



2013 Annual Results

China Telecom Corporation Limited
19 Mar 2014 | www.chinatelecom-h.com

Forward-Looking Statements

Certain statements contained in this document may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of China Telecom Corporation Limited (the “Company”) to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.

Presented By

Mr. Wang Xiaochu

Chairman & CEO

Mr. Yang Jie

President & COO

Madam Wu Andi

EVP & CFO

1. Overview

2. Business Review

3. Financial Performance



Highlights

- 1** Robust business development optimized revenue structure & drove double-digit growth in revenue & net profit
- 2** Mobile scale expansion with enhanced customer value & scale benefits
- 3** Completed intensive phase of fibre network upgrade in cities as planned, boosting broadband growth & long-term competitiveness
- 4** To deploy LTE network appropriately with regard to government policy & business development, building a nationwide integrated 4G/ 3G high-speed network to enhance operating return
- 5** To deepen comprehensive reform for creating a “New China Telecom”, capitalizing on external opportunities

Solid Growth Momentum

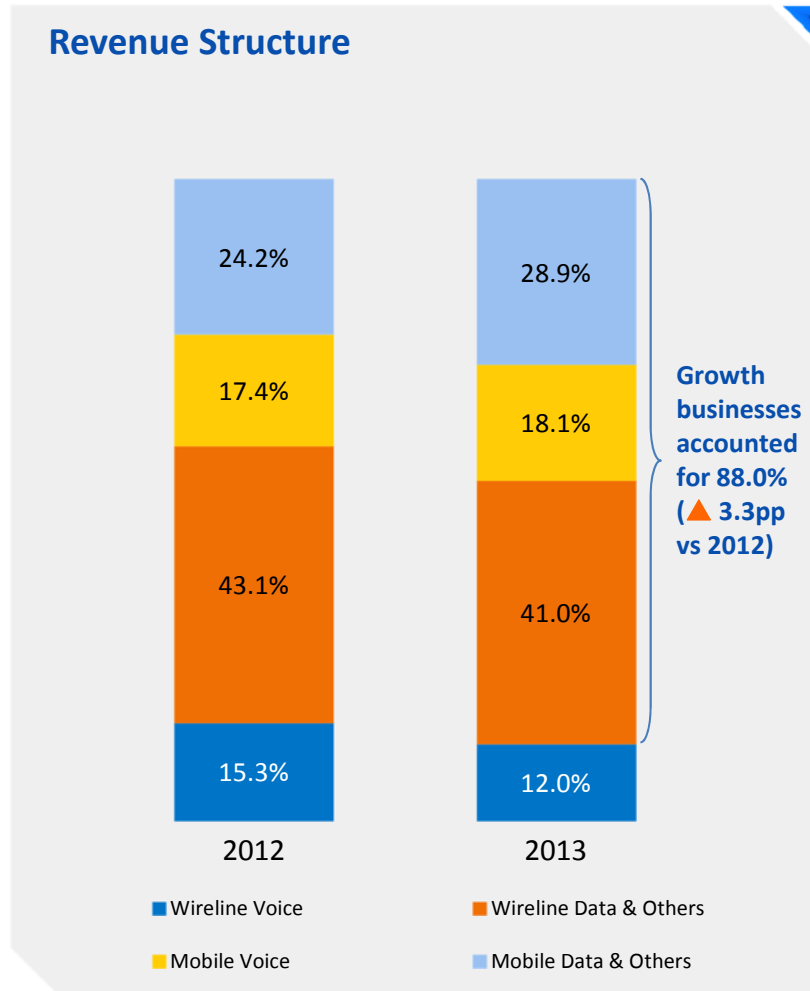
	2012	2013	Change
Operating Revenue (RMB Mil)	283,176	321,584	13.6%
Operating Revenue (Excl. Mobile Terminal Sales) (RMB Mil)	258,419	284,149	10.0%
EBITDA (RMB Mil)	70,874	96,551	36.2%
EBITDA Margin	27.4%	34.0%	6.6pp
Net Profit (RMB Mil)	14,949	17,545	17.4%
EPS (RMB)	0.185	0.217	17.4%

➡ Both revenue & net profit achieved double-digit growth

Notes: Unless otherwise stated in this presentation

1. Net Profit represented profit attributable to equity holders of the Company.
2. 2012 data were restated to include the retrospective impact of the acquisition of China Telecom (Europe) Limited.
3. EBITDA = Operating Revenue – Operating Expenses + Depreciation & Amortization; 2012 EBITDA was arrived at after deducting the Mobile Network Leasing Fee of RMB25.5 bil paid to the parent company in the year. The Company completed the CDMA network acquisition from the parent company by end-2012, resulting in substantial saving of Mobile Network Leasing Fee starting from 2013, while the Company is required to bear the whole amount of mobile network maintenance fee. In 2012, the parent company bore its share of mobile network maintenance fee of approximately RMB7.1 bil.
4. EBITDA Margin = EBITDA / Operating Revenue (Excl. Mobile Terminal Sales)

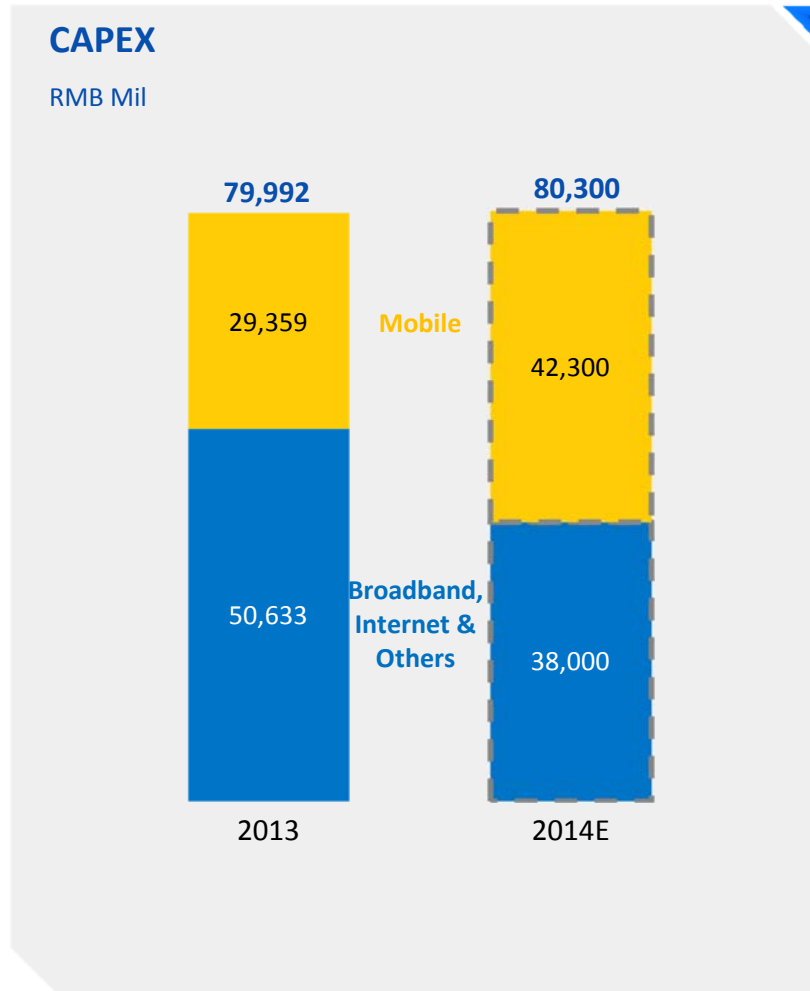
Deepened Strategic Transformation to Strengthen Growth Momentum



Robust business performance with increasing mix from growth businesses

- ➔ **Operating revenue (Excl. Mobile Terminal Sales) maintained double-digit growth (10.0%) surpassing industry average (8.7%) & GDP growth (7.7%)**
- ➔ **Mobile as the key growth driver, contributed close to half of the operating revenue**

Completed Intensive Fibre Network Upgrade & Set to Accelerate LTE Network Deployment



Leverage integrated operation edges of two super-fast networks (LTE+FTTH) to enhance future competitiveness

2013 Achievement

- Completed intensive phase of fibre network upgrade in cities as planned to push general coverage in cities with ≥ 20 Mbps & rural areas with ≥ 4 Mbps customer access bandwidth; with 100Mbps coverage reaching 84 mil home passes
- Optimized 3G network & expanded capacity in high data traffic areas; commenced LTE network deployment in hotspot areas

2014 Investment Focus

- To deploy LTE network appropriately with regard to government policy & business development, building a nationwide integrated 4G/ 3G high-speed network to enhance customers' experience & operating return
- Carrying networks; broadband access; capability enhancement of intelligent network & integrated information services

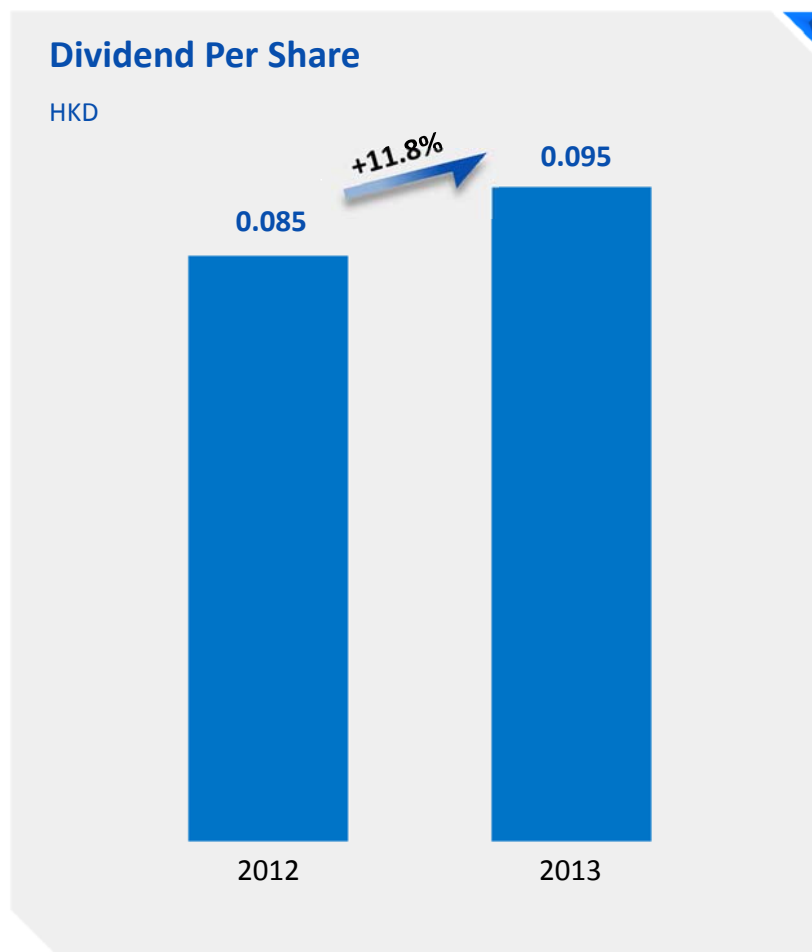
e-Surfing 4G to Drive Future Growth & Return

One hybrid LTE network of integrated resources to boost investment return & operating efficiency

- ➔ One LTE network incorporating both TD & FDD LTE accesses, with most of the LTE CAPEX supporting both TD & FDD LTE services (incl. infrastructure, towers & core network...) & flexible deployment of more spectrum resources for enhanced return
- ➔ LTE deployment starts from hotspots in densely populated areas of the cities
- ➔ To overlay on existing superior nationwide 3G & high-speed fibre broadband networks to provide customers with high-speed & seamless data service experience

- Launched LTE services in nearly 100 major cities in mid-Feb 2014, with the first batch of 4G data devices all compatible with TD-LTE
- Currently applying for LTE-FDD trial licence while expanding width & depth of LTE network coverage in major cities to create superior network quality & accelerating e-Surfing 4G handset value chain development to assure superior 4G handset service experience & investment return in future

