



China Telecom Corporation Limited  
HKEx Stock Code: 728

# Go For Smart Future, Grow With China Telecom Cloud



Interim Report  
2023



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# IMPORTANT NOTICE

1. The unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2023 of the Company is prepared in accordance with the International Accounting Standard 34. The condensed consolidated interim financial information in this report is unaudited.
2. The profit distribution proposal or proposal for conversion of capital reserve into share capital for the Reporting Period approved by the Board.

After fully considering the returns to shareholders, the Company's profitability, cash flow level and capital needs for future development, the 2nd meeting of the eighth session of the Board of the Company decided to distribute the interim dividend for 2023 to all shareholders in the aggregate amount of RMB13,104 million based on 65% of the profit attributable to equity holders of the Company in the amount of RMB20.15 billion. Based on the total share capital registered on the record date for the dividend distribution, and based on the Company's total share capital of 91,507,138,699 shares as at 30 June 2023, a dividend of RMB0.1432 per share (pre-tax) was declared and will be paid to all shareholders. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The Board has been authorised by shareholders at the annual general meeting for the year 2022 to decide on the profit distribution proposal and the resolution for the proposed interim dividend was considered and approved at the 2nd meeting of the eighth session of the Board of the Company on 8 August 2023.

## 3. Risk Statement of Forward-Looking Statements

Forward-looking statements, such as development strategies, future business plans and prospects, contained in the 2023 interim report of the Company do not constitute a commitment of the Company to investors. 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, the Company will not update these forward-looking statements. Investors should be aware of the investment risks.

## 4. Significant Risk Warning

The Company has described in detail the economic and policy environment adaptation risks, business operation risks, network and information security risks and international operation risks in this report. Please refer to "Management's Discussion and Analysis" in this report.

## SECTION I DEFINITIONS

In this report, unless the context otherwise requires, the following terms and expressions have the following meanings:

5G	5th generation mobile communication technology
AIoT	The Artificial Intelligence of Things
ARPU	Monthly average revenue per user
Artificial Intelligence/AI	Technology science that researches and develops theories, methodologies, technologies and application systems for simulating, extending and expanding human intelligence
A Share(s)	Shares of the Company issued in mainland China, listed on domestic stock exchanges and subscribed and traded in RMB
AZ	Availability Zones
Big Data	Massive, real-time and diversified data information that can be recorded, collected, developed and utilised, and big data-based mining and processing technology
Board/Board of Directors	The board of directors of the Company
China Telecom Digital Intelligence Technology	China Telecom Digital Intelligence Technology Co., Ltd (中國電信數智科技有限 公司), formerly known as China Telecom System Integration Co., Limited (中國電信集團系統集成有限責任公司)
China Telecom Finance	China Telecom Group Finance Co., Ltd. (中國電信集團財務有限公司)
China Telecom Global	China Telecom Global Limited (中國電信國際有限公司)
China Telecommunications	China Telecommunications Corporation (中國電信集團有限公司), formerly known as China Telecommunications Corporation (中國電信集團公司), the controlling shareholder of the Company
China Telecom/the Company	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the People's Republic of China with limited liability, or where the context so requires, refers to China Telecom Corporation Limited and its subsidiaries
China Tower	China Tower Corporation Limited (中國鐵塔股份有限公司)

## SECTION I DEFINITIONS

Cloud/Cloud Computing	An Internet technology that provides flexible and on-demand services to external users through the Internet with pooled cluster computing capabilities
Computing Power	The ability of computer equipment or computing/data centres for processing information, i.e., the ability of computer hardware and software to cooperate to perform certain computing needs
DDoS Attack	Distributed Denial of Service Attack, which means multiple attackers in different locations attacking one or several targets at the same time, or an attacker controls multiple machines in different locations and uses these machines to attack the victim at the same time
East-to-West Computing Resource Transfer	The national project orderly directing computing power demand in Eastern part of PRC to Western part of PRC by building a new computing power network system consisting of datacentre, Cloud Computing and Big Data, with an aim to optimise the construction layout of datacentres and facilitate east-west coordination
EFLOPS	FLOPS, Floating-Point Operations Per Second, which is commonly used to estimate computer performance; “E” stands for “Exa” and means $10^{18}$ ; therefore EFLOPS implies $10^{18}$ times of floating-point operations per second
GBHC	Government, Business, Home and Customer
The Group	The Company and its subsidiaries
Guangdong Rising	Guangdong Rising Holdings Group Co., Ltd. (廣東省廣晟控股集團有限公司), formerly known as Guangdong Rising Assets Management Co., Ltd. (廣東省廣晟資產經營有限公司)
H Share(s)	Shares of the Company that are issued outside mainland China, listed on the Stock Exchange and subscribed and traded in Hong Kong dollars
IDC	Internet Datacentre
IFRSs/International Financial Reporting Standards	The International Financial Reporting Standards, amendments and interpretations issued from time to time by the International Accounting Standards Board

## SECTION I DEFINITIONS

Internet of Things/IoT	Various sensory devices that are based on computer and communication technology, using cellular mobile network, wired network, wireless network, etc. to complete the transmission, coordination and processing of information, so as to realise the network of communication between objects and things, and communication between objects and people
IPTV	Interactive Internet TV, i.e., a brand-new technology that uses broadband cable TV network and integrates Internet, multimedia, communication and other technologies to provide users with a variety of interactive services including digital TV
IPv6	Internet Protocol Version 6
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MIIT	Ministry of Industry and Information Technology
OTN	Optical Transport Network
PON	Passive Optical Network
Quantum-encrypted Calls	The communication technology that is closely integrated with quantum information technology to achieve end-to-end voice calls and other encryption protection, and provide users with stable and reliable quantum protection secure communication services
RDO	Fundamental research (R), applied technological research and development (D) and operational development (O)
Reporting Period	Period from 1 January 2023 to 30 June 2023
SaaS	Software-as-a-Service, which means providing software services over the network
SSE	Shanghai Stock Exchange
Stock Exchange/Hong Kong Stock Exchange/HKSE	The Stock Exchange of Hong Kong Limited
The Offering/A Share Offering	The public offering of RMB ordinary shares (A Shares) by the Company in 2021
VoWiFi	Operators use WiFi hotspots to provide users with voice services

# SECTION II COMPANY PROFILE

## 1. CORPORATE INFORMATION

Company name in Chinese	中國電信股份有限公司
Short name in Chinese	中國電信
Company name in English	China Telecom Corporation Limited
Short name in English	China Telecom
Legal representative of the Company	Ke Ruiwen

## 2. CONTACT PERSONS AND CONTACT INFORMATION

	<b>Secretary of the Board</b>	<b>Securities Affairs Representative</b>	<b>Company Secretary</b>
Name	Li Yinghui	Xu Fei	Wong Yuk Har
Address	31 Jinrong Street, Xicheng District, Beijing, China	31 Jinrong Street, Xicheng District, Beijing, China	28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Telephone	8610-58501800	8610-58501508	852-28779777
Fax	8610-58501531	8610-58501531	852-28770988
E-mail	ir@chinatelecom-h.com	ir@chinatelecom-h.com	ir@chinatelecom-h.com

## 3. GENERAL INFORMATION

Registered address and office address of the Company	31 Jinrong Street, Xicheng District, Beijing, China
Postal code of the office address of the Company	100033
Principal place of business in Hong Kong	28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Company website	www.chinatelecom-h.com
E-mail	ir@chinatelecom-h.com

#### 4. STOCK INFORMATION

Class of shares	Stock exchange for listing	Stock short name	Stock code
A Shares	Shanghai Stock Exchange	China Telecom	601728
H Shares	Hong Kong Stock Exchange	China Telecom	00728

#### 5. OTHER RELEVANT INFORMATION

Accountant engaged by the Company (mainland China)	Name	PricewaterhouseCoopers Zhong Tian LLP <i>Recognised Public Interest Entity Auditor</i>
	Office address	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
	Name of signing accountants	Song Shuang, Liu Yuanbo
Accountant engaged by the Company (overseas)	Name	PricewaterhouseCoopers <i>Certified Public Accountant</i> <i>Registered Public Interest Entity Auditor</i>
	Office address	22/F, Prince's Building, Central, Hong Kong
Sponsor performing ongoing supervision duties during the Reporting Period	Name	China International Capital Corporation Limited
	Office address	27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Names of signing sponsor representatives	Xu Shiyan, Liang Jingjing
	Period of ongoing supervision	20 August 2021 to 31 December 2023
Sponsor performing ongoing supervision duties during the Reporting Period	Name	CSC Financial Co., Ltd.
	Office address	Building 4, No. 66 Anli Road, Chaoyang District, Beijing
	Names of signing sponsor representatives	Wang Chenning, Dong Junfeng
	Period of ongoing supervision	20 August 2021 to 31 December 2023

# SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

## 1. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD

According to the “*Report of the Performance of the Communications Industry Economy in the First Half of 2023*” released by the MIIT, in the first half of 2023, the overall operation of the communications industry in China was stable, and various major indicators maintained a favourable growth trend. The construction of new infrastructure such as 5G, Gigabit fibre network and IoT was accelerated. The scale of network connectivity users continued to expand, and the mobile Internet access traffic grew rapidly. In the first half of the year, revenue from telecommunications services grew steadily and amounted to RMB868.8 billion, representing an increase of 6.2% year-on-year. Of which, the three fundamental telecommunications enterprises proactively developed emerging businesses such as IPTV, Internet datacentres, Big Data, cloud computing and IoT. In the first half of the year, revenue from emerging businesses amounted to RMB188.0 billion, representing an increase of 19.2% year-on-year.

In the first half of 2023, the Company proactively fulfilled its responsibilities in building Cyberpower and Digital China, as well as in safeguarding network and information security, while fully and deeply implemented its Cloudification and Digital Transformation strategy. Adhering to the customer-oriented principle, while insisting on the leading role of sci-tech innovation, the Company continued to build a service-oriented, technology-oriented and secured enterprise, solidly advancing corporate sustainable high-quality development.

The Company persisted in the coordinated development as well as the integration and mutual promotion of its fundamental businesses and Industrial Digitalisation business, and continuously enhanced capabilities of digital products and services supply. The Company continued to promote the transformation and upgrades of its fundamental businesses, continuously optimised the 5G network coverage, and pushed forward AI intelligent upgrades of 5G applications. The Company accelerated the construction of Gigabit broadband to elevate user experience with high-speed connectivity and applications for households. The Company continued to enhance its digital life platform capabilities and integrated GBHC applications, offering scene-based applications such as community services, social public services and home security services. The Company continued to accelerate the development of Industrial Digitalisation business. Driven by cloud-, AI-, security- and platform-integrated initiatives, while leveraging its edges in cloud-network integration, customer resources and localised services, the Company increased the supply of digital products and services with high quality and high efficiency. The Company also leveraged “network + cloud computing + AI + applications” to promote the cloud migration, the use of data and intelligence injection for numerous walks of life, facilitating the in-depth integration of digital technologies with the real economy.

The Company gave full play to its edges in the integration of “cloud, network, data, intelligence and security” to further enhance its corporate core competitiveness. The Company developed as the source of original cloud computing technologies with high quality, pushed forward the construction of four-level computing power, offering services featuring multi-type computing in one

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

cloud comprising “intelligent computing + supercomputing + general computing”. The Company led the industry in rolling out a unified computing power package, providing customers with computing power services and products featuring full range, standardisation, one-stop shopping and convenient delivery. The Company further deepened its proprietary R&D of AI core technologies to create general-purpose large models and customised industry large models. The Company provided unified end-to-end AI services. Focusing on industries such as finance, culture and tourism and education, the Company developed hundreds of scene-based integrated intelligent solutions. The Company strengthened the integration and innovation of security technologies and digital applications, created key products such as Security Brain, Graded Protection Assistant, Password Security Assessment Assistant, Digital Shield and Quantum-encrypted Calls, providing customers with full-range and managed security services. The Company accelerated the upgrade of Industrial Digitalisation platform capabilities, and created several industry-leading core platforms in areas such as digital government, urban governance, healthcare and finance.

In the first half of 2023, operating revenues of the Company amounted to RMB260.7 billion, representing an increase of 7.6% year-on-year. Of which, service revenues amounted to RMB236.0 billion, representing an increase of 6.6% year-on-year, remaining above the industry's growth rate<sup>1</sup>. The Company's mobile communications service revenues maintained favourable growth, reaching RMB101.6 billion with an increase of 2.7% year-on-year. Of which, revenue from mobile value-added and applications reached RMB15.4 billion,

representing an increase of 19.4% year-on-year. The penetration rate of 5G package subscribers reached 73.4%, and mobile ARPU reached RMB46.2, representing an increase of 0.4% year-on-year. Wireline and Smart Family service revenues amounted to RMB62.0 billion, representing an increase of 3.6% year-on-year. Of which, revenue from Smart Family business reached RMB9.3 billion, representing an increase of 15.7% year-on-year. The penetration rate of Gigabit broadband reached 20.3%. Broadband blended ARPU reached RMB48.2, representing an increase of 2.1% year-on-year. Industrial Digitalisation business maintained its rapid growth trend, with its revenue reaching RMB68.8 billion, representing an increase of 16.7% year-on-year.

For detailed business analysis of the Company, please refer to “3. Discussion and Analysis of Operations” under “Section III Management's Discussion and Analysis” of this report.

### 2. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, China Telecom proactively fulfilled its responsibilities in building Cyberpower and Digital China, as well as in safeguarding network and information security, while fully and deeply implemented its Cloudification and Digital Transformation strategy. The Company continued to develop a service-oriented, technology-oriented and secured enterprise, earnestly enhanced its corporate core competitiveness, and accelerated the building of a world-class enterprise.

<sup>1</sup> According to the performance of the communications industry economy in the first half of 2023 released by MIIT.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### **CONTINUOUS CONSOLIDATION OF DIGITAL INFORMATION INFRASTRUCTURE WITH CLOUD-NETWORK INTEGRATION AS THE CORE FEATURE**

The Company proactively promoted the construction of digital information infrastructure with cloud-network integration as the core feature, and contributed to the empowerment of the digital transformation of numerous walks of life. The Company strengthened network co-building and co-sharing with China Unicom to continuously enhance the depth and breadth of its 5G coverage, and accelerated the consolidation of one single 4G mid-band network to jointly create 4G/5G networks with leading user experience, efficiency and technologies. The Company proactively participated in the national "East-to-West Computing Resource Transfer" project and further optimised its "2+4+31+X+O" computing power layout. The Company expanded the construction of intelligent computing capabilities, and built public intelligent computing centres in provinces such as Inner Mongolia, Guizhou, and Ningxia, while also deployed reasoning pools across 31 provinces to meet the demands for reasoning from various AI applications. In the first half of the year, the Company added 1.8 EFLOPS of intelligent computing power, bringing the total to reach 4.7 EFLOPS, representing an increase of 62% year-on-year. Furthermore, the Company expanded its general computing power. The general computing power reached 3.7 EFLOPS, with an increase of 0.6 EFLOPS, representing an increase of 19% year-on-year. The Company promoted the enhancement of China Telecom Cloud's capabilities on all fronts. China Telecom Cloud maintained its top-3 ranking in the domestic public cloud IaaS and public cloud IaaS+PaaS markets as well as its No. 1 ranking in the government and administration public cloud infrastructure, while also remained as the No. 1 global telco cloud.

