

Financial Review



In 2022, we made every effort to seize the valuable opportunities arising from the thriving digital economy and our business performance was remarkable: we achieved all-round growth in customer and enterprise values and shareholder returns, maintained double-digit growth in operating revenue, and continued to see satisfactory growth in net profit on top of our solid foundation.

Financial Review

	2022	2021	Change
Operating revenue (RMB million)	937,259	848,258	10.5%
Revenue from telecommunications services (RMB million)	812,058	751,409	8.1%
Revenue from sales of products and others (RMB million)	125,201	96,849	29.3%
EBITDA (RMB million)	329,176	311,008	5.8%
EBITDA margin	35.1%	36.7%	-1.6pp
Profit attributable to equity shareholders (RMB million)	125,459	116,148	8.0%
Margin of profit attributable to equity shareholders	13.4%	13.7%	-0.3pp
Basic earnings per share (RMB)	5.88	5.67	3.7%

We proactively pursued market expansion and, at the same time, strengthened our “All Members, All Elements, All Processes” cost control practices, thereby maintaining our profitability at a leading level among international first-class telecommunications operators and continuing to create value for our shareholders.

OPERATING REVENUE

In 2022, our operating revenue reached RMB937.3 billion, up by 10.5% year-on-year, of which revenue from telecommunications services was RMB812.1 billion, up by 8.1% year-on-year. We furthered value-oriented operations by leveraging our business scale, drove the comprehensive and integrated development of our CHBN markets, and achieved solid growth in revenue.

Revenue from Telecommunications Services

We furthered the integrated development of data access, applications and customer benefits, expedited customers’ migration to 5G, continued to boost 5G customer penetration rate, and saw noticeable success in our value-oriented operations. Our revenue from wireless data traffic services for the year was RMB395.9 billion, up by 0.8% year-on-year.

Our revenue from SMS & MMS services for the year was RMB31.3 billion, up by 0.8% year-on-year. The growth in revenue was primarily fostered by our furtherance in value-oriented operations in our SMS business.

Our broadband business continued to expand as we enhanced the quality and coverage of our broadband services, and as we accelerated the transformation and upgrade of our “Home” business towards HDICT integrated solutions. Our revenue from wireline broadband services continued to grow rapidly and reached RMB105.0 billion, up by 11.5% year-on-year, and its relative contribution to revenue from telecommunications services increased year-on-year.

Benefiting from rapid growth across DICT and other businesses in the “Business” market, “Mobile HD” and other value-added services in the “Home” market, as well as “MIGU Video” and other businesses in the “New” market, our revenue from applications and information services for the year reached RMB182.5 billion, up by 33.2% year-on-year, and contributed 6.1 percentage points of the increase in revenue from telecommunications services. It maintained a solid growth momentum and contributed to the further optimization of our overall revenue structure.

Revenue from Sales of Products and Others

Driven by sales of handsets, ICT equipment and other smart devices, our revenue from sales of products and others was RMB125.2 billion, up by 29.3% year-on-year. Our device sales business mainly serves to support the expansion of our principal telecommunications businesses, and hence its contribution to our profit is relatively low.

Financial Review

OPERATING EXPENSES

We actively promoted our low-cost, high-efficiency operating model, stepped up measures to reduce costs and enhance efficiency, strengthened our “All Members, All Elements, All Processes” cost control practices, and continued to improve and refine our management. Meanwhile, we constantly optimized the structure of resource deployment, and endeavoured to strike a balance between short-term operating results and long-term development, in order to maintain our sound profitability.

In 2022, our operating expenses were RMB808.2 billion, up by 10.7% year-on-year. Our operating expenses represented 86.2% of our operating revenue.

	2022 RMB million	2021 RMB million	Change
Operating expenses	808,160	730,295	10.7%
Network operation and support expenses	254,182	225,010	13.0%
Depreciation and amortization	200,077	193,045	3.6%
Employee benefit and related expenses	130,157	118,680	9.7%
Selling expenses	49,592	48,243	2.8%
Cost of products sold	122,743	96,083	27.7%
Other operating expenses	51,409	49,234	4.4%

Network Operation and Support Expenses

Network operation and support expenses were RMB254.2 billion, up by 13.0% year-on-year and representing 27.1% of operating revenue. Of which, maintenance, operation support and related expenses saw a 17.6% increase year-on-year and reached RMB161.3 billion, primarily driven by rapid commissioning of new infrastructure projects and increased transformation-related investments.

Depreciation and Amortization

Depreciation and amortization were RMB200.1 billion, up by 3.6% year-on-year and representing 21.3% of operating revenue. The increase was primarily driven by increased assets as we accelerated network upgrades and business transformation. In 2021, we made an adjustment in the residual value of certain assets; depreciation and amortization would have increased by 9.0% without the effect of such adjustment.