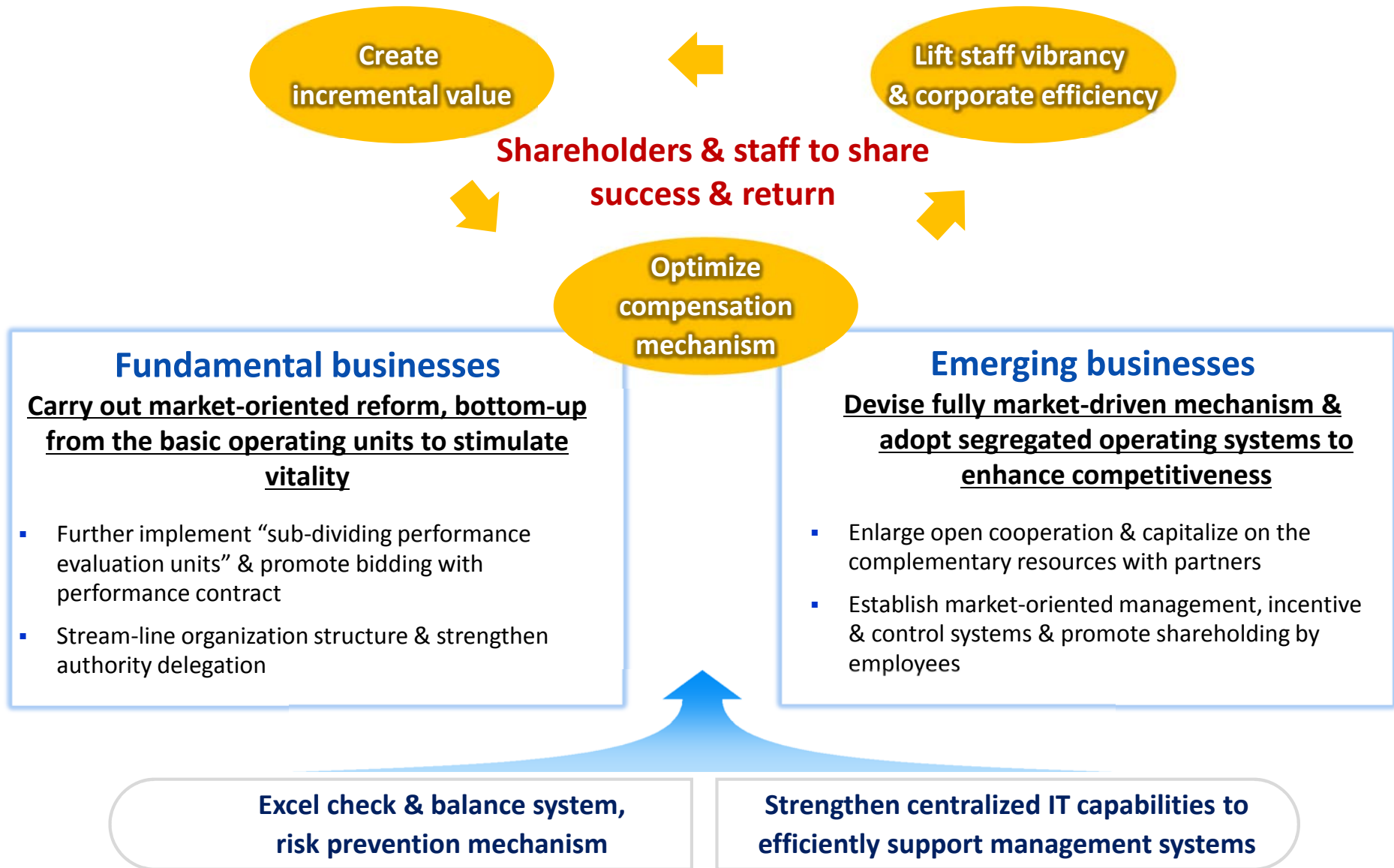
Increase Dividend to Enhance Shareholders' Return



The Board of Directors recommends to the shareholders a final dividend of HKD0.095 per share for 2013, up 11.8%

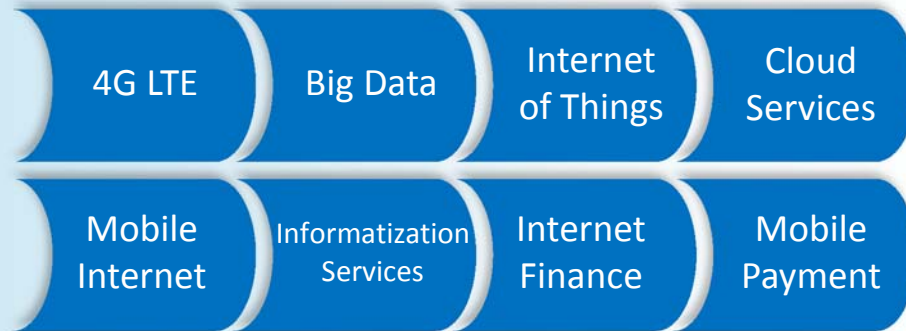
- Recommend to increase dividend for 2013 with due regards to shareholders' return, cash flow & capital requirement for future development
- Maintain appropriate funding position to answer the capital requirement of long-term sustainable growth
- Strive to enhance future profit while paving the way for future dividend increase

To Deepen Comprehensive Reform to Enhance Efficiency & Return



Strive to Create a “New China Telecom”