### **STEADY ENHANCEMENT IN PRODUCT AND SERVICE CAPABILITIES**

Adhering to the market-oriented principle, while focusing on customer demands and use cases, the Company proactively deployed strategic emerging industries. Driven by cloud-, AI-, security- and platform-integrated initiatives, the Company further enhanced its digital products and services capabilities, pushed forward the transformation of Industrial Digitalisation business from being project-based to become operation-based, and from being resource-driven to become capability-driven. Proactively leveraging its edges in cloud-network integration, customer resources and localised services, the Company increased the supply of digital products and services with high quality and high efficiency. The Company also leveraged "network + cloud computing + AI + applications" to promote the cloud migration, the use of data and intelligence injection for numerous walks of life, facilitating the in-depth integration of digital technologies with the real economy. Remarkable results have been achieved in the open cooperation of government and enterprise ecology. Focusing on key ecological areas such as applications, services and sales, the Company carried out deployment in 14 industries and over 120 fields. Through means such as driving force from strategic cooperation, planning of industry cooperation and the building of ecological platform, the Company systematically promoted the establishment of ecology, joined hands with partners to build the full-stack capabilities of industry digital platforms, consolidated the ecological chain of Industrial Digitalisation, and served the digital transformation of customers.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### **BREAKTHROUGH IN SCI-TECH INNOVATION CAPABILITIES**

The Company firmly grasped the new round of sci-tech revolution and industrial transformation, and accelerated the construction of a technology-oriented enterprise. China Telecom Cloud made breakthroughs in key core technologies such as hyper-scale resource pool scheduling, multi-AZ and highly available platform, distributed high-performance storage system with low latency, as well as high-performance virtualised offloading with software-hardware collaboration. The platform for computing power delivery network, “Xirang”, provided computing power scheduling services for Beijing Verification Platform for Computing Power Interconnection and Intercommunication, becoming the first cross-domain and cross-service-provider computing power scheduling platform. Fully leveraging its edges in cloud-network integration, the Company pushed forward the construction of four-level computing power, launching “Yunxiao”, the first computing power platform from telcos that unifies cloud, intelligent computing and supercomputing, offering services featuring multi-type computing in one cloud comprising “intelligent computing + supercomputing + general computing”. The Company further deepened its proprietary R&D of AI core technologies, establishing Xinghe AI algorithm platform foundation, with the number of its proprietary scene-based algorithms reaching 5,500. The Company built a service platform for data elements named “Lingze” and pioneered in building and operating the benchmarking project of “data products supermarket” in Hainan to further unleash the value of data resources. The Company strengthened the forward-looking deployment in the field of quantum technologies, established China Telecom Quantum Information Technology Group, and worked with all parties from the industry chain to build a quantum industry ecology and promote the R&D of quantum technologies and achievements conversion.

### **CONTINUOUS REINFORCEMENT OF SECURE AND CONTROLLABLE CAPABILITIES**

The Company coordinated development and security. Based on its edges in cloud, network and data resources as well as its edges in operation and service, the Company strengthened the innovation and integration of security technologies and digital applications. It comprehensively enhanced the capabilities and service level of security products. Based on the concept of proactive defence, the Company built a digital security system with collaboration of cloud, network, edge and terminal, as well as in-depth defence to achieve “measurability, predictability, preventability and controllability”. The Company created key products such as Security Brain, Graded Protection Assistant, Password Security Assessment Assistant, Digital Shield, and Quantum-encrypted Calls, providing customers with full-range and managed security services. The Company completed the leading quantum-encrypted communications metropolitan network. The Company pushed forward the deployment of its security capabilities, with nearly 11 Tbps anti-DDoS cleaning capacity. The Company's security capability pools cover nearly 110 cities and are loaded with 15 types of security capabilities, providing versatile and convenient SaaS-based security services for 100,000 security dedicated lines and IDC customers.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS



**Ke Ruiwen**  
*Chairman and Chief  
Executive Officer*

### 3. DISCUSSION AND ANALYSIS OF OPERATIONS

The new round of sci-tech revolution and industrial transformation is kicking off a new cycle of innovation. Strategic emerging industries have become a new driver for the high-quality development of the national economy, while the building of Digital China has entered into a new stage of overall deployment and advancement on all fronts. In the first half of 2023, the Company proactively fulfilled its responsibilities in building Cyberpower and Digital China, as well as in safeguarding network and information security, while fully and deeply implemented its Cloudification and Digital Transformation strategy.

Adhering to the customer-oriented principle, while insisting on the leading role of sci-tech innovation, the Company accelerated the construction of digital information infrastructure with cloud-network integration as its core feature, vigorously promoted the application of digital technologies, and continued to build a service-oriented, technology-oriented and secured enterprise. The Company also unleashed its momentum through deepened reforms on all fronts and elevated its leadership in corporate innovation and modern governance to a new level, sharing new achievements from its high-quality development with shareholders, customers and the society.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1. OVERALL RESULTS

In the first half of 2023, the Company's operating revenues amounted to RMB260.7 billion, representing an increase of 7.6% year-on-year. Of which, service revenues<sup>2</sup> amounted to RMB236.0 billion, representing an increase of 6.6% year-on-year, remaining above the industry's growth rate<sup>3</sup>. EBITDA<sup>4</sup> amounted to RMB73.3 billion, representing an increase of 5.0% over the same period of last year. Net profit<sup>5</sup> amounted to RMB20.2 billion, representing an increase of 10.2% over the same period of last year, while the basic earnings per share were RMB0.22. Capital expenditure was RMB41.6 billion, while free cash flow<sup>6</sup> reached RMB17.6 billion.

The Company attaches great importance to shareholder returns and strives to enhance its profitability and cash flow generation capabilities. The Board of Directors has resolved to continue declaring an interim dividend in 2023, and the profit distributed in cash will be 65% of the profit attributable to equity holders of the Company in the first half of the year, i.e., RMB0.1432 per share (pre-tax). The Company is dedicated to creating new value for shareholders continuously. As such, the Company will recommend at the Annual General Meeting that the profit distributed in cash for the year of 2023 should be increased to 70% or above of the profit attributable to the Company's equity holders for the year, in accordance with the commitment made at the time of A Share issuance.

<sup>2</sup> Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

<sup>3</sup> According to the performance of the communications industry economy in the first half of 2023 released by MIIT.

<sup>4</sup> EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

<sup>5</sup> Net profit represents profit attributable to equity holders of the Company.

<sup>6</sup> Free cash flow is calculated based on EBITDA minus capital expenditure, income tax and depreciation charge for right-of-use assets other than land-use-rights.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### 2. FULLY AND DEEPLY IMPLEMENTING CLOUDIFICATION AND DIGITAL TRANSFORMATION STRATEGY WITH NEW ACHIEVEMENTS FROM HIGH-QUALITY DEVELOPMENT

In the first half of the year, the Company firmly seized opportunities arising from the digital transformation of the economy and society. With deep insight into changes of customer demands, the Company fully and deeply implemented its Cloudification and Digital Transformation strategy. Leveraging its edges in cloud-network integration, the Company promoted sci-tech innovation at a higher level and deepened system and mechanism reforms on all fronts, solidly advancing corporate sustainable high-quality development.

#### 2.1 Adhering to the customer-oriented principle with steady development driven by dual engines

Insisting on the leading role of triple-Gigabit comprising "5G + Gigabit broadband + Gigabit WiFi", the Company continued to promote the transformation and upgrades of its fundamental businesses, accelerated the integration of its fundamental connectivity products with new digital elements such as cloud, AI and security, and deepened the integration of Smart Community and Digital Village scenes, maintaining the steady growth of its fundamental businesses. The Company further optimised its 5G network coverage. Focusing on demands for personal digital applications, the Company promoted AI intelligent upgrades of applications such as Colour Ringback Tone

with Video, Communications Assistant and China Telecom Cloud Drive, to enhance user experience of 5G applications. It sped up the construction of Gigabit broadband. With a focus on demands for family digital applications, the Company promoted Gigabit applications and pushed forward the upgrade from Whole-home WiFi to FTTR to elevate user experience with high-speed connectivity and applications for households. The Company continued to enhance its digital life platform capabilities and strengthened the iterative development of products and applications. The Company integrated GBHC<sup>7</sup> applications, offering scene-based applications such as community services, social public services and home security services. In the first half of the year, the Company's mobile communications service revenues maintained favourable growth, reaching RMB101.6 billion with an increase of 2.7% year-on-year. Of which, revenue from mobile value-added and applications reached RMB15.4 billion, representing an increase of 19.4% year-on-year. The penetration rate of 5G package subscribers reached 73.4%, with mobile ARPU<sup>8</sup> reaching RMB46.2, representing an increase of 0.4% year-on-year. Wireline and Smart Family service revenues amounted to RMB62.0 billion, representing an increase of 3.6% year-on-year. Of which, revenue from Smart Family business reached RMB9.3 billion, representing an increase of 15.7% year-on-year. The penetration rate of Gigabit broadband reached 20.3%. Broadband blended ARPU<sup>9</sup> reached RMB48.2, representing an increase of 2.1% year-on-year.

<sup>7</sup> GBHC: Government, Business, Home and Customer

<sup>8</sup> Mobile ARPU = monthly average revenues from mobile services / the average number of mobile subscribers.

<sup>9</sup> Broadband blended ARPU = monthly average revenues from broadband access and Smart Family / the average number of broadband subscribers.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Adhering to the market-oriented principle, while focusing on customer demands and use cases, the Company proactively deployed strategic emerging industries. Driven by cloud-, AI-, security- and platform-integrated initiatives, the Company further enhanced its digital products and services capabilities, pushed forward the transformation of Industrial Digitalisation business from being project-based to become operation-based, and from being resource-driven to become capability-driven. Proactively leveraging its edges in cloud-network integration, customer resources and localised services, the Company increased the supply of digital products and services with high quality and high efficiency. The Company also leveraged “network + cloud computing + AI + applications” to promote the cloud migration, the use of data and intelligence injection for numerous walks of life, facilitating the in-depth integration of digital technologies with the real economy. Remarkable results have been achieved in the open cooperation of government and enterprise ecology. Focusing on key ecological areas such as applications, services and sales, the Company carried out deployment in 14 industries and over 120 fields. Through means such as driving force from strategic cooperation, planning of industry cooperation and the building of ecological platform, the Company systematically promoted the establishment of ecology, joined hands with partners to build the full-stack capabilities of industry digital platforms, consolidated the ecological chain of Industrial Digitalisation, and served the digital transformation of customers. In the first half of the year, Industrial Digitalisation business of the Company maintained its rapid growth trend, with its revenue reaching RMB68.8 billion, representing an increase of 16.7% year-on-year, accounting for 29.2% of service revenues, up by 2.6p.p.. Revenue from China Telecom Cloud reached RMB45.9 billion, representing a year-on-year growth of 63.4%.

### **2.2 Further promoting self-reliance and self-improvement for high-level technologies to strengthen core corporate competitiveness**

The Company regards sci-tech innovation as the primary driving force for corporate high-quality development and for embracing the tide of digital economy. Focusing on key areas such as cloud computing, AI, security, quantum, platform and network, the Company boosted its investment in research and development (R&D) of sci-tech innovation, with R&D expenses increasing by 27.2% year-on-year. The Company further strengthened its R&D talent team, with the number of R&D personnel increasing by 21.4%, compared with the end of last year. The Company strove for breakthroughs in key core technologies, accelerated the conversion of innovation achievements at scale and further strengthened its innovation capabilities and core competitiveness, taking solid steps towards becoming a technology-oriented enterprise with independent control of key core technologies as well as the top-tier national sci-tech innovation enterprises.

The Company developed as the source of original cloud computing technologies with high quality, achieving new results in sci-tech R&D breakthroughs. China Telecom Cloud Technology Co., Ltd has been included as one of the “Establishing World-class Specialised and Sophisticated Demonstration Enterprises” by the State-owned Assets Supervision and Administration Commission (SASAC). Breakthroughs were made in key core technologies such as hyper-scale resource pool scheduling, multi-AZ and highly available platform, distributed high-performance storage system with low latency, as well as high-performance virtualised offloading with software-hardware collaboration. The Company continued to consolidate the cloud foundation featuring polymorphism, multi-chip architecture in one cloud and

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

proprietary full-stack cloud to fully support the unified and highly-efficient operation and maintenance as well as smart operation under the multi-cloud environment, realising hybrid of multiple clouds and heterogeneous management. The platform for computing power delivery network, "Xirang", provided computing power scheduling services for Beijing Verification Platform for Computing Power Interconnection and Intercommunication, becoming the first cross-domain and cross-service-provider computing power scheduling platform. Fully leveraging its edges in cloud-network integration, the Company pushed forward the construction of four-level computing power, launching "Yunxiao", the first computing power platform from telcos that unifies cloud, intelligent computing and supercomputing, offering services featuring multi-type computing in one cloud comprising "intelligent computing + supercomputing + general computing". The Company led the industry in rolling out a unified computing power package comprising "fundamental computing power + computing power connectivity + computing algorithm model + computing power security", providing customers with computing power services and products featuring full range, standardisation, one-stop shopping and convenient delivery. The Company carried out commercial trial of its proprietary cloud-native analytical database, achieving industry-leading capabilities in storage-computing segregation, elastic expansion and failure recovery within seconds. With the original "Zhen Series" full-stack cloud terminal technologies of Cloud Computer, the Company achieved breakthroughs in transmission algorithm of congestion control for intelligent networks, with its market share of public cloud computer products exceeding 30%, ranking first in the industry. China Telecom Cloud maintained its top-3 ranking in the domestic public cloud IaaS and public cloud IaaS+PaaS markets as well as its No. 1 ranking in the government and administration public cloud infrastructure, while also remained as the No. 1 global telco cloud<sup>10</sup>.

The Company firmly seized opportunities arising from breakthroughs in the development of AI technologies, strengthened AI capabilities with a focus on data and algorithms to empower digital applications. The Company further deepened its proprietary R&D of AI core technologies, establishing Xinghe AI algorithm platform foundation, with the number of its proprietary scene-based algorithms reaching 5,500. The Company also upgraded and rolled out its Xinghe General-purpose Visual Large Model 2.0 at ten-billion parameter grade, achieving the shift from intelligence in vertical fields to general intelligence and from urban governance to the empowerment of numerous walks of life. The Company also released TeleChat, a generative large language model, to strengthen key capabilities in audio and multi-mode large models. Based on general training, the Company collaborated with partners from upstream and downstream of the industrial chain to create customised large models for industry applications. The Company provided unified end-to-end AI services covering all fronts. Focusing on industries such as finance, culture and tourism, as well as education, the Company developed hundreds of scene-based integrated intelligent solutions, empowering the acceleration of digital transformation of the economy and society. The Company built a service platform for data elements named "Lingze" and pioneered in building and operating the benchmarking project of "data products supermarket" in Hainan to further unleash the value of data resources.

<sup>10</sup> Source of market share data of China Telecom Cloud: IDC

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Based on its edges in cloud, network and data resources as well as its edges in operation and service, the Company strengthened the innovation and integration of security technologies and digital applications. It comprehensively enhanced the capabilities and service level of security products. The Company created key products such as Security Brain, Graded Protection Assistant, Password Security Assessment Assistant, Digital Shield, and Quantum-encrypted Calls, providing customers with full-range and managed security services. The Company intensified efforts in achieving breakthroughs in original quantum technologies and completed the leading quantum-encrypted communications metropolitan network. The Company pushed forward the deployment of its security capabilities, with nearly 11 Tbps anti-DDoS cleaning capacity. The Company's security capability pools cover nearly 110 cities and are loaded with 15 types of security capabilities, providing versatile and convenient SaaS-based security services for 100,000 security dedicated lines and IDC customers.

Focusing on customers' demands, the Company accelerated the upgrade of Industrial Digitalisation platform capabilities, built the unified digitalised foundation, enhanced the efficiency and quality of its proprietary digital platform development, and created several industry-leading core platforms in areas such as digital government, urban governance, healthcare and finance. By decoupling and packaging of internal digitalisation capabilities as well as introducing external capabilities through cooperation, the Company formed a fundamental capability pool that converges its resource advantages, to empower the development of Industrial Digitalisation. In the first half of the year, over 7,000 fundamental capabilities were supplied, with the number of industry utilisation reaching 1.1 billion times, representing an increase of 31% year-on-year.

