



Flash Note: China Telecom (00728 HK)

快讯: 中国电信 (00728 HK)

Gin Yu 余劲同
(86755)2397 6686
gin.yu@gtjas.com.hk

21 June 2021

Adjustment to Dividend Policy

调整派息政策

- China Telecom (the "Company") announced that, taking into account shareholders' return, the Company's profitability, the cashflow level and capital needs for future development, the board of directors approved the resolution to adjust the dividend policy of the Company. According to the new dividend policy, the profit to be distributed by the Company in cash for year 2021 shall be no less than 60% of the profit attributable to equity holders of the Company for that year, and that within three years after the A-Share Offering and Listing, the profit to be distributed by the Company in cash for each year will gradually increase to 70% or above of the profit attributable to equity holders of the Company for that year. Meanwhile, the dividend arrangement will be adjusted to provide for the declaration and payment of interim dividends from year 2022.
- We believe that the Company's policy to increase the dividend payout ratio indicates the Company's expectation of sufficient future cash flow, and we believe that the future investment volume will stabilize. We expect service revenue to grow steadily in 2021. As of the end of April 2021, the Company's 5G users accounted for 32.9% of total mobile users, an increase of 8.3 ppt from the end of the previous year. We expect the increase in 5G users will drive the Company's steady growth in mobile revenue. Due to the strong demand from government and enterprise markets and the Company's leading position in these areas, we expect industrial digitalization business to maintain strong growth. We expect operating expenses to grow rapidly in 2021, mainly due to the rise in network operations and support expenses as well as other operating expense. Overall, we expect that shareholders' net profit will rise steadily.
- Our current investment rating for the Company is "Buy" with a target price of HK\$3.30 per share. The TP represents 10.7x, 10.6x and 10.3x FY21-FY23 PER. We believe that the adjustment of the dividend policy will provide a catalyst for the Company's stock price. We will maintain the target price of HK\$3.30 per share and investment rating of "Buy".
- 中国电信（“公司”）宣布在充分考虑股东回报、公司盈利情况、现金流水平及未来发展资金需求后，董事会通过了关于调整公司派息政策的议案。根据新的派息政策，公司 2021 年度以现金方式分配的利润不少于该年度公司股东应占利润的 60%，A 股发行上市后三年内，每年以现金方式分配的利润逐步提升至当年公司股东应占利润的 70% 以上。同时，调整派息安排，自 2022 年起宣派中期股息。
- 我们认为此次公司提升派息比例的政策表明公司对于未来现金流充足的预期，同时我们认为未来投资额将趋于稳定。我们预计 2021 年服务收入将稳定增长。截至 2021 年 4 月末，公司的 5G 用户占总移动用户数的比例达到 32.9%，比上年末提升 8.3 个百分点。我们预计 5G 用户的上升将推动公司移动收入的稳定增长。鉴于政企市场的强劲需求及公司在该领域的领先地位，我们预计产业数字化业务将保持强劲增长。我们预计 2021 年的运营费用将快速增长，主要是由于网络运营及支撑费用和其他经营费用的上升所致。总体而言，我们预计股东净利将会稳定上升。
- 公司目前的投资评级为“买入”，目标价为每股 3.30 港元。目标价相当于 10.7 倍、10.6 倍和 10.3 倍 2021-2023 财年市盈率。我们认为此次派息政策的调整将为公司股价提供催化剂。我们将维持 3.30 港元的目标价和“买入”的投资评级。

**Company Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for GUOTAI JUNAN I (01788 HK), SF REIT (02191 HK), JINSHANG BANK (02558 HK), HAITIAN ANTENNA (08227 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2021 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk