)	(208)
Increase in inventories	(2,696)	(1,353)
(Increase)/decrease in prepayments and other current assets	(285)	853
Decrease in restricted cash	197	79
Increase in other assets	(224)	(347)
Increase in accounts payable	7,713	341
Increase in accrued expenses and other payables	8,047	7,533
Decrease in contract liabilities	(6,178)	(1,779)
Cash generated from operations	28,738	28,161
Interest received	357	152
Interest paid	(663)	(934)
Investment income received	4	4
Income tax paid	(823)	(617)
Net cash from operating activities	27,613	26,766