The Company continued to deeply cultivate network technologies while deepened fully cloudified decoupling of 5G, interconnectivity across all domains as well as intelligent open-up, attaining sci-tech achievements such as fully cloudified 5G customised networks, 5G Core three-layer decoupling networks, and 5G VoWiFi. It proactively built differentiated capabilities for 5G customised networks which include "customised network, collaborative cloud, intelligent edge, applications on demand, service unification and security systemisation". The Company also continued promoting benchmarking projects such as smart city, smart factory, smart finance and smart education. The number of newly contracted 5G 2B commercial projects was approximately 6,000, representing an increase of nearly 80% year-on-year and bringing the cumulative number of projects to exceed 20,000. With the upgrade of its proprietary IoT platform, AIoT, to the 3AZ cloud-native architecture, the disaster tolerance capability for data was enhanced, with the number of IoT connected devices exceeding 470 million. The Company also built an industry-leading video backhaul transmission and processing network, with the number of IoT users exceeding 57 million.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### 2.3 Expediting the construction of digital information infrastructure with cloud-network integration as its core feature

The Company deepened the overall planning and coordinated deployment of various digital elements including “cloud, network, data, intelligence and security” and expedited the construction of intelligent integrated digital information infrastructure that is high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon, and secure and controllable. The Company proactively participated in the national “East-to-West Computing Resources Transfer” project, accelerated the construction of computing power infrastructure and further optimised its “2 + 4 + 31 + X + O” computing power layout. The Company expanded the construction of intelligent computing capabilities, and built public intelligent computing centres in provinces such as Inner Mongolia, Guizhou, and Ningxia, while also deployed reasoning pools across 31 provinces to meet the demands for reasoning from various AI applications. In the first half of the year, the Company added 1.8 EFLOPS of intelligent computing power, bringing the total to reach 4.7 EFLOPS, representing an increase of 62% year-on-year. Furthermore, the Company expanded its general computing power. The general computing power reached 3.7 EFLOPS, with an increase of 0.6 EFLOPS, representing an increase of 19% year-on-year<sup>11</sup>. The Company carried out the construction of IDC by focusing on the hub nodes regions of the national integrated big data centre. The number of cabinets serving external customers reached 534,000. Of which, over 70% of new

cabinets were deployed in hotspot areas. The Company built multi-AZ datacentre clusters in areas such as Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau and Sichuan-Chongqing-Shaanxi. Centring around DC and cloud, the Company further optimised network architecture and reduced latency, and created a latency circle with 1/10/15 ms latency for the east-west direction and 1/5/20 ms latency for the south-north direction<sup>12</sup>. This flexibly met demands for the interconnection and networking of datacentres from various businesses of 2Mbps–100Gbps granules. The Company also completed the construction of large-bandwidth and intelligent government and enterprise OTN networks with a nationwide coverage. The Company upgraded its all-fibre trunk network that covers “four regions, six axles, eight hubs<sup>13</sup> and multiple channels”. Focusing on key areas, the Company further expanded the coverage of 10G PON Gigabit fibre network. The Company promoted the automated and intelligent upgrades of networks. The proprietary new generation cloud-network operating system was launched and put in use, achieving activation and scheduling within minutes for customers’ cloud-network integrated and end-to-end businesses, further enhancing network operation capabilities and efficiency.

The Company strengthened network co-building and co-sharing with China Unicom to continuously enhance the depth and breadth of its 5G coverage, while accelerated the consolidation of one single 4G mid-band network to jointly create 4G/5G networks with leading user experience, efficiency and technologies. Meanwhile, the

<sup>11</sup> The industry's common calculation method has been applied for computing power. General computing power is calculated using FP32, while intelligent computing power is calculated using FP16. The computing power of 3.8 EFLOPS at the end of 2022 has been recalculated and converted and growth rates are calculated based on figures after conversion.

<sup>12</sup> East-west traffic: data traffic between datacentres. South-north traffic: data traffic between external users and datacentres.

<sup>13</sup> Four regions: Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau as well as Chengdu-Chongqing. Six axles: the main arteries of mesh interconnection along six directions among the four major regions. Eight hubs: eight hubs in the deployment of the national “East-to-West Computing Resource Transfer” strategy.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Company carried out refined planning and precise construction of 5G mid-band network, maintaining industry comparability in terms of scale and coverage. In the first half of the year, the number of newly built co-built and co-shared 5G base stations was over 150,000, with the number of 5G base stations exceeding 1.15 million. 4G mid-band network basically achieved full co-sharing, with the number of 4G base stations exceeding 2 million, further enhancing network coverage and capacity.

### **2.4 Deepening reforms on all fronts to fully unleash new momentum for corporate development**

The Company intensified its efforts, further deepened reforms of key corporate fields and processes on all fronts, and promoted the modernisation of corporate governance system and governance capabilities. The Company deepened reforms of sci-tech innovation system and mechanism, optimised resource allocation as well as assessment and incentive policies for sci-tech innovation, brought together the strength to strive for breakthroughs in original and leading technologies. The Company also strengthened the coordination of RDO<sup>14</sup> R&D systems and optimised mechanisms for promoting proprietary achievements conversion and adoption. The Company established Quantum Information Technology Group Co. to promote the application of cutting-edge technologies of quantum. The Company optimised the strategic positioning of its AI company and further strengthened the building of AI capabilities. The Company also established a data development centre to step up the opening-up and co-sharing of data and create the cycle from high-quality R&D of technologies, large-scale product promotion to the expansion of industrial development. Adhering to the customer-oriented principle, with digital transformation as the main line and cloud core platform as the hub, the Company continued to optimise corporate main processes, promoted innovative reforms in areas such as sales,

channels and operation, and elevated the service level of end-to-end integration delivery and operation. The Company accelerated the digitalisation of businesses, operation and management to enhance the efficiency of corporate operation and steadily achieve cost reduction and efficiency enhancement. The Company continued to intensify market-oriented reforms and insisted on balancing responsibilities, authorities and interests, with dual emphasis on the utilisation of incentives and constraints. Three industry Business Groups (BGs) for government and enterprise including healthcare, education and finance took the lead in achieving corporate operation. The Company continued to deepen market-oriented employment mechanism, optimised a more precise and flexible, standardised and effective remuneration mechanism to fully stimulate employees' vitality in innovation and development. The Company sped up the building of sci-tech talent teams such as top talents, leading sci-tech talents, innovation teams and excellent engineers, further implemented the "Spark" and "Prairie Fire" plan with high quality, and established a full-cycle, layered talent cultivation system. The Company promoted the high-quality and independent training of talents, and laid a solid talent foundation for promoting corporate high-quality development. The Company optimised the system and mechanism for open cooperation, continuously strengthened ecological integration and innovation, vigorously promoted the coordinated development of technology ecology, application ecology, channel ecology and service ecology, further extending and expanding cooperation from industrial chain and supply chain to upstream and downstream of innovation chain and service chain. The Company continued to deepen cooperation among industry, academia and research institutes. Focusing on strategic emerging industries, the Company joined hands with universities and scientific research institutes to open up the full chain of industry, academia, research institutes and customers.

<sup>14</sup> RDO: fundamental research (R), applied technological research and development (D) and operational development (O).

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### 3. UNDERTAKING SOCIAL RESPONSIBILITIES WHILE OPTIMISING CORPORATE GOVERNANCE

The Company proactively fulfilled its social responsibilities and further deepened the construction and operation of green cloud-network. In the first half of 2023, through co-building and co-sharing as well as various energy saving measures, the Company reduced its greenhouse gas emissions by more than 5 million tons, while the greenhouse gas emissions intensity decreased by more than 10% year-on-year. The Company, together with China Mobile and China Unicom, jointly published the “*Liquid Cooling Technology White Paper by Telecom Operators*” to further reduce the energy consumption intensity and carbon emissions intensity of datacentres, promoting the green transformation of the economy and society and supporting the accomplishment of carbon dioxide peaking and carbon neutrality targets. The Company effectively supported rural revitalisation, popularised digital services and narrowed the digital divide between urban and rural areas, achieving the highest rating for 5 consecutive years in the review and assessment of targeted support carried out by central units. The Company built nearly 60,000 “Caring Stations” to provide dozens of convenient public welfare services such as resting, drinking water, charging and Internet access, with the cumulative number of services reaching 15 million person-times. The Company also successfully completed communications assurance tasks for important scenes and restored network connection during times of emergency and natural disasters relief.

Insisting on high-standard corporate governance while adhering to excellent, prudent and effective corporate governance principles, the Company continued to optimise its corporate compliance management system and cultivate a culture of compliance continuously and extensively. The Company maintained the compliant and efficient operation of its Shareholders Meeting, Board of Directors and Supervisory Committee, and completed the selection and appointment of directors for the Eighth Session of the Board of Directors. The Company further optimised its internal control process to effectively prevent and resolve risks which ensured the Company's stable operation and effectively protected the best and long-term interests of shareholders.

The Company received high affirmation and recognition from domestic and international capital markets and industry organisations for its relentless efforts and outstanding performances. It was voted by investors as the “Most Honoured Companies in Asia” for the 13th consecutive year in the “All-Asia-Executive Team Poll” organised by *Institutional Investor*. The Company also received top rankings in the “Best Board of Directors”, “Best Investor Relations Program”, “Best IR Team” and “Best ESG” categories. In addition, the Company received the “Asia's Best Corporate Social Responsibility” award for the fourth consecutive year at the “Asian Excellence Award 2023” organised by *Corporate Governance Asia*, a renowned journal on corporate governance in Asia. Moreover, it won a number of awards including “Best Corporate Communications”, “Best Environmental Responsibility” and “Best Investor Relations Company”. In addition, the Company was voted by fund managers and financial analysts from around the globe to receive the Gold Award of “Best Corporate ESG Strategy in China” at the “23rd Asia's Best Managed Companies Poll” organised by *FinanceAsia*, a reputable financial magazine in Asia.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### 4. OUTLOOK

At present, the new round of global sci-tech revolution and industrial transformation is thriving. The building of Digital China is an important driver for the advancement of Chinese modernisation in the digital era and digital economy has become an important support for propelling the high-quality development of the economy and society. As the primary productive force, science and technology's role in seizing the commanding height of future development has become increasingly prominent. Innovation is driving the acceleration of industrial transformation and upgrades. The continuous expansion of information consumption scenes has given rise to a new trend of digital life and new demands for service quality. Strategic emerging industries such as cloud computing and AI have profound influences and are accelerating the transformation of all industries from the bottom.

In face of the new situation and new opportunities, while based on the new development stage, the Company will implement the new development principles completely, accurately and comprehensively. It will proactively serve and integrate into the new development pattern, with a focus on the overall strategy while seizing development opportunities. The Company will firmly, fully and deeply implement its Cloudification and Digital Transformation strategy, intensify sci-tech innovation and enhance the output and conversion efficiency of innovation achievements. The Company will expedite the upgrades of digital information infrastructure, enhance its security service capabilities, and further strengthen value operation. The Company will optimise the deployment in strategic emerging industries, support and promote the establishment of the modern industry system, and deepen corporate reforms on all fronts. The Company will continuously enhance its corporate core competitiveness and core functions, and accelerate the building of a world-class enterprise.



**Ke Ruiwen**

*Chairman and Chief Executive Officer*  
Beijing, China

8 August 2023

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### 4. MAJOR OPERATION DURING THE REPORTING PERIOD

#### FINANCIAL REVIEW

##### Operating Revenues

In the first half of 2023, the Company implemented the new development principles, seized opportunities arising from the digital transformation of the economy and society, and fully and deeply implemented its “Cloudification and Digital Transformation” strategy. Leveraging its edges in cloud-network integration, the Company intensified its efforts in sci-tech innovation and continued to build a service-oriented, technology-oriented and secured enterprise. The Company maintained favourable growth in operating results, taking high-quality development to a new level. In the first half of the year, operating revenues amounted to RMB260,664 million, representing an increase of 7.6% over the same period of last year. Service revenues<sup>15</sup> amounted to RMB235,977 million, representing an increase of 6.6% over the same period of last year. Among the service revenues, mobile communications service revenues<sup>16</sup> amounted to RMB101,607 million, representing an increase of 2.7% over the same period of last year. Wireline and Smart Family service revenues<sup>17</sup> amounted to RMB62,024 million, representing an increase of 3.6% over the same period of last year; Industrial Digitalisation service revenues<sup>18</sup> amounted to RMB68,802 million, representing an increase of 16.7% over the same period of last year; and other service revenues<sup>19</sup> amounted to RMB3,544 million, representing a decrease of 2.2% over the same period of last year.

##### Operating Expenses

The Company continued to enhance network quality and capabilities, accelerated sci-tech innovation, and supported the rapid development of 5G, Industrial Digitalisation and other businesses. At the same time, insisting on digital transformation as the main line of development, the Company leveraged digital means such as AI to strengthen refined cost management and continuously enhanced resource utilisation efficiency. In the first half of 2023, the Company's operating expenses were RMB235,156 million, representing an increase of 7.3% over the same period of last year, which was lower than the increase in revenues. Operating expenses accounted for 90.2% of operating revenues, representing a decrease of 0.3 percentage point over the same period of last year.

In order to support the construction of 5G network at scale and enhance its competitive edges in networks, the Company proactively expanded the deployment of new infrastructures such as datacentres and cloud, built the integrated digital information infrastructure, and continued to invest in capital expenditure. At the same time, the Company stepped up the co-building and co-sharing of 5G network and co-sharing of 4G network with China Unicom to save capital expenditure correspondingly. In the first half of the year, depreciation and amortisation amounted to RMB47,838 million, representing an increase of 2.4% over the same period of last year.

<sup>15</sup> Service revenues are calculated based on operating revenues minus “sales of mobile terminals”, “sales of wireline equipment” and “other non-service revenues”.

<sup>16</sup> Mobile communications service revenues represent the aggregate amount of mobile communications service fees, mobile Internet access service fees and short messaging service fees, etc., charged to customers for the provision of mobile services.

<sup>17</sup> Wireline and Smart Family service revenues represent the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees charged to customers for the provision of wireline services.

<sup>18</sup> Industrial Digitalisation service revenues represent the aggregate amount of fees charged to customers for the provision of Internet datacentre services, cloud services, digital platform services, dedicated Internet access services, etc.

<sup>19</sup> Other service revenues represent primarily revenues from property rental and other revenues.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company continued to enhance network quality and capabilities to support the rapid development of 5G, Industrial Digitalisation and Smart Family services, and appropriately increased investment in network operation and Industrial Digitalisation services support. At the same time, the Company leveraged digital means such as AI to further strengthen refined cost management and enhance resource utilisation efficiency. In the first half of the year, network operations and support expenses amounted to RMB76,052 million, representing an increase of 8.6% over the same period of last year.

The Company leveraged digital means such as AI to strengthen precision marketing and enhance channel efficiency. As a result, selling expenses as a percentage of revenues slightly decreased year-on-year. Meanwhile, the Company further increased input in R&D to enhance core capabilities and accumulate energy for future development. In the first half of the year, the selling, general and administrative expenses amounted to RMB32,839 million, representing an increase of 2.5% over the same period of last year.

The Company strengthened its sci-tech innovation, stepped up the introduction of sci-tech and innovative talents, increased incentives for high-performance teams, and realised medium- and long-term incentives. Investments in personnel expenses were in line with the development direction of the Company towards a sci-tech enterprise. In the first half of the year, personnel expenses amounted to RMB48,998 million, representing an increase of 9.8% over the same period of last year.

In the first half of the year, other operating expenses amounted to RMB29,429 million, representing an increase of 14.2% over the same period of last year. The increase was mainly due to the increase in the scale of mobile terminals sold.

### Net Finance Costs

Due to the renewal of tower leasing contract, the Company's lease liabilities increased in scale, and related interest expenses grew significantly. In the first half of 2023, net finance costs amounted to RMB483 million.

### Profitability Level

Seizing opportunities arising from the digital transformation of the economy and society, the Company deepened reform, opening-up and innovation, focused on value creation, further promoted the enhancement of resource efficiency and operating efficiency, and continuously enhanced its profitability. In the first half of the year, profit attributable to equity holders of the Company reached RMB20,153 million, representing an increase of 10.2% over the same period of last year. EBITDA<sup>20</sup> was RMB73,346 million, representing an increase of 5.0% over the same period of last year. EBITDA margin<sup>21</sup> was 31.1%.

<sup>20</sup> EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation. EBITDA has been widely applied in the global telecommunications industry as a benchmark to reflect operating performance, debt raising ability and liquidity, but it is not regarded as a measure of operating performance and liquidity under International Financial Reporting Standards. It also does not represent net cash from operating activities. In addition, the Company's EBITDA may not be comparable to similar indicators provided by other companies.

<sup>21</sup> EBITDA margin is calculated based on EBITDA divided by service revenues.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Expenditure And Cash Flows

The Company proactively supported the construction of 5G network at scale, expanded digital information infrastructures such as datacentres and cloud, and continued to invest in capital expenditure. Meanwhile, the Company stepped up the co-building and co-sharing of 5G network and co-sharing of 4G network with China Unicom to save capital expenditure correspondingly. In the first half of the year, the capital expenditure amounted to RMB41,620 million, which was generally comparable to the same period of last year. Free cash flow<sup>22</sup> in the first half of the year amounted to RMB17,641 million, maintaining a healthy cash flow level.

### Assets And Liabilities

The Company continued to maintain a solid financial position. As at 30 June 2023, the total assets increased by 4.0% from RMB807,698 million as at the end of 2022 to RMB840,386 million. Total indebtedness<sup>23</sup> decreased by 23.2% from RMB10,484 million as at the end of 2022 to RMB8,056 million. Gearing ratio<sup>24</sup> decreased to 1.8% from 2.4% as at the end of 2022.

## 5. OTHER DISCLOSURE

### (1) POTENTIAL RISKS

#### Risks of adapting to economic and policy environment

The current economic operation is facing new difficulties and challenges, mainly due to insufficient domestic demand, many potential risks in key areas, and complex and severe external environment. The increasingly stringent regulatory environment may pose risks and challenges to the Company's business development and revenue growth. The Company will strengthen the

analysis and judgment of the external environment and proactively prevent and respond to the risks brought by environmental changes. The Company will also deepen reforms on all fronts, push forward its "Cloudification and Digital Transformation" strategy, innovate business models, accelerate technological innovation, strengthen the compliance management system to solidly promote corporate high-quality development.

#### Business operation risks

With the rapid development of the digital economy, customer demands become more diversified and personalised, while the upgrading and iteration of products and services have accelerated. There is a certain gap between the Company's products and services and customer's demands in terms of varieties, performance and experience, as well as between the level of Industrial Digitalisation and the requirements of digital economy development. Market competition further intensified, with the growth rate of subscribers in the communications industry facing a downward pressure and technological and innovation development showing deficiencies. The Company will further strengthen R&D and the conversion of achievements of sci-tech innovations, increase the dual driving forces of fundamental businesses and Industrial Digitalisation services and the mutual promotion of dual circulation of domestic and international markets. The Company will step up efforts in R&D and promotion of products from the supply-side, promote the optimisation of 5G business model and industry chain, accelerate the scale development of 5G and increase the capital deployment intensity. The Company will expand the "circle of friends" in the ecology and continuously improve the market competitiveness of product supply to meet the diversified and personalised needs of customers.

<sup>22</sup> Free cash flow is calculated based on EBITDA minus capital expenditure, income tax and depreciation charge for right-of-use assets other than land use rights.

<sup>23</sup> Total indebtedness refers to interest-bearing debts excluding lease liabilities.

<sup>24</sup> Gearing ratio is calculated based on total indebtedness divided by total capital, while total capital is calculated based on total equity attributable to equity holders of the Company plus total indebtedness.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Network and information security risks**

The accelerated evolution of information and communications networks and the growing number of cyber-attacks for different purposes have brought new challenges to network security operations. With the promulgation, revision and implementation of *the Cybersecurity Law of the People's Republic of China*, *the Data Security Law of the People's Republic of China*, *the Personal Information Protection Law of the People's Republic of China*, *the Anti-Telecom and Online Fraud Law of the People's Republic of China* and other relevant laws and regulations, the Nation further strengthens the supervision over relevant fields. Illegal and criminal acts on the Internet become concerns to the wider society, thus putting forward higher requirements for the data security and personal information protection for the Company. The Company will further consolidate the security foundation of new information infrastructure, strengthen the independent and self-controlled capabilities in core network technologies, enhance the supply chain security management system, and strengthen the emergency response and sourcing capabilities. Meanwhile, the Company will deepen data security and user personal information protection, accelerate the use of data and intelligence injection for the security core platform, continue to carry out network security risks screening, effectively ensure reliable operation of network security as well as data and personal information security.

### **International operation risks**

The complex international situation has brought greater challenges to overseas operations. Factors such as changes in the policy environment in the countries/regions where the Company operates have brought risks to overseas business expansion. There is still a gap between products and services and demands of customers. The Company will further strengthen market analysis and study the policies and laws of relevant countries/regions, strengthen overseas compliance management and risk investigation, enhance risk response capabilities and continue to optimise the overseas risk prevention responsibility system.

## **(2) OTHER DISCLOSURES**

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the six-month period ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

Save as disclosed below, as at 30 June 2023, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Name	Position	Class of share	Number of Shares	Capacity	Shares held as approximate percentage of the total number of respective class of shares in issue	Shares held as approximate percentage of the total number of shares in issue
Chen Shengguang	Non-Executive Director	A Share	1,000	Beneficial owner	0.00%	0.00%
			(Long Position)			
			1,000	Interest of spouse	0.00%	0.00%
			(Long Position)			
Zhang Jianbin	Employee Representative Supervisor	A Share	1	Beneficial owner	0.00%	0.00%
			(Long Position)			

During the six-month period ended 30 June 2023, the Company has not granted its Directors or Supervisors, or their respective spouses or any of their respective minor child (natural or adopted) or on their behalf any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### Material Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2023, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at the shareholders' class meetings of the Company (excluding the Directors and Supervisors) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of shareholder	Number of shares*	Class of share	Approximate percentage of the respective class of shares in issue	Approximate percentage of the total number of shares in issue	Capacity
China Telecommunications Corporation	58,240,172,066 (Long Position)	A Share	75.02%	63.65%	Beneficial owner
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653 <sup>#</sup> (Long Position)	A Share	7.23%	6.14%	Beneficial owner
GIC Private Limited	1,386,415,702 (Long Position)	H Share	9.99%	1.52%	Investment manager

<sup>#</sup> As at 30 June 2023, the interest in the shares of the Company has been provided by such shareholder as security to a person other than a qualified lender, and the number of shares involved was 400,000,000.

<sup>\*</sup> The information disclosed above is based on the interests and short position as recorded in the register required to be maintained by the Company under Section 336 of the SFO. Pursuant to the relevant provisions of the SFO, shareholders only have to file a disclosure of interest on the occurrence of certain events — called "relevant events". Accordingly, the exact numbers of shares held by the above-mentioned shareholders as at 30 June 2023 may be different from those as disclosed above.

Save as disclosed above, as at 30 June 2023, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares and underlying shares of the Company.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Audit Committee**

The audit committee has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters of the Group including the review of the Interim Report for the six-month period ended 30 June 2023.

### **Compliance with the Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors and Supervisors. Based on the written confirmations from the Directors and Supervisors, the Company's Directors and Supervisors have confirmed their compliance with the Model Code regarding the requirements in conducting securities transactions for the period from 1 January 2023 to 30 June 2023.

### **Issue of Shares and Use of Proceeds**

On 20 August 2021, the Company successfully completed the Offering and listing of A Shares on the SSE. The total proceeds from the issuance amounted to approximately RMB47,094 million before the exercise of the over-allotment option. After deducting the issuance expenses, the net proceeds amounted to approximately RMB46,712 million. The exercise period of the over-allotment option for the A Share Offering expired on 22 September 2021. Together with the proceeds from the initial issuance of A Shares, the final gross proceeds from the issuance amounted to approximately RMB47,904 million, and the net proceeds after deducting the issuance expenses amounted to approximately RMB47,516 million. As disclosed in the prospectus, the above proceeds will be used on the three investment projects of the Company, namely 5G Industrial Internet Construction Project, the Cloud-network integration new information infrastructure project and the research and development project of sci-tech innovation. During the Reporting Period, the proceeds were used, or are proposed to be used, according to the intentions previously disclosed in the prospectus, and there was no material change or delay. As of 31 December 2022, the total amount of proceeds invested was approximately RMB37,888 million, and the amount of proceeds not utilised was approximately RMB9,628 million. As of 30 June 2023, the amount of proceeds invested during the Reporting Period was approximately RMB6,037 million, and the accumulated total amount of proceeds invested was approximately RMB43,925 million. The use of proceeds is as follows:

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

<b>Projects invested with proceeds</b>	<b>Total committed investment of proceeds</b> (RMB million)	<b>Amount invested during the Reporting Period</b> (RMB million)	<b>Total accumulated amount invested as of the end of the Reporting Period</b> (RMB million)	<b>Amount not utilised as of the end of the Reporting Period</b> (RMB million)	<b>Expected timeline for use of proceeds</b>
5G Industrial Internet Construction Project	9,957	0	9,957	0	2023 or before
Cloud-network integration new information infrastructure project	23,583	3,475	21,942	1,641	2023 or before
Research and development project of sci-tech innovation	13,976	2,562	12,026	1,950	2023 or before
<b>Total</b>	<b>47,516</b>	<b>6,037</b>	<b>43,925</b>	<b>3,591</b>	<b>-</b>

### Interim Dividend

The interim dividend is expected to be paid on or before 28 September 2023 to those shareholders whose names appear on the H Share Register of Members of the Company on Wednesday, 30 August 2023. For the purpose of determining H Share shareholders' entitlement to the interim dividend, the H Share Register of Members will be closed from Friday, 25 August 2023 to Wednesday, 30 August 2023 (both days inclusive). In order to be entitled to the interim dividend, holders of H Shares who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, 24 August 2023. The Company will announce the specific arrangement for the payment of interim dividend to holders of A Shares separately on the Shanghai Stock Exchange.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Dividends will be denominated and declared in Renminbi. Dividends for holders of A Shares and the investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Stock Exchange (the "Southbound Trading Link") (the "Southbound Investors") will be paid in Renminbi, whereas dividends for H Share shareholders other than Southbound Investors will be paid in Hong Kong dollars. The relevant exchange rate will be the average median rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends (i.e., 8 August 2023) (RMB0.914874 equivalent to HK\$1.00).

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China", the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China" and the "Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the 2023 interim dividend to non-resident enterprise shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H Share Register of Members on Wednesday, 30 August 2023.

Pursuant to the "Notice of the State Taxation Administration on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348), if the individual H Share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H Share shareholders. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H Share shareholders. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Share shareholders. If those shareholders need to request a refund of tax overpaid from the PRC tax authorities on his own or through an agent or the Company in accordance with the relevant requirements

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

of the “Announcement of the State Taxation Administration on Promulgating the Administrative Measures for Nonresident Taxpayers for Treatments under Tax Treaties” (Announcement [2019] No. 35 of the State Taxation Administration), they shall submit the “Information Report on Non-resident Taxpayers for Treatments under Tax Treaties” (Announcement [2019] No. 35 of the State Taxation Administration), and collect and file such information.

The Company will determine the country of domicile of the individual H Share shareholders based on the registered address as recorded in the H Share Register of Members of the Company on Wednesday, 30 August 2023 (the “Registered Address”). If the country of domicile of an individual H Share shareholder is not the same as the Registered Address or if the individual H Share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 24 August 2023. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share shareholders may either personally attend or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors of the Southbound Trading Link, will receive all dividends distributed by the Company and will distribute the dividends to the relevant investors under the Southbound Trading Link through its depository and clearing system. According to the relevant provisions under the “Notice on Taxation Policies for Shanghai-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2014] No. 81) and “Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme” (Cai Shui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H Shares of the Company listed on the Stock Exchange through the Southbound Trading Link. In respect of the dividends received by Mainland securities investment funds investing in the H Shares of the Company listed on the Stock Exchange through the Southbound Trading Link, the tax levied shall be ascertained by reference to the rules applicable to individual investors. The Company is not required to withhold and pay income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading Link, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the shareholders’ rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company’s H Share shareholders.

## SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

For H Share shareholders other than the Southbound Investors, the Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to such Receiving Agent the interim dividend declared for payment to H Share shareholders other than the Southbound Investors. The Receiving Agent will pay the interim dividend net of the applicable tax on 28 September 2023. The relevant dividend warrants will be despatched to H Share shareholders by ordinary post and the risk of errors involved in the postage will be borne by the H Share shareholders. For the Southbound Investors, the interim dividend net of the applicable tax will be paid by the Company to the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited on 28 September 2023. The Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited will pay the interim dividend net of the applicable tax to the Southbound Investors.

### Other Information

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed in this report, the Company confirms that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2022 Annual Report prepared in accordance with International Financial Reporting Standards ("2022 Annual Report").

# SECTION IV CORPORATE GOVERNANCE REPORT

## 1. GENERAL MEETINGS

Session	Date	Designated websites for publishing resolutions	Resolutions of the Meeting
The Second Extraordinary General Meeting in 2022	2023-01-06	www.hkexnews.hk www.chinatelecom-h.com	<ol style="list-style-type: none"> <li>1. To consider and approve the resolution in relation to Directors' remuneration proposal.</li> <li>2. To consider and approve the resolution in relation to entering into agreements in relation to affiliated transactions with China Tower Corporation Limited and the expected 2023 annual caps in respect of such affiliated transactions.</li> <li>3. To consider and approve the resolutions in relation to the election of Directors (excluding the Independent Directors):               <ol style="list-style-type: none"> <li>3.01. THAT the election of Mr. Xia Bing as a Director of the Company be and is hereby considered and approved.</li> <li>3.02. THAT the election of Mr. Li Yinghui as a Director of the Company be and is hereby considered and approved.</li> </ol> </li> <li>4. To consider and approve the resolutions in relation to the election of Independent Directors:               <ol style="list-style-type: none"> <li>4.01. THAT the election of Mr. Ng, Kar Ling Johnny as an Independent Director of the Company be and is hereby considered and approved.</li> <li>4.02. THAT the election of Mr. Chen Dongqi as an Independent Director of the Company be and is hereby considered and approved.</li> </ol> </li> </ol>
Annual General Meeting for the year 2022	2023-05-23	www.hkexnews.hk www.chinatelecom-h.com	<ol style="list-style-type: none"> <li>1. THAT the financial reports of the Company for the year of 2022 audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers be considered and approved.</li> <li>2. THAT the Annual Reports for the year of 2022 be considered and approved.</li> <li>3. THAT the work report of the Board for the year of 2022 be considered and approved.</li> </ol>

## SECTION IV CORPORATE GOVERNANCE REPORT

Session	Date	Designated websites for publishing resolutions	Resolutions of the Meeting
			<p>4. THAT the work report of the Supervisory Committee for the year of 2022 be considered and approved.</p> <p>5. THAT the profit distribution and dividend declaration plan of the Company for the year of 2022 be considered and approved.</p> <p>6. THAT the authorisation to the Board to decide on the interim profit distribution plan of the Company for year 2023 be considered and approved.</p> <p>7. THAT the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year ending 31 December 2023 and the authorisation to the Board to fix the remuneration of the auditors be considered and approved.</p> <p>8. THAT the purchase of liabilities insurance for the Company and its Directors, Supervisors and senior management be considered and approved.</p> <p>9. THAT the Directors' remuneration proposal for the eighth session of the Board be considered and approved.</p> <p>10. To consider and approve the resolutions in relation to the re-election or election of Directors of the eighth session of the Board (excluding the Independent Non-Executive Directors):</p> <p>10.01. THAT the re-election of Mr. Ke Ruiwen as an Executive Director of the Company be and is hereby considered and approved.</p> <p>10.02. THAT the re-election of Mr. Shao Guanglu as an Executive Director of the Company be and is hereby considered and approved.</p>

## SECTION IV CORPORATE GOVERNANCE REPORT

Session	Date	Designated websites for publishing resolutions	Resolutions of the Meeting
			<p>10.03. THAT the re-election of Mr. Liu Guiqing as an Executive Director of the Company be and is hereby considered and approved.</p> <p>10.04. THAT the re-election of Mr. Tang Ke as an Executive Director of the Company be and is hereby considered and approved.</p> <p>10.05. THAT the re-election of Mr. Xia Bing as an Executive Director of the Company be and is hereby considered and approved.</p> <p>10.06. THAT the re-election of Mr. Li Yinghui as an Executive Director of the Company be and is hereby considered and approved.</p> <p>10.07. THAT the election of Mr. Li Jun as an Executive Director of the Company be and is hereby considered and approved.</p> <p>10.08. THAT the re-election of Mr. Chen Shengguang as a Non-Executive Director of the Company be and is hereby considered and approved.</p> <p>11. To consider and approve the resolutions in relation to the re-election or election of Independent Non-Executive Directors of the eighth session of the Board:</p> <p>11.01. THAT the re-election of Mr. Ng, Kar Ling Johnny as an Independent Non-Executive Director of the Company be and is hereby considered and approved.</p> <p>11.02. THAT the re-election of Mr. Yeung Chi Wai, Jason as an Independent Non-Executive Director of the Company be and is hereby considered and approved.</p> <p>11.03. THAT the re-election of Mr. Chen Dongqi as an Independent Non-Executive Director of the Company be and is hereby considered and approved.</p>

## SECTION IV CORPORATE GOVERNANCE REPORT

Session	Date	Designated websites for publishing resolutions	Resolutions of the Meeting
			11.04.THAT the election of Madam Lyu Wei as an Independent Non-Executive Director of the Company be and is hereby considered and approved.
			12. To consider and approve the resolutions in relation to the re-election or election of Shareholder Representative Supervisors of the eighth session of the Supervisory Committee:
			12.01.THAT the re-election of Madam Han Fang as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved.
			12.02.THAT the election of Mr. Luo Zhendong as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved.
			12.03.THAT the re-election of Madam Wang Yibing as a Shareholder Representative Supervisor of the Company be and is hereby considered and approved.