Employee Benefit and Related Expenses

Employee benefit and related expenses were RMB130.2 billion, up by 9.7% year-on-year and representing 13.9% of operating revenue. We continued to refine and optimize our workforce structure, and stepped up our investments in recruitment and training of talents in digital-intelligent areas, to provide solid talent support for our reform, innovation, transformation and development.

Selling Expenses

Selling expenses were RMB49.6 billion, up by 2.8% year-on-year and representing 5.3% of operating revenue, down by 0.4 percentage points year-on-year. We rapidly advanced transformation of channels, and constantly upgraded our online sales and services capabilities.

Cost of Products Sold

Cost of products sold was RMB122.7 billion, up by 27.7% year-on-year and representing 13.1% of operating revenue. The increase was primarily driven by the growth in revenue from sales of products.

Financial Review

Other Operating Expenses

Other operating expenses were RMB51.4 billion, up by 4.4% year-on-year and representing 5.5% of operating revenue. We further strengthened cost efficiency management and maintained sound control over the growth in other operating expenses.

Profitability

In 2022, we continued to improve the quality and efficiency of our operations, enhanced our value to shareholders, and maintained an industry-leading level of profitability. Profit from operations was RMB129.1 billion, up by 9.4% year-on-year. EBITDA was RMB329.2 billion, up by 5.8% year-on-year, and EBITDA margin was 35.1%, down by 1.6 percentage points year-on-year. Benefiting from steady growth in revenue and better cost control, profit attributable to equity shareholders was RMB125.5 billion in 2022, up by 8.0% year-on-year. The margin of profit attributable to equity shareholders was 13.4%.

	2022 RMB million	2021 RMB million	Change
Profit from operations	129,099	117,963	9.4%
Other gains	9,388	8,257	13.7%
Interest and other income	15,729	16,729	-6.0%
Finance costs	2,330	2,679	-13.0%
Income from investments accounted for using the equity method	10,986	11,914	-7.8%
Taxation	37,278	35,878	3.9%
Profit attributable to equity shareholders	125,459	116,148	8.0%

CAPITAL STRUCTURE

Our financial position continued to remain robust. As at the end of 2022, total assets and total liabilities were RMB1,935.5 billion and RMB634.1 billion, respectively. The liabilities to assets ratio was 32.8%.

We consistently and firmly adhered to our prudent financial risk management policies and maintained sound repayment capabilities. The effective interest coverage multiple was 64 times.

	As at 31 December 2022 RMB million	As at 31 December 2021 RMB million	Change
Current assets	456,371	595,371	-23.3%
Non-current assets	1,479,167	1,245,956	18.7%
Total assets	1,935,538	1,841,327	5.1%
Current liabilities	533,337	582,148	-8.4%
Non-current liabilities	100,778	48,887	106.1%
Total liabilities	634,115	631,035	0.5%
Non-controlling interests	4,075	3,942	3.4%
Total equity attributable to equity shareholders	1,297,348	1,206,350	7.5%
Total equity	1,301,423	1,210,292	7.5%

Financial Review

FUND MANAGEMENT AND CASH FLOW

We consistently and firmly adhered to our sound and prudent financial policies and stringent fund management systems, and strived to maintain a healthy cash flow and ensure the safety and integrity of our funds through our highly centralized management of investing and financing activities. Meanwhile, we continued to reinforce our centralized fund management efforts and made appropriate allocations of our funds, thereby fully leveraging our fund scale efficiency.

In 2022, our cash flow remained healthy. Net cash generated from operating activities was RMB280.8 billion, down by 10.8% year-on-year. The decrease was primarily driven by delayed settlement of receivables under the influence of the macro-economic environment and, at the same time, we accelerated settlement of payables to support development of our industry chain. Net cash used in investing activities was RMB238.1 billion, down by 0.1% year-on-year. Net cash used in financing activities was RMB120.5 billion, up by 166.6% year-on-year. Free cash flow was RMB95.6 billion, down by 27.2% year-on-year. As at the end of 2022, our total cash and bank balances were RMB269.4 billion, of which 94.2%, 1.5% and 4.2% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively. Our robust fund management and healthy cash flow provided a solid foundation for our sustainable and healthy development.

	2022 RMB million	2021 RMB million	Change
Net cash generated from operating activities	280,750	314,764	-10.8%
Net cash used in investing activities	238,053	238,296	-0.1%
Net cash used in financing activities	120,514	45,201	166.6%
Free cash flow	95,566	131,184	-27.2%

CREDIT RATINGS

Currently, the Company's corporate credit ratings are equivalent to China's sovereign credit ratings, namely, A+/Outlook Stable from Standard & Poor's and A1/Outlook Stable from Moody's. These ratings reflect that our sound financial strength, favourable business potential and solid financial management are highly recognized by the market.