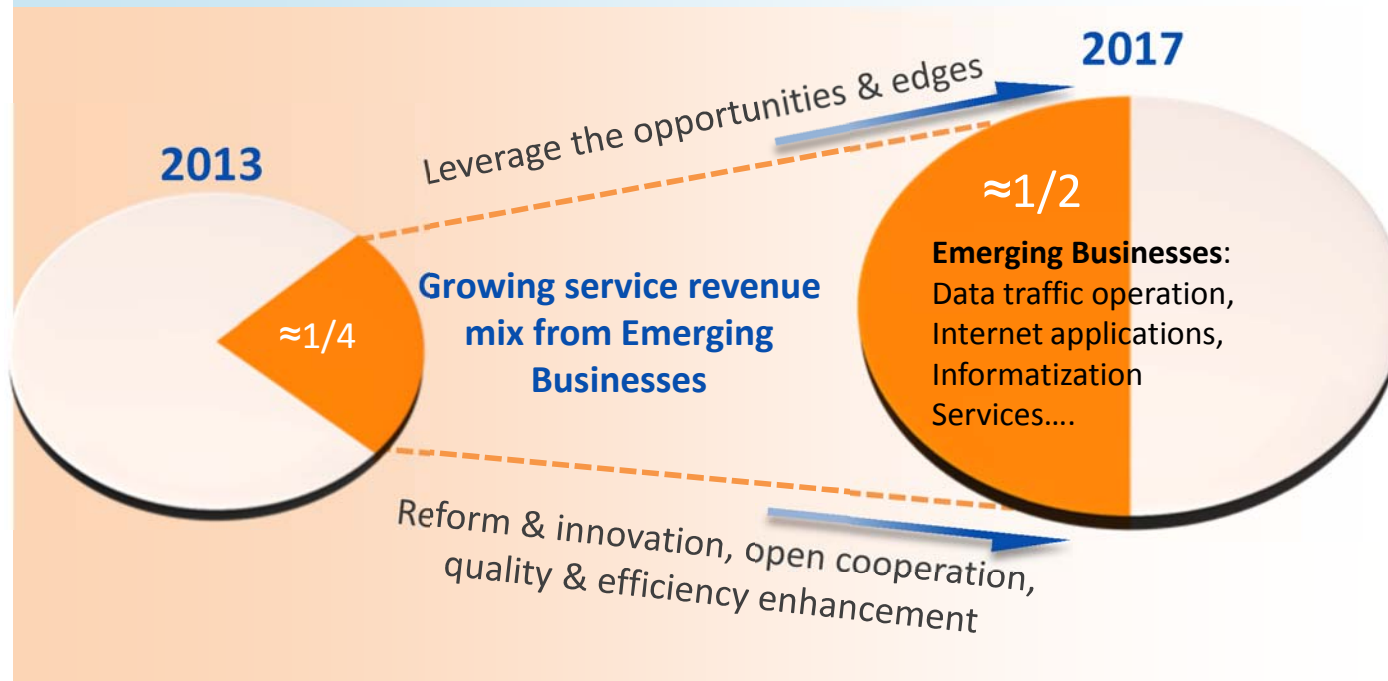
Blue Ocean Opportunities:



Shareholders' & Corporate Value 

Customers' Value 

Core Competence 



1. Overview

2. Business Review

3. Financial Performance

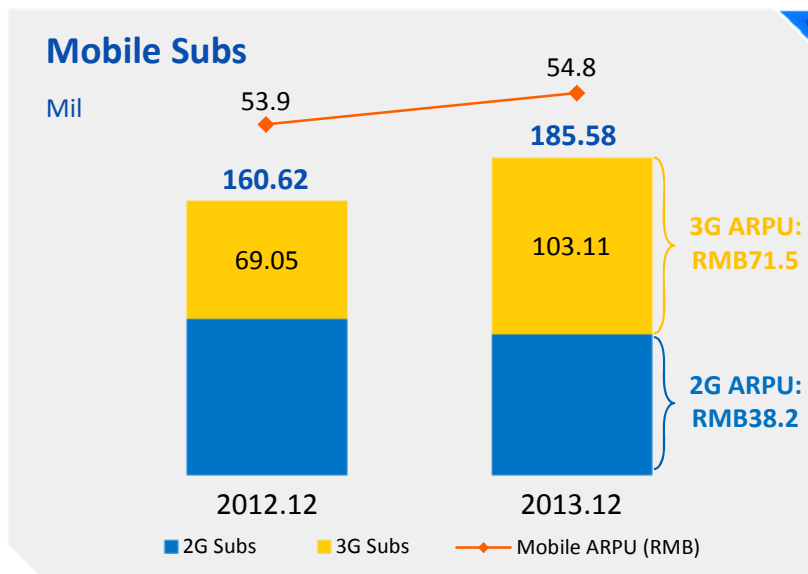
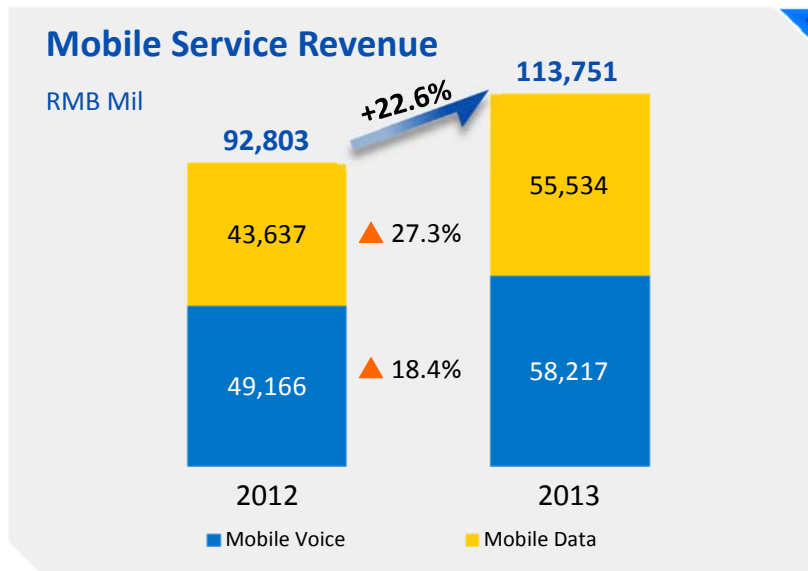


Revenue Breakdown

RMB Mil	2012	2013	Change
Mobile	117,826	151,186	28.3%
Service Revenue	92,803	113,751	22.6%
Voice	49,166	58,217	18.4%
Data	43,637	55,534	27.3%
Others	25,023	37,435	49.6%
Wireline	165,350	170,398	3.1%
Voice	43,369	38,633	-10.9%
Data	114,079	122,909	7.7%
Internet Access	67,782	71,432	5.4%
<i>Incl. Wireline broadband</i>	66,738	70,821	6.1%
VAS & Integrated Information Services	30,720	34,274	11.6%
Lease of Telecommunications Network Resources	15,577	17,203	10.4%
Others	7,902	8,856	12.1%
Total	283,176	321,584	13.6%

- Notes: 1. 2013 Wireline Voice Revenue included RMB22,920 mil from local voice, RMB8,702 mil from DLD, RMB1,217 mil from ILD and RMB5,794 mil from interconnections.
2. Mobile Others mainly included revenue from sales of terminals.
3. 2012 data were restated to include the retrospective impact of the acquisition of China Telecom (Europe) Limited.

Mobile Scale Expansion with Industry-leading Mobile Revenue Growth



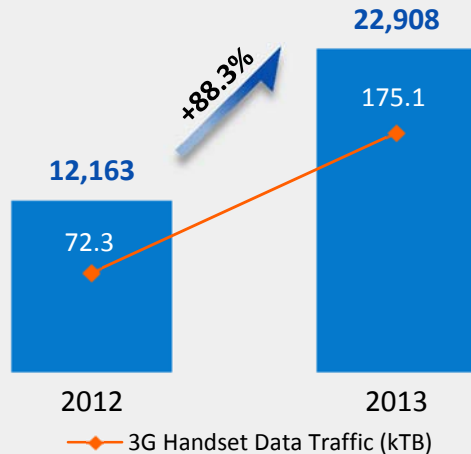
Fully leveraged superior strengths in 3G network & services to rapidly expand mobile scale with customer value enhanced

- **Fast mobile scale expansion underpinned by superior 3G network, fast proliferating smartphones & rich offering of mobile Internet applications**
 - Scale development of 3G drove rapid mobile subs growth, achieving 3G net add of 34 mil, to 103 mil (3G subs as % of mobile subs: 56%)
 - Mobile net add driven by industry applications adoption: >13 mil
- **Data services effectively enhanced customers' experience & value, lifting mobile ARPU by 1.7% yoy**
 - 3G ARPU remained steady: RMB71.5 (vs 2012: RMB71.8)

Rapidly Growing Mobile Data Traffic & Revenue

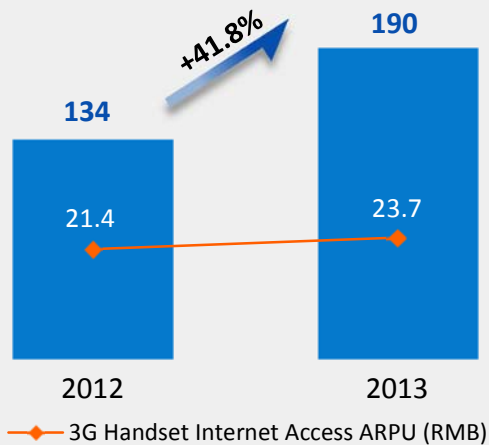
3G Handset Internet Access Revenue

RMB Mil



3G Handset Subs Monthly Average Data Traffic

MB



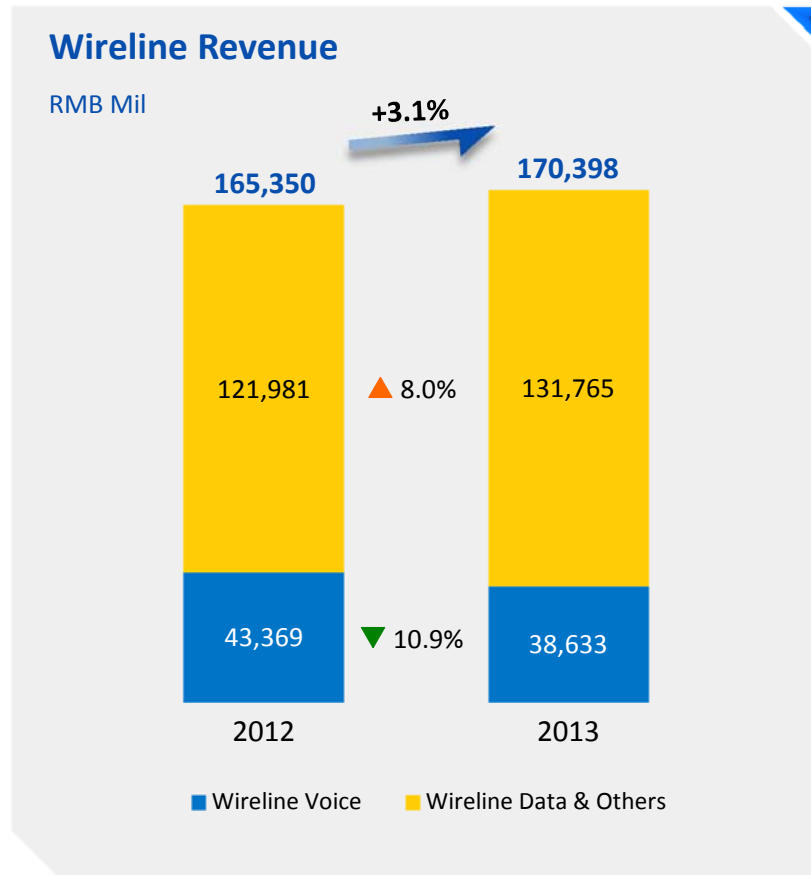
2013 Key Achievements

- **Terminal-led**
 - Smartphone: >600 models
 - RMB1,000-smartphones: ≈300 models
 - Diversified supply of CDMA chipsets
- **Application-driven**
 - Developed integrated platforms & strengthened open collaboration to drive fast growth of Internet applications
 - Created mobile Internet portal & expedited smart-city applications & industry-applications development

2014 Key Initiatives

- **Rural areas:** Drive scale via strong promotion of low-end smartphones (e.g. RMB299) leveraging the superior 3G network
- **City areas:** Offer super-fast 4G/3G services with reasonable packages to increase data traffic & revenue, while alleviating customers' usage concern

Resilient Wireline Performance

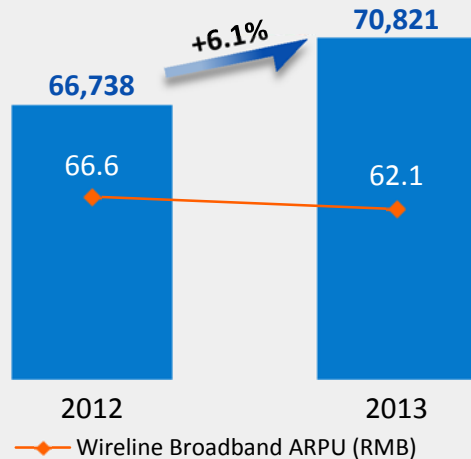


- Leveraged fibre network & ICT service strengths to accelerate development of growth businesses (wireline broadband, VAS & integrated information services, etc.) & effectively offset Wireline Voice revenue decline
- Further strengthened integrated services & packages of wireline, mobile & ICT services to enhance mutual-promoting development
- Declining revenue contribution from Wireline Voice effectively mitigated operating risks

Sustained Solid Growth in Wireline Broadband Amid Mounting Competition

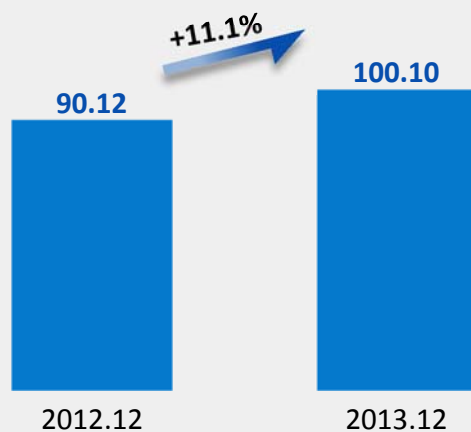
Wireline Broadband Revenue

RMB Mil



Subscribers

Mil

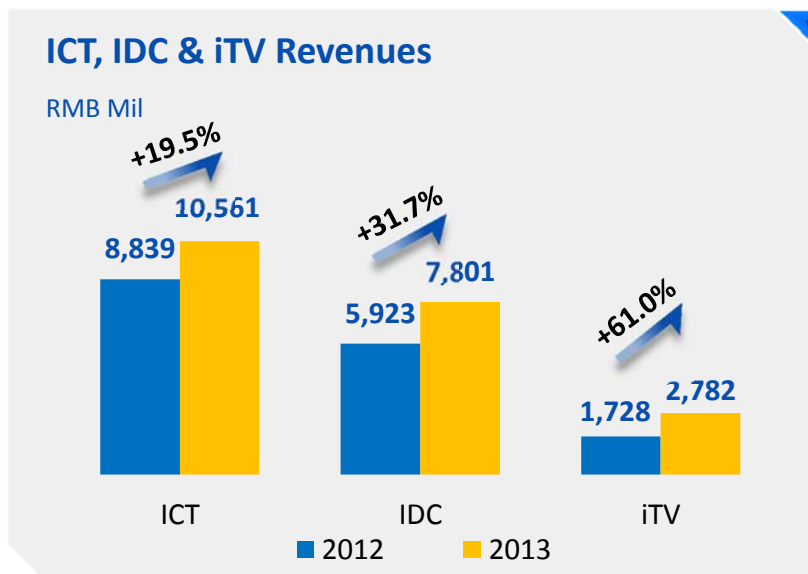
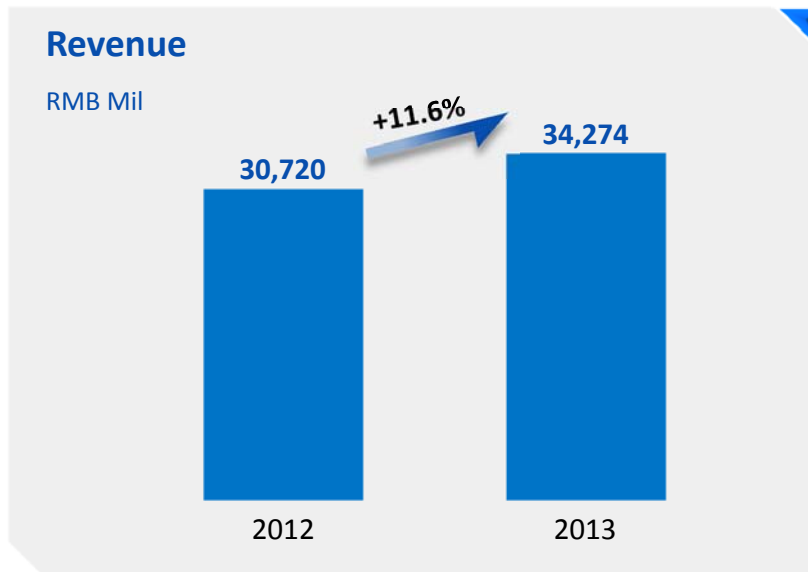


Leveraging superior network & unmatched service quality to enhance customers' satisfaction & mitigate competitive pressure

Multiple competitive advantages

- Unlimited data usage package with high speed & stable service without constraints from spectrum limitation
 - Pioneered to introduce 100Mbps family broadband service
 - Consistently ranked No.1 in MIIT's wireline broadband service satisfaction assessment
- Effectively enhanced customers' experience & satisfaction, moderated ARPU decline & lowered impression pricing via accelerating customer access bandwidth upgrade & enriching content & applications
- To integrate with high-speed 4G/3G networks to offer customers superior broadband services

Comprehensive Development of Wireline VAS & Integrated Information Services



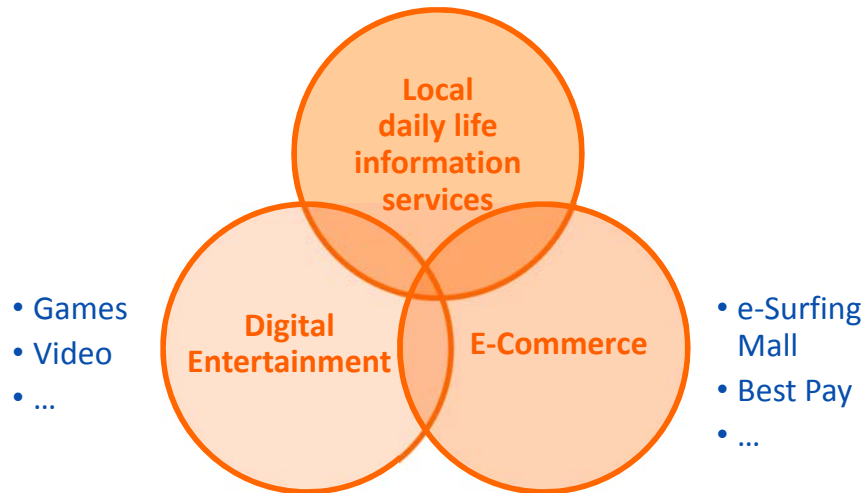
Expand VAS & Integrated Information Services to nurture new growth engines & pull fundamental services growth

- ➊ Riding on the fast development of Internet to expedite development of key services, including ICT, IDC & iTV, to enhance mutual-promoting development with broadband access service
 - **ICT:** Strengthen product & application functionalities to sharpen differentiated edges
 - **IDC:** Six key Cloud data centers in place with efficiently-centralized Cloud operation; fast adoption by various leading Internet corporations
 - **iTV:** iTV & OTT-TV as key products to drive “smart-family” services leveraging high-definition & intelligent products

Internet Business Model Debuts with Innovation & Collaboration

Internet Business Portal (YiChat...)

- Best-Tone Shopping & Travel
- Best-Tone Information Services
- ...