During the Reporting Period, the Company held 2 general meetings, with all resolutions approved. For details, please refer to the relevant announcements published by the Company on the websites of the Stock Exchange and the Company.

The convening, holding, voting and other relevant procedures of the general meetings of the Company were in compliance with the laws and regulations, the Articles of Association of the Company, the Rules of Procedures of the Shareholders' General Meeting and other relevant requirements to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights.

## SECTION IV CORPORATE GOVERNANCE REPORT

### 2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT SINCE THE DATE OF THE 2022 ANNUAL REPORT

The term of office of the seventh session of the Board of Directors of the Company expired at the annual general meeting of the Company for the year 2022 held on 23 May 2023 (“2022 AGM”). Mr. Ke Ruiwen, Mr. Shao Guanglu, Mr. Liu Guiqing, Mr. Tang Ke, Mr. Xia Bing, Mr. Li Yinghui and Mr. Li Jun were re-elected or elected as Executive Directors of the eighth session of the Board of Directors of the Company, Mr. Chen Shengguang was re-elected as a Non-Executive Director of the eighth session of the Board of Directors of the Company, and Mr. Ng, Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei were re-elected or elected as Independent Non-Executive Directors of the eighth session of the Board of Directors of the Company at the 2022 AGM. The resignation of Madam Wang Hsuehming, an Independent Non-Executive Director of the seventh session of the Board, took effect on the date of election of the new Independent Non-Executive Director at the 2022 AGM.

The term of office of the seventh session of the Supervisory Committee of the Company expired at the 2022 AGM. Madam Han Fang, Mr. Luo Zhendong and Madam Wang Yibing were re-elected or elected as Shareholder Representative Supervisors of the eighth session of the Supervisory Committee of the Company at the 2022 AGM. Meanwhile, Mr. Zhang Jianbin and Madam Guan Lixin have been elected by the employees of the Company democratically as the Employee Representative Supervisors of the eighth session of the Supervisory Committee of the Company. Due to change in work arrangement, Mr. Dai Bin, an Employee Representative Supervisor, and Mr. Xu Shiguang, a Shareholder Representative Supervisor, of the seventh session of the Supervisory Committee retired from their positions as Supervisors of the Company with effect from 23 May 2023.

The appointment of the Directors and Supervisors for the eighth session of the Board and the Supervisory Committee took effect from 23 May 2023 for a term of three years until the annual general meeting of the Company for the year 2025 to be held in the year 2026. Remuneration of each Director is determined in accordance with the Directors’ remuneration proposal for the eighth session of the Board as approved by the shareholders of the Company at the 2022 AGM. Supervisors do not receive remuneration as Supervisors from the Company.

At the first meeting of the eighth session of the Board of Directors and the first meeting of the eighth session of the Supervisory Committee held on 23 May 2023, Mr. Ke Ruiwen was elected as the Chairman of the Company and re-appointed as the Chief Executive Officer of the Company, Mr. Shao Guanglu was re-appointed as the President and Chief Operating Officer of the Company, Mr. Liu Guiqing, Mr. Tang Ke, Mr. Xia Bing and Mr. Li Yinghui were re-appointed as Executive Vice Presidents of the Company, Mr. Li Yinghui was re-appointed as the Chief Financial Officer and Secretary of the Board, and Madam Han Fang was elected as the Chairlady of the eighth session of the Supervisory Committee.

The changes in the biographical information relating to the Directors and Supervisors of the Company since the publication of the 2022 Annual Report and the announcement of the Company dated 23 May 2023 are set out below:

Mr. Ng, Kar Ling Johnny, an Independent Non-Executive Director of the Company, no longer serves as an Independent Non-Executive Director of China Vanke Co., Ltd. which is listed on the Main Board of the HKSE and the Shenzhen Stock Exchange. Mr. Zhang Jianbin, an Employee Representative Supervisor of the Company, no longer serves as the Managing Director of the Legal Department (Compliance Management Department) of China Telecommunications Corporation and the Company.

## SECTION IV CORPORATE GOVERNANCE REPORT

Save as stated above, there is no other information of the Directors or Supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of the Directors, Supervisors and senior management are available on the website of the Company ([www.chinatelecom-h.com](http://www.chinatelecom-h.com)).

### 3. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE

The half-year proposal for profit distribution or conversion of capital reserve

Whether distributed or capitalised	Yes
Number of bonus shares for every 10 shares (share)	0
Dividend amount per 10 shares (RMB) (pre-tax)	1.432
Number of shares capitalised for every 10 shares (share)	0

#### Description on the proposal for profit distribution or conversion of capital reserve

After fully considering the returns to shareholders, the Company's profitability, cash flow level and capital needs for future development, the second meeting of the eighth session of the Board of the Company decided to distribute the interim dividend for 2023 to all shareholders in the aggregate amount of RMB13,104 million based on 65% of the profit attributable to equity holders of the Company in the amount of RMB20.15 billion. Based on the total share capital registered on the record date for the dividend distribution, and based on the Company's total share capital of 91,507,138,699 shares as at 30 June 2023, a dividend of RMB0.1432 per share (pre-tax) was declared and will be paid to all shareholders. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The Board has been authorised by 2022 AGM to decide the profit distribution proposal and the resolution for the proposed interim dividend was considered and approved at the second meeting of the eighth session of the Board of the Company on 8 August 2023.

## SECTION IV CORPORATE GOVERNANCE REPORT

### 4. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACT

The Company implemented two phases of share appreciation rights scheme in 2018 and 2021, respectively, to provide mid- to long-term incentives for key personnel (excluding the Executive Directors, Non-Executive Directors, Independent Non-Executive Directors, Supervisors and senior management of the Company).

The proposal in relation to completion of exercise conditions of the 2018 Share Appreciation Rights for key personnel of the Company was considered and approved at the 26th meeting of the seventh session of the Board on 3 February 2023. The Board confirmed that the exercise conditions of the 2018 Share Appreciation Rights have been met, and the Company would handle the matters in relation to the exercise of share appreciation rights.

As approved by the Board, according to the 2021 Share Appreciation Rights Proposal, the Company granted approximately 2,402 million H share appreciation rights to 7,908 key personnel of the Company with an exercise price of HK\$2.686.

Firstly, share appreciation rights are distributed based on contribution, adhering to the value-oriented principle and tilting towards units with remarkable high-quality development. Secondly, share appreciation rights are distributed based on potential, which adheres to the development orientation and tilts to the key areas of “Cloudification and Digital Transformation” and high-end and high-quality talents. Thirdly, share appreciation rights are granted based on performances. The Company adheres to the performance-oriented principle and closely links the number of rights exercised with the

Company’s performance and employees’ individual performance, and imposes penalties for failure to achieve performance targets.

The scheme does not involve the grant of shares or other securities of the Company or any of its principal subsidiaries (including the grant of options for the purchase of any of such shares or securities) and therefore, it does not fall within the scope of, and is not subject to, the requirements under Chapter 17 of the Listing Rules.

### 5. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company attaches great importance to corporate governance. We continued to make efforts in improving the Company’s internal control mechanisms, strengthening information disclosure and enhancing the Company’s transparency, continuously developing corporate governance practices and protecting shareholders’ interests to the maximum degree.

The roles of Chairman and Chief Executive Officer of the Company were performed by the same individual, for the six-month period ended 30 June 2023. In the Company’s opinion, through supervision by the Board of Directors and Independent Non-Executive Directors, with effective control of the Company’s internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can enhance the Company’s efficiency in decision-making and execution and effectively capture business opportunities. Many leading international corporations around the world also have similar arrangements.

Save as stated above, the Company has been in compliance with all the code provisions under the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 30 June 2023.

# SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

## 1. ENVIRONMENTAL INFORMATION

### (1) DESCRIPTION OF ENVIRONMENTAL PROTECTION OF THE COMPANY OTHER THAN KEY POLLUTANT DISCHARGING UNITS

The Company and its subsidiaries are not the key pollutant discharging units announced by the environmental protection department. The Company and its subsidiaries earnestly implement *the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and other environmental protection laws and regulations in their daily production and operation. The production and operation activities are in compliance with the relevant national environmental protection requirements.

### (2) RELEVANT INFORMATION ON PROTECTING THE ECOLOGY, PREVENTING AND CONTROLLING POLLUTION, AND FULFILLING ENVIRONMENTAL RESPONSIBILITIES

The Company firmly adheres to the principles of green development and is committed to implementing the national “dual-carbon” strategic goals, actively responds to climate change by promoting low-carbon operation and empowering the society to pursue sustainable growth.

1. The Company closely aligns with the national “dual-carbon” goal and its own strategic objectives, vigorously promotes “elements upgrading and integrated innovation”, emphasises on innovative development, and comprehensively promotes the green and low-carbon corporate transformation through the expansion and upgrade of the “1236” dual-carbon model into the “1248” dual-carbon action plan with eight major green initiatives and corresponding key measures.
2. Under the guidance of the national “dual-carbon” goal, the Company has been actively promoting low-carbon operations by building a green cloud-network, promoting green offices, green procurement, recycling, and optimising energy structures, and taking multiple measures to increase energy efficiency and reduce carbon emissions.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

3. The Company accelerates the green and low-carbon transformation of its business development mode, advocates green consumption by launching products and services such as cloud computers, cloud mobile phones, smart energy-saving applications and green IoT. The Company creates green IDC, green cloud hosts, smart cities and other products and services, accelerates the promotion and application of energy-saving and carbon-reducing technologies, and facilitates the formation of a green and low-carbon information and communication lifestyle.

### **(3) MEASURES TAKEN TO REDUCE CARBON EMISSIONS DURING THE REPORTING PERIOD AND THEIR EFFECTS**

The Company firmly follows the green and low-carbon high-quality development path, actively and steadily promotes carbon peaking and carbon neutrality, integrates green development into the whole process and all areas of production and operation, builds safe and green new information infrastructure with cloud-network integration, optimises energy structure, vigorously promotes advanced technologies of energy conservation and carbon reduction, empowers the digital and green transformation of the economy and society with a green and low-carbon product system, and accelerates the green reform in production and lifestyle. In the first half of the year, the Company reduced carbon emissions by more than 5 million tons and carbon emission intensity by more than 10% through a series of measures such as 4G/5G base station co-building and co-sharing, AI energy conservation, retirement of old equipment and green transformation of equipment rooms.

### **2. CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND PROSPERITY OF RURAL VILLAGES**

In the first half of 2023, the Company studied and planned the rural revitalisation and targeted support work for 2023. Putting the Company's edge in cloud-network integration into full play and leveraging on the construction of digital villages, the Company focused on areas such as industrial support, employment support and consumption support to better consolidate and expand the effective connections between the achievements of poverty alleviation and rural revitalisation.

The Company accelerated the implementation of key tasks for targeted support, directly purchased and assisted in selling agricultural products of RMB88 million, organised various types of talent training activities for 9,052 persons, provided employment for 1,325 persons in poverty alleviation areas, actively researched and developed digital village products and formulated the implementation plan for demonstration points, built 231,000 China Telecom digital villages and empowered rural industrial revitalisation, talent revitalisation, cultural revitalisation, ecological revitalisation and organisational revitalisation with the construction of digital villages.

The Company successfully completed all tasks for the targeted support assessment in 2022, and has achieved the highest rating for 5 consecutive years in the review and assessment of targeted support carried out by central units, ranking in the top ten in central state-owned enterprises.

*Note: This section contains the environmental and social responsibilities work of China Telecommunications Corporation, the Company's controlling shareholder, in the first half of 2023.*

# SECTION VI SIGNIFICANT EVENTS

## 1. PERFORMANCE OF UNDERTAKINGS

### (1) THE ULTIMATE CONTROLLER, SHAREHOLDERS, RELATED PARTIES, ACQUIRERS OF THE COMPANY, THE COMPANY, AND OTHER RELEVANT PARTIES OF THE UNDERTAKINGS DURING OR SUBSISTING TO THE REPORTING PERIOD

Background of undertaking	Type of undertakings	Undertaking party	Content of undertakings	Term for undertakings	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertakings
Undertakings related to the initial public offering	Restricted tradable shares	Controlling shareholder	Restrictions on the circulation of the shares and the shareholders' commitment to voluntary lock-up their shares	36 months from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Restricted tradable shares	Controlling shareholder, Guangdong Rising	Undertakings on intention to hold shares and intention to sell shares	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Resolving peer competition	Controlling shareholder	Non-competition undertaking	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Resolving related party transactions	Controlling shareholder, Guangdong Rising	Undertakings to regulate and reduce related party transactions	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Resolution of defects in property rights of land	Controlling shareholder	Loss-bearing commitment for defects in property rights of land	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	Controlling shareholder	Commitment to long-term use of trademark license	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	Controlling shareholder, the Company, directors and senior management other than independent directors and directors who do not receive remuneration from the Company	Undertakings to stabilise the share price	Within three years from the date of A Share listing of the Company	Yes	Yes	N/A	N/A

## SECTION VI SIGNIFICANT EVENTS

Background of undertaking	Type of undertakings	Undertaking party	Content of undertakings	Term for undertakings	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertakings
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors and senior management	Undertaking to adopt remedial measures for dilution of the immediate returns by the issuance of share	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors, supervisors and senior management	Undertaking that there is no false record, misleading statement, or material omission in the prospectus	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors, supervisors and senior management	Undertaking on binding measures for the failure to perform the commitment	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company	Undertaking on disclosure of shareholders' information	Long-term	Yes	Yes	N/A	N/A
Others	Dividend	The Company	Undertaking on the profit distribution policy and the arrangement in relation to the accumulated profits	Long-term	Yes	Yes	N/A	N/A

## SECTION VI SIGNIFICANT EVENTS

### 2. MATERIAL CONTRACTS AND PERFORMANCE

#### (1) TRUSTEESHIP, CONTRACTING AND LEASING

##### Leasing

The Company entered into the Commercial Pricing Agreement and the Service Agreement with China Tower with a term of five years commencing from 1 January 2023 to 31 December 2027. Assets leased and services received by the Company from China Tower as stipulated in the agreements include: (1) tower products, including new towers, i.e., tower products other than acquired towers, and acquired towers, i.e. tower products acquired by China Tower pursuant to prior transaction agreements; (2) indoor distribution system products: indoor distribution systems for commercial buildings and tunnels; (3) transmission products: pipelines, pole lines, optical fiber, public manholes and routes to sites, etc.; (4) service products: power service, gasoline or diesel power generation service and extra battery assurance service. For details, please refer to the announcement dated 13 December 2022 and the supplemental circular dated 19 December 2022 published by the Company and “22. Related Party Transactions” of “Notes to the Unaudited Condensed Consolidated Interim Financial Information” in Section VIII “Interim Financial Information” of this report.

#### (2) MATERIAL GUARANTEES PERFORMED AND NOT YET FULFILLED DURING THE REPORTING PERIOD

Unit: yuan Currency: Renminbi

##### External guarantees provided by the Company (excluding guarantees provided to its subsidiaries)

Total amount of guarantees incurred during the Reporting Period (excluding those provided to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	0

##### Guarantees provided by the Company to its subsidiaries

Total amount of guarantees provided to subsidiaries incurred during the Reporting Period	20,171,236.58
Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B)	45,513,445.08

## SECTION VI SIGNIFICANT EVENTS

### Aggregate guarantees of the Company (including those guarantees provided to its subsidiaries)

Aggregate amount of guarantees (A + B)	45,513,445.08
Percentage of total aggregate amount of guarantee to net assets of the Company (%)	0.0101
Representing:	
Amount of guarantees provided for shareholders, ultimate controller and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	0
Amount of total guarantee exceeding 50% of net assets (E)	0
Aggregate amount of the above three guarantees (C + D + E)	0
Explanation on the potential joint and several liability for outstanding guarantees	Nil

Clarification of guarantee

During the Reporting Period, there was no additional guarantee provided by the Company. The external guarantees provided by the Company were non-financing guarantees provided by China Telecom Group Finance Co., Ltd. and China Telecom Global Limited, both being subsidiaries of the Company, to wholly-owned subsidiaries of the Company. If the amount of the above-mentioned external guarantees involves foreign currency, it would be converted at the median rate for the exchange rate of RMB announced by the People's Bank of China on 30 June 2023.

## SECTION VI SIGNIFICANT EVENTS

### **(1) Description of guarantees during the Reporting Period**

According to the needs of daily production and operation, China Telecom Finance and China Telecom Global, both being subsidiaries of the Company (hereinafter referred to as the Company's wholly-owned and holding subsidiaries), contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2022, in an aggregate amount of not exceeding RMB205.80 million (or equivalent foreign currency). The guarantee limit was valid until 31 March 2023. The guaranteed entities are all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, China Telecom Finance and China Telecom Global have separately performed relevant internal decision-making procedures for the above guarantees. For details, please refer to the "Announcement on the Plan for External Guarantee for 2022 of China Telecom Corporation Limited" disclosed by the Company on 30 March 2022. Within the scope of the above guarantee limits, China Telecom Finance, a subsidiary of the Company, entered into an agreement of guarantee with China Telecom Digital Intelligence Technology on 29 December 2022, pursuant to which China Telecom Finance agreed to provide guarantee to China Telecom Digital Intelligence Technology with a limit of not more than RMB150 million.

According to the needs of daily production and operation, China Telecom Finance, China Telecom Global and China Telecom Middle East FZ-LLC, all being subsidiaries of the Company, contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2023, in an aggregate amount of not exceeding RMB393.50 million (or equivalent foreign currency). The guarantee limit is valid until 31 March 2024. The guaranteed entities are all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, the guarantors have separately performed relevant internal decision-making procedures for the above guarantees. For details, please refer to the "Announcement on the Plan for External Guarantee for 2023 of China Telecom Corporation Limited" disclosed by the Company on 30 March 2023.

## SECTION VI SIGNIFICANT EVENTS

### (2) The progress of guarantees during the Reporting Period

In the second quarter of 2023 and within the scope of the guarantee limit under the agreement of guarantee described above, China Telecom Finance provided five guarantees totaling RMB14.591 million to China Telecom Digital Intelligence Technology. The details of the guarantees are as follows:

Guarantor	Guaranteed party	Amount of guarantee (RMB)	Guarantee period	Type of guarantee	Method of guarantee
China Telecom Group Finance Co., Ltd.	China Telecom Digital Intelligence Technology Co., Ltd Shanxi Branch	186,567.19	24 April 2023 to 26 February 2025	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd Sichuan Branch	998,800.00	6 May 2023 to 3 May 2025	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd Xinjiang Branch	10,915,611.39	9 May 2023 to 30 September 2023	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd Sichuan Branch	2,000,000.00	19 June 2023 to 31 December 2023	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd Shaanxi Branch	490,000.00	20 June 2023 to 15 June 2025	Non-financing guarantee	Performance guarantee

Note: For details of the progress of guarantees during the first quarter of 2023, please refer to the 2023 First Quarter Report of China Telecom Corporation Limited published on 20 April 2023.

### (3) The cumulative amount of guarantees and the amount of overdue guarantees

As at the end of the Reporting Period, the balance of external guarantees provided by the Company and its subsidiaries was RMB45.5134 million, all of which were guarantees provided by subsidiaries of the Company to other wholly-owned subsidiaries of the Company. The Company did not provide guarantees to its subsidiaries or third parties, and there was no overdue guarantee.

Any amount of the above-mentioned external guarantees involving foreign currency is converted at the median rate of the exchange rate of RMB announced by the People's Bank of China on 30 June 2023.

## SECTION VI SIGNIFICANT EVENTS

### 3. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

On 27 January 2022, the Company published the “Announcement on Measures of the Share Price Stabilisation of China Telecom Corporation Limited”. According to the “Proposal regarding the Price Stabilisation Plan of A Shares within Three Years Following the Initial Public Offering and Listing of RMB ordinary shares (A Shares) of China Telecom Corporation Limited”, China Telecommunications, the controlling shareholder of the Company, intended to take measures to stabilise share price by increasing its A Shares holding of the Company. China Telecommunications proposed to increase its holding in A Shares of the Company by the amount of not less than RMB500 million, as and when appropriate, during the twelve-month period from 28 January 2022. There is no price range for the shareholding increase. The source of funding for the increase will be self-owned capital fund. In view of the fair judgement on the Company’s share price, China Telecommunications would gradually implement the plan on shareholding increase taking into account of the fluctuations in the Company’s share price and the overall trend of the capital market. On 19 January 2023, the Company published the “Announcement on Completion of Implementation of the Share Price Stabilisation Measures of China Telecom Corporation Limited”. As of 18 January 2023, the implementation of the share price stabilisation measures has been completed. From 28 January 2022 to 18 January 2023, China

Telecommunications increased its shareholding in the Company by 114,315,800 A Shares in aggregate through the trading system of the SSE by way of block trading. The cumulative amount of the shareholding increase was RMB500,634,553.94, which has reached the lower limit of the amount of the shareholding increase plan. The implementation of the above share price stabilisation measures has been completed. As of 18 January 2023, China Telecommunications held 58,476,519,174 A Shares of the Company, representing 63.90% of the total issued shares of the Company.

# SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

## 1. CHANGES IN SHARE CAPITAL

The total number of shares and share capital structure of the Company remained unchanged during the Reporting Period.

## 2. INFORMATION ON SHAREHOLDERS

### (1) TOTAL NUMBER OF SHAREHOLDERS

Total number of ordinary shareholders as at the end of the Reporting Period	392,094
Total number of holders of preference shares with reinstated voting rights as at the end of the Reporting Period	N/A

### (2) SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS AND THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES (OR SHAREHOLDERS OF UNRESTRICTED SHARES) AS AT THE END OF THE REPORTING PERIOD

Unit: shares

Name of shareholder (Full name)	Changes during the Reporting Period	Shareholdings of the top ten shareholders		Number of shares held with lock-up restrictions	Pledge, marking or freezing conditions Status of shares	Quantity	Nature of shareholder
		Number of shares held at the end of the Reporting Period	Percentage (%)				
China Telecommunications Corporation	111,932,400	58,476,519,174	63.90	57,377,053,317	Nil	0	State-owned legal person
HKSCC Nominees Limited	436,000	13,847,261,338	15.13	0	Nil	0	Foreign legal person
Guangdong Rising Holdings Group Co., Ltd.	-400,000,000	5,214,082,653	5.70	0	Nil	0	State-owned legal person
Zhejiang Provincial Financial Development Co., Ltd.	0	2,137,473,626	2.34	0	Nil	0	State-owned legal person
Jiangsu Guoxin Group Limited	0	957,031,543	1.05	0	Nil	0	State-owned legal person
Fujian Investment & Development Group Co., Ltd.	-48,000,000	920,294,182	1.01	0	Nil	0	State-owned legal person
China Life Insurance Company Limited – Traditional – General insurance products – 005L – CT001 Shanghai	530,029,515	541,192,496	0.59	0	Nil	0	Unknown
State Grid Yingda International Holdings Group Co., Ltd.	0	441,501,000	0.48	0	Nil	0	State-owned legal person

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### Shareholdings of the top ten shareholders

Name of shareholder (Full name)	Changes during the Reporting Period	Number of shares held at the end of the Reporting Period		Percentage (%)	Number of shares held with lock-up restrictions	Pledge, marking or freezing conditions		Nature of shareholder
						Status of shares	Quantity	
Guangdong Rising Holdings Group Co., Ltd. – Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023	400,000,000	400,000,000	0.44	0	Pledge	400,000,000	Unknown	
China Life Insurance Company Limited – Dividend – Individual dividend – 005L – FH002 Shanghai	N/A	241,602,495	0.26	0	Nil	0	Unknown	

### Shareholdings of the top ten shareholders without lock-up restriction

Name of shareholder	Number of tradable shares held without lock-up restriction	Class and number of shares	
		Class	Quantity
HKSCC Nominees Limited	13,847,261,338	Overseas-listed foreign- invested shares	13,847,261,338
Guangdong Rising Holdings Group Co., Ltd.	5,214,082,653	RMB ordinary shares	5,214,082,653
Zhejiang Provincial Financial Development Co., Ltd.	2,137,473,626	RMB ordinary shares	2,137,473,626
China Telecommunications Corporation	1,099,465,857	RMB ordinary shares	1,099,465,857
Jiangsu Guoxin Group Limited	957,031,543	RMB ordinary shares	957,031,543
Fujian Investment & Development Group Co., Ltd.	920,294,182	RMB ordinary shares	920,294,182
China Life Insurance Company Limited – Traditional – General insurance products – 005L – CT001 Shanghai	541,192,496	RMB ordinary shares	541,192,496
State Grid Yingda International Holdings Group Co., Ltd.	441,501,000	RMB ordinary shares	441,501,000

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### Shareholdings of the top ten shareholders without lock-up restriction

Name of shareholder	Number of tradable shares held without lock-up restriction	Class	Class and number of shares Quantity
Guangdong Rising Holdings Group Co., Ltd. – Special account for pledge of non-public issuance of exchangeable company bonds (first phase) for professional investors in 2023	400,000,000	RMB ordinary shares	400,000,000
China Life Insurance Company Limited – Dividend – Individual dividend – 005L – FH002 Shanghai	241,602,495	RMB ordinary shares	241,602,495
Explanation on the securities account designated for share repurchase of the top ten shareholders	N/A		
Explanation on the voting rights entrusted by or waived by the above shareholders	N/A		
Description of connected relationship or acting in concert among the aforementioned shareholders	The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.		
Description of the holders of preference shares with restored voting rights and their shareholding	N/A		

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### Shareholdings of the top ten shareholders with lock-up restrictions

Unit: shares

No.	Name of shareholders with lock-up restrictions	Number of shares held with lock-up restrictions	Listing and trading of shares with lock-up restrictions		Lock-up restrictions
			Date of listing and trading	Number of new shares available for listing and trading	
1	China Telecommunications Corporation	57,377,053,317	2024-08-20	0	Lock-up for 36 months from the date of listing
2	Huawei Technologies Co., Ltd	220,750,000	2024-08-20	0	Lock-up for 36 months from the date of listing
3	Oriental Pearl Group Co., Ltd.	110,375,000	2024-08-20	0	Lock-up for 36 months from the date of listing
4	Sangfor Technologies Inc.	110,375,000	2024-08-20	0	Lock-up for 36 months from the date of listing
5	Shanghai Bilibili Technology Co., Ltd.	110,375,000	2024-08-20	0	Lock-up for 36 months from the date of listing
6	DBAPP Security Co., Ltd.	110,375,000	2024-08-20	0	Lock-up for 36 months from the date of listing
Description of connected relationship or acting in concert among the aforementioned shareholders		The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.			

### (3) STRATEGIC INVESTORS OR OTHER LEGAL PERSONS WHO BECAME TOP TEN SHAREHOLDERS DUE TO ALLOTMENT OF NEW SHARES

Names of strategic investors or other legal persons	Agreed shareholding start date	Agreed shareholding end date
State Grid Yingda International Holdings Group Co., Ltd.	20 August 2021	–
Description of agreed term of shareholding in respect of strategic investors and general legal persons' participation in placing of new shares	Lock-up for 12 months from the date of listing, and the lock-up was released on 22 August 2022.	

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**To the Board of Directors of China Telecom Corporation Limited**

*(incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 54 to 83, which comprises the condensed consolidated statement of financial position of China Telecom Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## SECTION VIII INTERIM FINANCIAL INFORMATION

### REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

#### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 8 August 2023

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

at 30 June 2023 (Amounts in million)

	Notes	30 June 2023 RMB	31 December 2022 RMB
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	5	400,642	413,963
Construction in progress	5	74,492	58,443
Right-of-use assets		81,008	87,055
Goodwill		29,924	29,922
Intangible assets		19,716	20,780
Interests in associates and joint ventures	6	42,019	42,220
Financial assets at fair value through profit or loss	21	427	402
Equity instruments at fair value through other comprehensive income	21	990	885
Deferred tax assets		1,694	3,821
Other assets		8,963	9,135
<b>Total non-current assets</b>		<b>659,875</b>	<b>666,626</b>
<b>Current assets</b>			
Inventories		4,850	3,513
Income tax recoverable		96	154
Accounts receivable, net	7	46,732	24,312
Contract assets		3,614	3,042
Prepayments and other current assets		32,947	33,751
Short-term bank deposits and restricted cash		8,574	3,835
Cash and cash equivalents	8	83,698	72,465
<b>Total current assets</b>		<b>180,511</b>	<b>141,072</b>
<b>Total assets</b>		<b>840,386</b>	<b>807,698</b>

## SECTION VIII INTERIM FINANCIAL INFORMATION

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

at 30 June 2023 (Amounts in million)

	Notes	30 June 2023 RMB	31 December 2022 RMB
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term debts	9	2,908	2,840
Current portion of long-term debts	9	1,133	3,160
Accounts payable	10	150,431	127,260
Accrued expenses and other payables		74,115	65,229
Contract liabilities		59,622	67,841
Income tax payable		3,187	919
Current portion of lease liabilities		14,187	14,488
<b>Total current liabilities</b>		<b>305,583</b>	281,737
<b>Net current liabilities</b>		<b>(125,072)</b>	(140,665)
<b>Total assets less current liabilities</b>		<b>534,803</b>	525,961
<b>Non-current liabilities</b>			
Long-term debts	9	4,015	4,484
Lease liabilities		47,260	52,408
Deferred tax liabilities		27,494	27,945
Other non-current liabilities		6,107	4,697
<b>Total non-current liabilities</b>		<b>84,876</b>	89,534
<b>Total liabilities</b>		<b>390,459</b>	371,271
<b>Equity</b>			
Share capital		91,507	91,507
Reserves		354,061	340,582
<b>Total equity attributable to equity holders of the Company</b>		<b>445,568</b>	432,089
<b>Non-controlling interests</b>		<b>4,359</b>	4,338
<b>Total equity</b>		<b>449,927</b>	436,427
<b>Total liabilities and equity</b>		<b>840,386</b>	807,698

The notes on pages 62 to 83 form part of the condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six-month period ended 30 June 2023 (Amounts in million except for per share data)

	Notes	Six-month period ended 30 June	
		2023 RMB	2022 RMB
<b>Operating revenues</b>	11	<b>260,664</b>	242,319
<b>Operating expenses</b>			
Depreciation and amortisation		<b>(47,838)</b>	(46,735)
Network operations and support	12	<b>(76,052)</b>	(70,051)
Selling, general and administrative	13	<b>(32,839)</b>	(32,026)
Personnel expenses	14	<b>(48,998)</b>	(44,618)
Other operating expenses	15	<b>(29,429)</b>	(25,776)
<b>Total operating expenses</b>		<b>(235,156)</b>	(219,206)
<b>Operating profit</b>		<b>25,508</b>	23,113
Net finance costs	16	<b>(483)</b>	(30)
Investment income and others		<b>159</b>	9
Share of profits of associates and joint ventures		<b>996</b>	833
<b>Profit before taxation</b>		<b>26,180</b>	23,925
Income tax	17	<b>(6,006)</b>	(5,572)
<b>Profit for the period</b>		<b>20,174</b>	18,353
<b>Other comprehensive income for the period</b>			
<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		<b>89</b>	(205)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income		<b>(24)</b>	48
		<b>65</b>	(157)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of subsidiaries outside mainland China		<b>201</b>	354
Share of other comprehensive income of associates and joint ventures		<b>2</b>	–
		<b>203</b>	354
<b>Other comprehensive income for the period, net of tax</b>		<b>268</b>	197
<b>Total comprehensive income for the period</b>		<b>20,442</b>	18,550

## SECTION VIII INTERIM FINANCIAL INFORMATION

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

for the six-month period ended 30 June 2023 (Amounts in million except for per share data)

	Notes	Six-month period ended 30 June	
		2023 RMB	2022 RMB
<b>Profit attributable to</b>			
Equity holders of the Company		<b>20,153</b>	18,291
Non-controlling interests		<b>21</b>	62
<b>Profit for the period</b>		<b>20,174</b>	18,353
<b>Total comprehensive income attributable to</b>			
Equity holders of the Company		<b>20,421</b>	18,488
Non-controlling interests		<b>21</b>	62
<b>Total comprehensive income for the period</b>		<b>20,442</b>	18,550
<b>Basic earnings per share (RMB)</b>	19	<b>0.22</b>	0.20
<b>Diluted earnings per share (RMB)</b>	19	<b>0.22</b>	0.20
<b>Number of shares (in million)</b>	19	<b>91,507</b>	91,507

The notes on pages 62 to 83 form part of the condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six-month period ended 30 June 2023 (Amounts in million)

Attributable to equity holders of the Company												
	Notes	General								Total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Share premium	Surplus reserves	risk reserve	Other reserves	Exchange reserve	Retained earnings			
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January 2022		91,507	17,892	47,687	82,277	97	298	(1,170)	190,090	428,678	2,495	431,173
Profit for the period		-	-	-	-	-	-	-	18,291	18,291	62	18,353
Other comprehensive income for the period		-	-	-	-	-	(157)	354	-	197	-	197
Total comprehensive income for the period		-	-	-	-	-	(157)	354	18,291	18,488	62	18,550
Share of associates and joint ventures' other changes in reserves		-	(12)	-	-	-	-	-	-	(12)	-	(12)
Dividends	18	-	-	-	-	-	-	-	(15,556)	(15,556)	-	(15,556)
Balance as at 30 June 2022		91,507	17,880	47,687	82,277	97	141	(816)	192,825	431,598	2,557	434,155
Balance as at 1 January 2023		<b>91,507</b>	<b>19,710</b>	<b>47,687</b>	<b>84,901</b>	<b>183</b>	<b>126</b>	<b>(458)</b>	<b>188,433</b>	<b>432,089</b>	<b>4,338</b>	<b>436,427</b>
Profit for the period		-	-	-	-	-	-	-	20,153	20,153	21	20,174
Other comprehensive income for the period		-	-	-	-	-	67	201	-	268	-	268
Total comprehensive income for the period		-	-	-	-	-	67	201	20,153	20,421	21	20,442
Share of associates and joint ventures' other changes in reserves		-	13	-	-	-	-	-	-	13	-	13
Dividends	18	-	-	-	-	-	-	-	(6,955)	(6,955)	-	(6,955)
Balance as at 30 June 2023		<b>91,507</b>	<b>19,723</b>	<b>47,687</b>	<b>84,901</b>	<b>183</b>	<b>193</b>	<b>(257)</b>	<b>201,631</b>	<b>445,568</b>	<b>4,359</b>	<b>449,927</b>

The notes on pages 62 to 83 form part of the condensed consolidated interim financial information.

## SECTION VIII INTERIM FINANCIAL INFORMATION

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six-month period ended 30 June 2023 (Amounts in million)

	Notes	Six-month period ended 30 June	
		2023	2022
		RMB	RMB
<b>Net cash from operating activities</b>	(a)	<b>65,536</b>	65,097
<b>Cash flows used in investing activities</b>			
Capital expenditure		<b>(28,318)</b>	(27,183)
Purchase of investments		<b>(15)</b>	(85)
Payments for right-of-use assets		<b>(9)</b>	(104)
Proceeds from disposal of property, plant and equipment		<b>200</b>	169
Proceeds from disposal of right-of-use assets		<b>1</b>	10
Proceeds from disposal of investments		<b>54</b>	14
Payments for equity instruments at fair value through other comprehensive income		<b>(15)</b>	–
Purchase of short-term bank deposits		<b>(5,952)</b>	(1,709)
Maturity of short-term bank deposits		<b>1,105</b>	159
Short-term loans granted to China Telecom Group by Finance Company	(b)	<b>(6,100)</b>	(6,000)
China Telecom Group's repayments of short-term loans granted by Finance Company	(b)	<b>6,071</b>	–
<b>Net cash used in investing activities</b>		<b>(32,978)</b>	(34,729)
<b>Cash flows used in financing activities</b>			
Repayments of principal of lease liabilities		<b>(6,553)</b>	(6,237)
Proceeds from bank and other loans		<b>2,071</b>	2,021
Repayments of bank and other loans		<b>(5,791)</b>	(7,555)
Payments of dividends		<b>(5,900)</b>	(13,197)
Distribution to non-controlling interests		<b>(1)</b>	(2)
Net deposits with Finance Company	(b)	<b>(5,495)</b>	(1,996)
Decrease/(Increase) in statutory deposit reserves placed by Finance Company	(b)	<b>268</b>	(175)
<b>Net cash used in financing activities</b>		<b>(21,401)</b>	(27,141)
<b>Net increase in cash and cash equivalents</b>		<b>11,157</b>	3,227
<b>Cash and cash equivalents as at 1 January</b>		<b>72,465</b>	73,281
<b>Effect of changes in foreign exchange rate</b>		<b>76</b>	328
<b>Cash and cash equivalents as at 30 June</b>		<b>83,698</b>	76,836

CONDENSED CONSOLIDATED STATEMENT OF  
CASH FLOWS (UNAUDITED)

for the six-month period ended 30 June 2023 (Amounts in million)

**(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH  
FROM OPERATING ACTIVITIES**

	<b>Six-month period</b>	
	<b>ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	RMB
<b>Profit before taxation</b>	<b>26,180</b>	23,925
Adjustment for:		
Depreciation and amortisation	<b>47,838</b>	46,735
Impairment losses for financial assets and contract assets, net of reversal	<b>2,646</b>	2,163
Write-down of inventories, net of reversal	<b>42</b>	73
Investment income and others	<b>(159)</b>	(9)
Share of profits of associates and joint ventures	<b>(996)</b>	(833)
Interest income	<b>(1,039)</b>	(805)
Net interest expense	<b>1,319</b>	940
Net foreign exchange gain or loss and others	<b>203</b>	(105)
Net loss on retirement and disposal of long-lived assets and others	<b>1,385</b>	2,204
	<b>77,419</b>	74,288
Increase in accounts receivable	<b>(25,088)</b>	(16,042)
Increase in contract assets	<b>(666)</b>	(1,061)
Increase in inventories	<b>(1,379)</b>	(921)
Decrease in prepayments and other current assets	<b>1,123</b>	1,267
Increase in restricted cash	<b>(78)</b>	(61)
Increase in other assets	<b>(356)</b>	(665)
Increase in accounts payable	<b>9,891</b>	7,275
Increase in accrued expenses and other payables	<b>14,113</b>	13,227
Decrease in contract liabilities	<b>(8,230)</b>	(10,598)
<b>Cash generated from operations</b>	<b>66,749</b>	66,709
Interest received	<b>943</b>	788
Interest paid	<b>(1,439)</b>	(1,114)
Investment income received	<b>1,313</b>	960
Income tax paid	<b>(2,030)</b>	(2,246)
<b>Net cash from operating activities</b>	<b>65,536</b>	65,097

## SECTION VIII INTERIM FINANCIAL INFORMATION

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

for the six-month period ended 30 June 2023 (Amounts in million)

**(b)** “Finance Company” refers to China Telecom Group Finance Co., Ltd., a subsidiary of the Company established on 8 January 2019, which provides capital and financial management services to the member units of China Telecommunications Corporation, the parent and ultimate holding company of the Company. These transactions are conducted on normal commercial terms or better.

#### **(c) SIGNIFICANT NON-CASH TRANSACTIONS**

For the six-month periods ended 30 June 2023 and 2022, the Group did not have significant non-cash investing and financing activities, except for the additions of right-of-use assets and lease liabilities.

The notes on pages 62 to 83 form part of the condensed consolidated interim financial information.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

## 1. PRINCIPAL ACTIVITIES

China Telecom Corporation Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 10 September 2002. The Company and its subsidiaries (hereinafter, collectively referred to as the “Group”) is a leading and large-scale full-service and integrated intelligent information services provider, providing its individual, household, government and enterprise customers with integrated intelligent information services.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “*Interim Financial Reporting*” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated interim financial information, which was authorised for issuance by the Board of Directors on 8 August 2023, reflects the unaudited financial position of the Group as at 30 June 2023 and the unaudited results of operations and cash flows of the Group for the six-month period then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2023.

The preparation of condensed consolidated interim financial information in conformity with IAS 34, “*Interim Financial Reporting*”, requires management to make judgments, estimates and assumptions about the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial information contains condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The condensed consolidated interim financial information should be read in conjunction with the Company’s 2022 annual financial statements. The Group’s policies on financial risk management were set out in the financial statements included in the Group’s 2022 Annual Report and there have been no significant changes in these policies for the six-month period ended 30 June 2023.

## SECTION VIII INTERIM FINANCIAL INFORMATION

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

## 2. BASIS OF PREPARATION (continued)

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Audit Committee of the Company. The condensed consolidated interim financial information has also been reviewed by the Company's international independent auditor in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As at 30 June 2023, the total current liabilities of the Group had exceeded the total current assets by RMB125,072 million (31 December 2022: RMB140,665 million). Management of the Company has assessed the Group's available sources of funds as follows: 1) the Group's continuous net cash inflow to be generated from its operating activities; 2) the unutilised credit facilities amounting to RMB237,003 million (31 December 2022: RMB233,639 million); and 3) the Group's other available sources of financing from domestic banks in mainland China and other financial institutions in view of the Group's good credit history. Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the condensed consolidated interim financial information of the Group for the six-month period ended 30 June 2023 has been prepared on a going concern basis.

## 3. MATERIAL ACCOUNTING POLICIES

The condensed consolidated interim financial information is prepared on the historical cost basis as modified by the revaluation of certain financial instruments which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated interim financial information are the same as those followed in the preparation of the 2022 annual financial statements of the Group.

### Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are mandatorily effective for the current period:

IFRS 17, amendments to IAS 1, IFRS Practice Statement 2, IAS 8 and IAS 12.

The application of the above amendments to IFRSs in the current period has had no material effect on the Group's condensed consolidated interim financial information.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 4. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. For the periods presented, management has determined that the Group has one operating segment as the Group is only engaged in the integrated telecommunications business. The Group’s assets located outside mainland China and operating revenues derived from activities outside mainland China are less than 10% of the Group’s assets and operating revenues, respectively. No geographical area information has been presented as such amount is immaterial. No single external customer accounts for 10% or more of the Group’s operating revenues.

### 5. PROPERTY, PLANT AND EQUIPMENT, NET AND CONSTRUCTION IN PROGRESS

For the six-month period ended 30 June 2023, the Group acquired items of property, plant and equipment and construction in progress with an aggregate cost of RMB41,614 million (for the six-month period ended 30 June 2022: RMB41,548 million) and the depreciation of property, plant and equipment recognised in unaudited condensed consolidated statement of comprehensive income was RMB35,731 million (for the six-month period ended 30 June 2022: RMB34,797 million).

### 6. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Cost of investment in associates and joint ventures	<b>36,928</b>	36,964
Share of post-acquisition changes in net assets	<b>5,091</b>	5,256
	<b>42,019</b>	42,220

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 6. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in associates and joint ventures are accounted for under the equity method. Details of the Group's principal associates are as follows:

Name of company	Attributable equity interest	Principal activities
China Tower Corporation Limited (Note (i))	20.5%	Construction, maintenance and operation of communications towers as well as ancillary facilities
Shanghai Information Investment Incorporation (Note (ii))	24.0%	Information technology consulting services

Notes:

- (i) China Tower Corporation Limited ("China Tower") is established and operated in the PRC, and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 August 2018.
- (ii) Shanghai Information Investment Incorporation is established and operated in the PRC and is not traded on any stock exchange.

As at 30 June 2023, the fair value of investment in China Tower was RMB28,946 million (as at 31 December 2022: RMB27,078 million) based on its quoted market price, which was below its carrying amount by 26.1% (as at 31 December 2022: 31.0%). The management of the Group performed an impairment assessment and determined the recoverable amount of the investment based on the present value of expected future cash flows. Based on the management's assessment result, there was no impairment of the investment as at 30 June 2023.

#### 7. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	Note	30 June 2023 RMB million	31 December 2022 RMB million
Third parties		51,944	27,714
China Telecom Group	(i)	2,289	2,073
China Tower		15	23
Other telecommunications operators in the PRC		1,169	619
		55,417	30,429
Less: Allowance for credit losses		(8,685)	(6,117)
		46,732	24,312

Note:

- (i) China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as "China Telecom Group".

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 7. ACCOUNTS RECEIVABLE, NET (continued)

Ageing analysis of accounts receivable from telephone and Internet subscribers based on the billing dates is as follows:

	<b>30 June 2023</b>	31 December 2022
	RMB million	RMB million
Current, within 1 month	<b>9,340</b>	6,405
1 to 3 months	<b>3,185</b>	2,040
4 to 6 months	<b>1,394</b>	807
7 to 12 months	<b>1,173</b>	1,234
Over 12 months	<b>1,927</b>	1,317
	<b>17,019</b>	11,803
Less: Allowance for credit losses	<b>(4,492)</b>	(3,335)
	<b>12,527</b>	8,468

Ageing analysis of accounts receivable from other telecommunications operators and enterprise customers based on dates of rendering of services is as follows:

	<b>30 June 2023</b>	31 December 2022
	RMB million	RMB million
1 to 6 months	<b>29,228</b>	11,817
7 to 12 months	<b>3,742</b>	3,537
1 to 2 years	<b>2,960</b>	1,709
2 to 3 years	<b>1,041</b>	677
Over 3 years	<b>1,427</b>	886
	<b>38,398</b>	18,626
Less: Allowance for credit losses	<b>(4,193)</b>	(2,782)
	<b>34,205</b>	15,844

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 8. CASH AND CASH EQUIVALENTS

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Cash at bank and in hand	<b>80,558</b>	65,234
Time deposits with original maturity within three months	<b>3,140</b>	7,231
	<b>83,698</b>	72,465

#### 9. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Loans from banks – unsecured	<b>2,908</b>	2,840
Total short-term debts	<b>2,908</b>	2,840

The weighted average interest rate of the Group's total short-term debts as at 30 June 2023 was 3.1% (31 December 2022: 3.3%) per annum, and the loans bear interests at rates ranging from 2.8% to 3.5% (31 December 2022: 3.0% to 4.1%) per annum, which are repayable within one year.

NOTES TO THE UNAUDITED CONDENSED  
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

**9. SHORT-TERM AND LONG-TERM DEBTS (continued)**

Long-term debts comprise:

	Notes	<b>30 June 2023</b> RMB million	31 December 2022 RMB million
Loans from banks – unsecured	(i)	<b>5,147</b>	5,596
Other loans – unsecured		<b>1</b>	1
Company bonds – unsecured	(ii)	<b>–</b>	2,047
<b>Total long-term debts</b>		<b>5,148</b>	7,644
Less: Current portion		<b>(1,133)</b>	(3,160)
<b>Non-current portion</b>		<b>4,015</b>	4,484

Notes:

- (i) The loans from banks include long-term RMB denominated government loans with below-market interest rates ranging from 1.08% to 1.20% per annum obtained by the Group through banks (the "Low-interest Loans"). The Group recognised the Low-interest Loans at their fair value on initial recognition, and accreted the discount to profit or loss using the effective interest rate method. The difference between the fair value and face value of the Low-interest Loans was recognised as government grants in accrued expenses and other payables and other non-current liabilities.

As at 30 June 2023, the loans from banks and other loans bear interests at contractual rates ranging from 1.08% to 2.30% (31 December 2022: 1.08% to 2.30%) per annum with maturities through 2036.

- (ii) On 10 March 2020, the Group issued three-year RMB denominated company bonds, amounting to RMB2,000 million, to qualified investors on Shanghai Stock Exchange, with interest rate of 2.90% per annum. The company bonds are unsecured and have been fully repaid on 9 March 2023.

The Group's short-term and long-term debts do not contain any financial covenants. As at 30 June 2023, the Group had unutilised credit facilities amounting to RMB237,003 million (31 December 2022: RMB233,639 million).

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 10. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Third parties	<b>112,690</b>	98,076
China Telecom Group	<b>27,171</b>	23,971
China Tower	<b>9,554</b>	4,340
Other telecommunications operators in the PRC	<b>1,016</b>	873
	<b>150,431</b>	127,260

Amounts due to China Telecom Group and China Tower are payable in accordance with contractual terms which are similar to those terms offered by third parties.

Ageing analysis of accounts payable based on the due dates is as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Due within 1 month or on demand	<b>29,395</b>	22,078
Due after 1 month but within 3 months	<b>36,468</b>	28,308
Due after 3 months but within 6 months	<b>40,306</b>	33,280
Due after 6 months	<b>44,262</b>	43,594
	<b>150,431</b>	127,260

NOTES TO THE UNAUDITED CONDENSED  
CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

## 11. OPERATING REVENUES

## Disaggregation of revenues

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
<b>Type of goods or services</b>			
Service revenues		<b>235,977</b>	221,384
Mobile communications service revenues	(i)	<b>101,607</b>	98,956
Wireline and Smart Family service revenues	(ii)	<b>62,024</b>	59,871
Industrial Digitalisation service revenues	(iii)	<b>68,802</b>	58,932
Other service revenues	(iv)	<b>3,544</b>	3,625
Sales of goods and others	(v)	<b>24,687</b>	20,935
<b>Total operating revenues</b>		<b>260,664</b>	242,319
Revenue from customer contracts		<b>257,690</b>	239,349
Revenue from other sources and others		<b>2,974</b>	2,970
<b>Total operating revenues</b>		<b>260,664</b>	242,319
<b>Timing of revenue recognition</b>			
A point in time		<b>22,619</b>	18,835
Over time		<b>238,045</b>	223,484
<b>Total operating revenues</b>		<b>260,664</b>	242,319

Notes:

- (i) Represent primarily the aggregate amount of mobile communications service fees, mobile Internet access service fees, and short messaging service fees, etc., charged to customers for the provision of mobile services.
- (ii) Represent primarily the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees, etc., charged to customers for the provision of wireline services.
- (iii) Represent primarily the aggregate amount of fees charged to customers for the provision of Internet data centre services, cloud services, digital platform services, dedicated Internet access services, etc.
- (iv) Represent primarily the aggregate amount of revenues from property rental and other revenues.
- (v) Represent primarily revenues from sales of mobile terminal equipment as well as wireline communications equipment and government grants.

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 12. NETWORK OPERATIONS AND SUPPORT

	Note	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Operating and maintenance		<b>48,463</b>	42,654
Utility		<b>9,325</b>	9,102
Network resources usage and related fees	(i)	<b>14,707</b>	13,041
Others		<b>3,557</b>	5,254
		<b>76,052</b>	70,051

Note:

- (i) Network resources usage and related fees include fees in respect of the short-term leases and leases of low-value assets, variable lease payments not depending on an index or a rate and fees for non-lease components in respect of communications towers and related assets lease and the usage of network resources provided by third parties.

#### 13. SELLING, GENERAL AND ADMINISTRATIVE

	Note	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Channel commission and customer services expenses		<b>25,068</b>	24,930
Advertising and promotion expenses		<b>833</b>	891
Property and transportation related expenses		<b>1,261</b>	1,231
Research and development expenses	(i)	<b>1,001</b>	982
Others		<b>4,676</b>	3,992
		<b>32,839</b>	32,026

Note:

- (i) The item does not include depreciation and amortisation and personnel expenses related to research and development.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 14. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	Six-month period ended 30 June	
	2023	2022
	RMB million	RMB million
Network operations and support	<b>30,264</b>	28,491
Selling, general and administrative	<b>18,734</b>	16,127
	<b>48,998</b>	44,618

### 15. OTHER OPERATING EXPENSES

	Notes	Six-month period ended 30 June	
		2023	2022
		RMB million	RMB million
Interconnection charges	(i)	<b>6,757</b>	6,348
Cost of goods sold	(ii)	<b>21,780</b>	18,519
Donations		–	4
Others	(iii)	<b>892</b>	905
		<b>29,429</b>	25,776

Notes:

- (i) *Interconnection charges represent amounts incurred for the use of other domestic and foreign telecommunications operators' networks for delivery of voice and data traffic that originate from the Group's telecommunications networks.*
- (ii) *Cost of goods sold primarily represents cost of communications equipment sold.*
- (iii) *Others mainly include tax and surcharges other than value-added tax and income tax.*

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 16. NET FINANCE COSTS

	Six-month period ended 30 June	
	2023 RMB million	2022 RMB million
Interest expense on lease liabilities	1,107	714
Interest expense on short-term and long-term debts	258	278
Less: Interest expense capitalised*	(46)	(52)
Net interest expense	1,319	940
Interest income	(1,039)	(805)
Net foreign exchange gain or loss and others	203	(105)
	483	30
*Interest expense was capitalised in construction in progress at the following rates per annum	2.8%-3.6%	3.4%-3.7%

#### 17. INCOME TAX

Income tax in the profit or loss comprises:

	Six-month period ended 30 June	
	2023 RMB million	2022 RMB million
Provision for PRC income tax	4,230	4,709
Provision for income tax in other tax jurisdictions	125	99
Deferred taxation	1,651	764
	6,006	5,572

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 17. INCOME TAX (continued)

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Profit before taxation		<b>26,180</b>	23,925
Expected income tax expense at statutory tax rate of 25%	(i)	<b>6,545</b>	5,981
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		<b>(432)</b>	(237)
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	<b>(416)</b>	(316)
Differential tax rate on other subsidiaries' income	(ii)	<b>(22)</b>	(27)
Non-deductible expenses	(iii)	<b>424</b>	216
Non-taxable income	(iv)	<b>(260)</b>	(219)
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised		<b>353</b>	255
Others	(v)	<b>(186)</b>	(81)
Income tax expense		<b>6,006</b>	5,572

Notes:

- (i) Except for certain subsidiaries and branches which are mainly taxed at the preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of mainland China.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 8% to 35%.
- (iii) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iv) Amounts represent share of profits of associates and joint ventures and miscellaneous income which are not subject to income tax.
- (v) Amounts primarily represent settlement of tax filing differences of prior year annual tax return, etc.

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 18. DIVIDENDS

The Board of Directors has been authorised by 2022 Annual General Meeting to decide on the interim profit distribution plan. Pursuant to a resolution passed at the Board of Directors' meeting on 8 August 2023, the Board of Directors has resolved to declare an interim dividend of RMB0.1432 (equivalent to HK\$0.156524) per share (pre-tax), totalling approximately RMB13,104 million, for the six-month period ended 30 June 2023. The dividend has not been provided for in the condensed consolidated financial information for the six-month period ended 30 June 2023.

Pursuant to the shareholders' approval at the Annual General Meeting held on 23 May 2023, a final dividend of RMB0.076 (equivalent to HK\$0.085065) per share (pre-tax) totalling approximately RMB6,955 million in respect of the year ended 31 December 2022 was declared. The dividend of RMB5,900 million for A shares was paid on 9 June 2023, and the dividend of RMB1,055 million for H shares was paid on 21 July 2023.

Pursuant to a resolution at the Board of Directors' meeting on 16 August 2022, an interim dividend of RMB0.120 (equivalent to HK\$0.139523) per share (pre-tax) totalling approximately RMB10,981 million in respect of the six-month period ended 30 June 2022 was declared. The dividend of RMB9,316 million for A shares was paid on 8 September 2022, and the dividend of RMB1,665 million for H shares was paid on 14 October 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 19 May 2022, a final dividend of RMB0.170 (equivalent to HK\$0.197211) per share (pre-tax) totalling approximately RMB15,556 million in respect of the year ended 31 December 2021 was declared. The dividend of RMB13,197 million for A shares was paid on 8 June 2022, and the dividend of RMB2,359 million for H shares was paid on 18 July 2022.

#### 19. EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month periods ended 30 June 2023 and 2022 is based on the profit attributable to equity holders of the Company of RMB20,153 million and RMB18,291 million, respectively, divided by 91,507,138,699 shares in issue.

The amount of diluted earnings per share equals basic earnings per share as there were no potential ordinary shares in existence for the periods presented.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 20. CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had capital commitments as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Contracted for but not provided		
Property	<b>2,126</b>	1,584
Telecommunications network plant and equipment	<b>13,176</b>	15,023
	<b>15,302</b>	16,607

### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, bank deposits and restricted cash, equity instruments at fair value through other comprehensive income, accounts receivable, financial assets at fair value through profit or loss and financial assets included in prepayments and other current assets. Financial liabilities of the Group include short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables.

#### Fair Value Measurements

Based on IFRS 13, "Fair Value Measurement", the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

The fair values of the Group's financial instruments (other than long-term debts and financial instruments measured at fair value) approximate their carrying amounts due to the short-term maturity of these instruments.

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

##### Fair Value Measurements (continued)

The listed equity securities investments included in the Group's equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss are categorised as level 1 financial instruments. As at 30 June 2023, the fair value of the Group's listed equity securities investments is RMB851 million (31 December 2022: RMB762 million), based on quoted market price on PRC stock exchanges. The Group's investments in unlisted equity securities, included in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3. As at 30 June 2023, the fair value of the Group's financial instruments categorised as level 3 is RMB566 million (31 December 2022: RMB525 million). For the financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation methods or models used primarily include net asset value method and market comparable company model, etc. The input values of valuation models mainly include net asset value and expected yield rates, comparable company valuation multiples, etc.

The fair value of long-term debts is estimated by discounting future cash flows using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities. The fair value measurement of long-term debts is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debts, having considered the foreign currency denomination of the debts, ranged from 4.2% to 4.9% (31 December 2022: 2.9% to 4.9%). As at 30 June 2023 and 31 December 2022, the carrying amounts and fair values of the Group's long-term debts were as follows:

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB million	RMB million	RMB million	RMB million
Long-term debts	5,148	5,117	7,644	7,613

During both periods, there were no transfers among instruments in level 1, level 2 or level 3.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 22. RELATED PARTY TRANSACTIONS

#### (a) Transactions with China Telecom Group

The Group is a part of companies under China Telecommunications Corporation, a company owned by the PRC government, and has significant transactions and business relationships with members of China Telecom Group.

The principal transactions with China Telecom Group which were carried out in the ordinary course of business are as follows:

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Construction engineering and design services	(i)	<b>8,699</b>	7,232
Receiving ancillary services	(ii)	<b>10,590</b>	10,623
Interconnection revenues*	(iii)	<b>27</b>	24
Interconnection charges*	(iii)	<b>45</b>	50
Receiving community services	(iv)	<b>1,973</b>	1,838
Centralised services transaction revenues	(v)	<b>1,790</b>	1,845
Centralised services transaction expenses	(v)	<b>325</b>	607
Property and land use right lease income	(vi)	<b>16</b>	15
Property and land use right lease related expenses	(vii)	<b>345</b>	355
Addition to right-of-use assets	(vii)	<b>250</b>	314
Interest expense on lease liabilities	(vii)	<b>8</b>	10
Provision of IT services	(viii)	<b>945</b>	675
Receiving IT services	(viii)	<b>2,638</b>	1,897
Purchases of telecommunications equipment and materials	(ix)	<b>1,750</b>	2,185
Sales of telecommunications equipment and materials	(ix)	<b>2,110</b>	2,300
Internet applications channel services	(x)	<b>36</b>	28
Payment and digital finance related services	(xi)	<b>466</b>	534
Communications resources lease	(xii)	<b>245</b>	122
Net outflow of deposit by China Telecom Group with Finance Company*	(xiii)	<b>5,495</b>	1,996
Interest expense on the deposit by China Telecom Group with Finance Company*	(xiii)	<b>140</b>	110
Short-term loans granted by Finance Company to China Telecom Group	(xiii)	<b>6,100</b>	6,000
China Telecom Group's repayments of short-term loans granted by Finance Company	(xiii)	<b>(6,071)</b>	–
Interest income from loans granted by Finance Company to China Telecom Group	(xiii)	<b>126</b>	72
Receiving finance lease services	(xiv)	<b>1,901</b>	–

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# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

## 22. RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with China Telecom Group (continued)

\* *These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76 or 14A.90 of the Listing Rules.*

Notes:

- (i) *Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.*
- (ii) *Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.*
- (iii) *Represent amounts received and receivable from/paid and payable to China Telecom Group for interconnection of local and domestic long distance calls.*
- (iv) *Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, health care and other community services.*
- (v) *Represent related revenues and expenses shared between the Company and China Telecom Group for centralised services.*
- (vi) *Represent amounts of property lease fees received and receivable from China Telecom Group for leasing of properties and land use rights.*
- (vii) *Represent amounts in respect of the leasing of properties and land use rights from China Telecom Group, which include the fees for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate, fees for non-lease components, and right-of-use assets and related expenses recognised for leases.*
- (viii) *Represent IT services provided to and received from China Telecom Group.*
- (ix) *Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.*
- (x) *Represent amounts received and receivable from China Telecom Group in respect of Internet applications channel services, including the provision of communications channel and applications support platform and billing and deduction services, etc.*
- (xi) *Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.*
- (xii) *Represent amounts in respect of the leasing of related communications resources from China Telecom Group, including transmission network communications resources, wireless network communications resources and wireline access network communications resources, etc.*
- (xiii) *Represent amounts related to financial services provided by Finance Company to China Telecom Group, including loan service, deposit service and other financial services.*
- (xiv) *Represent amounts related to finance lease services provided by China Telecom Group, including finance lease services such as sale and leaseback, direct lease, etc., and related finance lease consulting services.*

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 22. RELATED PARTY TRANSACTIONS (continued)

#### (a) Transactions with China Telecom Group (continued)

Amounts due from/to China Telecom Group are summarised as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB million</b>	RMB million
Accounts receivable	<b>2,289</b>	2,073
Contract assets	<b>228</b>	180
Prepayments and other current assets	<b>9,027</b>	8,846
Other assets	<b>94</b>	92
Accounts payable	<b>27,171</b>	23,971
Accrued expenses and other payables	<b>16,244</b>	21,370
Contract liabilities	<b>132</b>	271
Lease liabilities	<b>691</b>	652

Amounts due from/to China Telecom Group, other than short-term loans granted by Finance Company included in prepayments and other current assets and deposit with Finance Company included in accrued expenses and other payables, bear no interest, are unsecured and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

As at 30 June 2023, short-term loans granted by Finance Company to China Telecom Group amounted to RMB8,100 million (31 December 2022: RMB8,071 million). Of the above loans, the interest rate for loans of RMB100 million is 4.00%; the interest rate for loans of RMB8,000 million is 3.18%, and both of the maturity dates are within one year.

The deposit interest rates provided by Finance Company to China Telecom Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of China Telecom Group and are conducted on normal commercial terms or better.

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### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 22. RELATED PARTY TRANSACTIONS (continued)

##### (b) Transactions with China Tower

The principal transactions with China Tower are as follows:

	Notes	Six-month period ended 30 June	
		2023 RMB million	2022 RMB million
Tower assets lease related expenses	(i)	6,290	6,011
Addition to right-of-use assets	(i)	1,571	1,109
Interest expenses on lease liabilities	(i)	609	224
Provision of IT services	(ii)	18	15

Notes:

- (i) Represent amounts in respect of the lease of tower assets. Tower assets lease related expenses include the variable lease payments not depending on an index or a rate, fees for non-lease components and right-of-use assets and related expenses recognised for leases.
- (ii) Represent IT and other ancillary services provided to China Tower.

Amounts due from/to China Tower are summarised as follows:

	30 June	31 December
	2023 RMB million	2022 RMB million
Accounts receivable	15	23
Prepayments and other current assets	191	43
Accounts payable	9,554	4,340
Accrued expenses and other payables	1,684	1,590
Lease liabilities	35,530	40,339

Amounts due from/to China Tower bear no interest, are unsecured and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

### 22. RELATED PARTY TRANSACTIONS (continued)

#### (c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group.

Key management personnel compensation of the Group is summarised as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB thousand</b>	RMB thousand
Short-term employee benefits	<b>3,539</b>	3,447
Post-employment benefits	<b>605</b>	444
	<b>4,144</b>	3,891

The above remuneration has been reflected in personnel expenses.

#### (d) Transactions with other government-related entities

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the parent company and its fellow subsidiaries (Note 22(a)) and China Tower (Note 22(b)), the Group has transactions that are collectively but not individually significant with other government-related entities, which include but not limited to the following:

- rendering and receiving services, including but not limited to telecommunications services
- sales and purchases of goods, properties and other assets
- lease of assets
- deposits and borrowings
- use of public utilities

## SECTION VIII INTERIM FINANCIAL INFORMATION

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2023

#### 22. RELATED PARTY TRANSACTIONS (continued)

##### (d) Transactions with other government-related entities (continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors of the Company believe the above information provides appropriate disclosure of related party transactions.

#### 23. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by provincial, autonomous regional and municipal governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 20% of the salaries, bonuses and certain allowances of employees. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's contributions to the above plans for the six-month period ended 30 June 2023 were RMB5,319 million (six-month period ended 30 June 2022: RMB4,699 million).

The amount payable for contributions to the above defined contribution retirement plans as at 30 June 2023 was RMB910 million (31 December 2022: RMB923 million).

#### 24. EVENTS AFTER THE REPORTING PERIOD

The dividend of RMB1,055 million for H shares (Note 18) of the Company was paid on 21 July 2023.

The Board of Directors has been authorised by 2022 Annual General Meeting to decide on the interim profit distribution plan. Pursuant to a resolution passed at the Board of Directors' meeting on 8 August 2023, the Board of Directors has resolved to declare an interim dividend of RMB0.1432 (equivalent to HK\$0.156524) per share (pre-tax), totalling approximately RMB13,104 million, for the six-month period ended 30 June 2023. The dividend has not been provided for in the condensed consolidated financial information for the six-month period ended 30 June 2023.



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