Integrated Platform

One-stop shop to develop, operate & promote

1. Unified payment
2. Location-based service
3. Unified account
4. Shared data
5. Open capability

YiChat

- Successful collaboration leveraging complementary resources & edges
- As the key Internet business portal to introduce games & video products, increase iconic & influential public accounts & converge e-Commerce resources
- Solid foundation built with registered users of ~60 mil acquired in half year

Best Pay

- Integrate communications & Internet technology with proprietary innovation to offer 3rd-party payment, wealth management & financing services ...
- With ~60 mil accounts & 40k merchants; transaction value in 2013 >RMB130 bil (▲ 2x vs 2012)

Integrated Platform

- Build mobile Internet infrastructure leveraging unified account & multiple capabilities (communication, payment & Cloud); connecting “unified accounts” with Best Pay accounts
- Promote “account operation”, “data traffic backward monetization” & marketing of packaged applications

Deepened Transformation Creates Differentiated Edges

Operation Edge

Clear & Effective Strategies with Strong Execution

1. De-telecom: Breaking away from constraints of traditional telecommunications operation mindset
2. Market-driven mechanism & Differentiation: Motivate vitality & enhance competitiveness
3. "Three New Roles": Leader of Intelligent Pipeline, Provider of Integrated Platforms; Participant of Content & Application Development

Servicing Edge

Superior full-services integrated operating strengths: mobile, wireline & informatization services

Leading ICT service capability: industry applications by various product centers & Cloud...

Innovative service mindset: YiChat & integrated open platforms...

Network Edge

Integrated Operation of Super-fast Networks (LTE + FTTH)

FTTH

- ✓ Super-fast 100 Mbps
- ✓ Stable & reliable
- ✓ Unlimited data usage monthly package

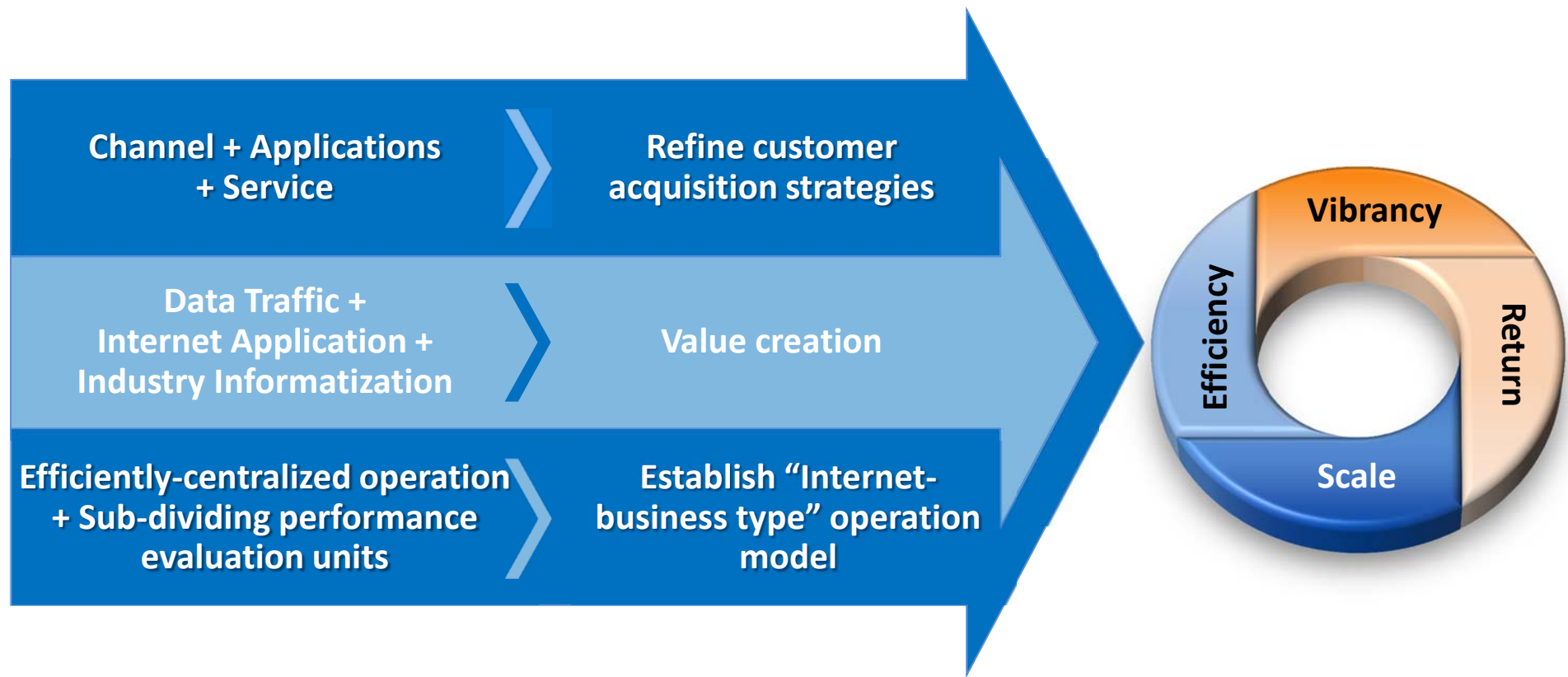


4G/3G

- ✓ Super-fast 4G network
- ✓ Nationwide continuous coverage
- ✓ Leading customers' experience on the move

Leading IP-based & high-bandwidth fibre back-haul

Strong Execution to Consistently Enhance Value



Reform & Innovation

Open Cooperation

Quality & Efficiency Enhancement

1. Overview

2. Business Review

3. Financial Performance



Key Financial Information

RMB Mil	2012	2013	Change
Operating Revenue	283,176	321,584	13.6%
Operating Expenses	261,968	294,116	12.3%
Depreciation & Amortization	49,666	69,083	39.1%
Network Operations & Support	65,979	53,102	-19.5%
Personnel	42,857	46,723	9.0%
SG&A	63,099	70,448	11.6%
<i>Incl.: Mobile Handset Subsidies</i>	21,754	22,795	4.8%
<i>General & Administration</i>	8,657	8,438	-2.5%
Interconnection & Others	40,367	54,760	35.7%
<i>Incl.: Wireline Interconnection</i>	3,706	3,529	-4.8%
<i>Mobile Interconnection</i>	10,424	12,387	18.8%
<i>Cost of Mobile Terminals Sold</i>	23,099	35,227	52.5%
Operating Profit	21,208	27,468	29.5%
Net Profit	14,949	17,545	17.4%
Free Cash Flow	12,373	11,137	-10.0%

Notes: 1. 2012 Network Operations & Support Expense included Mobile Network Leasing Fee of RMB25.5 bil. The Company completed the CDMA network acquisition from the parent company by end-2012, resulting in substantial saving of Mobile Network Leasing Fee starting from 2013.

2. Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses

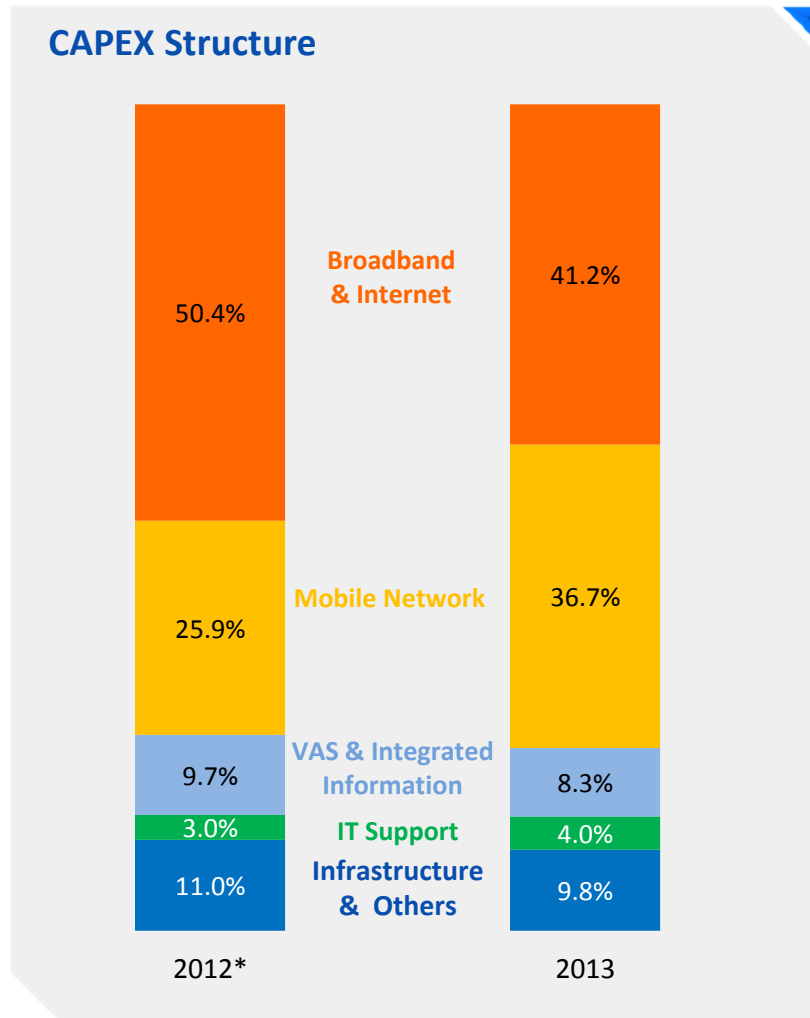
3. 2012 data were restated to include the retrospective impact of the acquisition of China Telecom (Europe) Limited.



Stringent Cost Control to Boost Operating Efficiency

	2012	2013	Change	
Operating Expenses as % of Operating Revenue	92.5%	91.5%	▼ 1.0pp	
Depreciation & Amortization	17.5%	21.5%	▲ 4.0pp	Mainly due to assuming depreciation & amortization of mobile network subsequent to CDMA network acquisition at the end of 2012
Network Operations & Support	23.3%	16.5%	▼ 6.8pp	Mainly due to substantial saving of mobile network leasing fee subsequent to CDMA network acquisition
Personnel	15.1%	14.6%	▼ 0.5pp	
SG&A	22.3%	21.9%	▼ 0.4pp	▲ 11.6%, mainly due to appropriate increase in sales initiatives to promote scale development of businesses
Interconnection	5.0%	4.9%	▼ 0.1pp	
Cost of Mobile Terminals Sold & Others	9.3%	12.1%	▲ 2.8pp	Mainly due to increased procurement & sale of star smartphones in various price levels

Highly Effective Investment to Strengthen Network Edges & Return

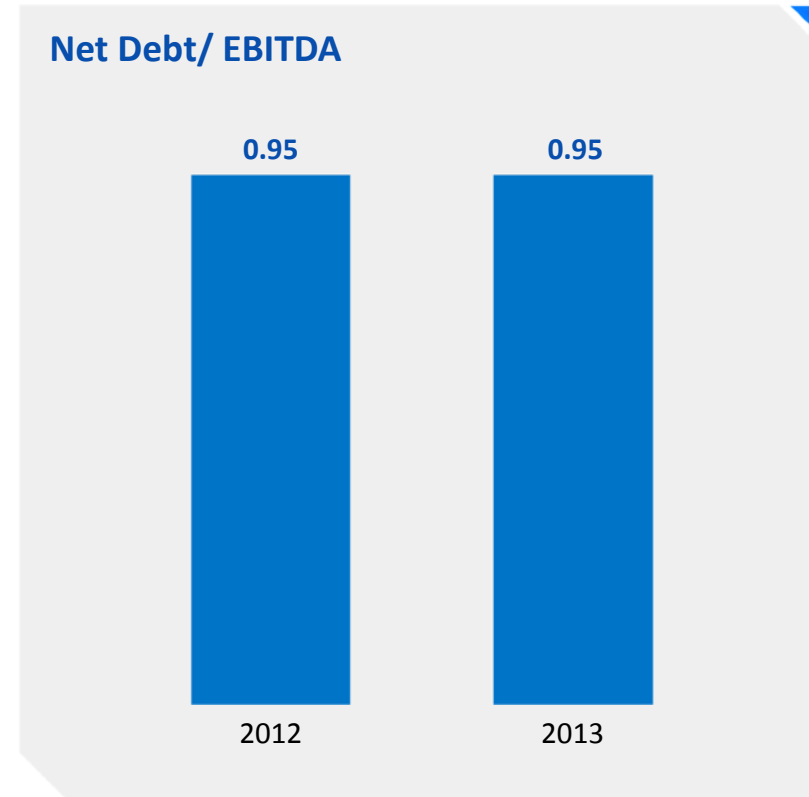
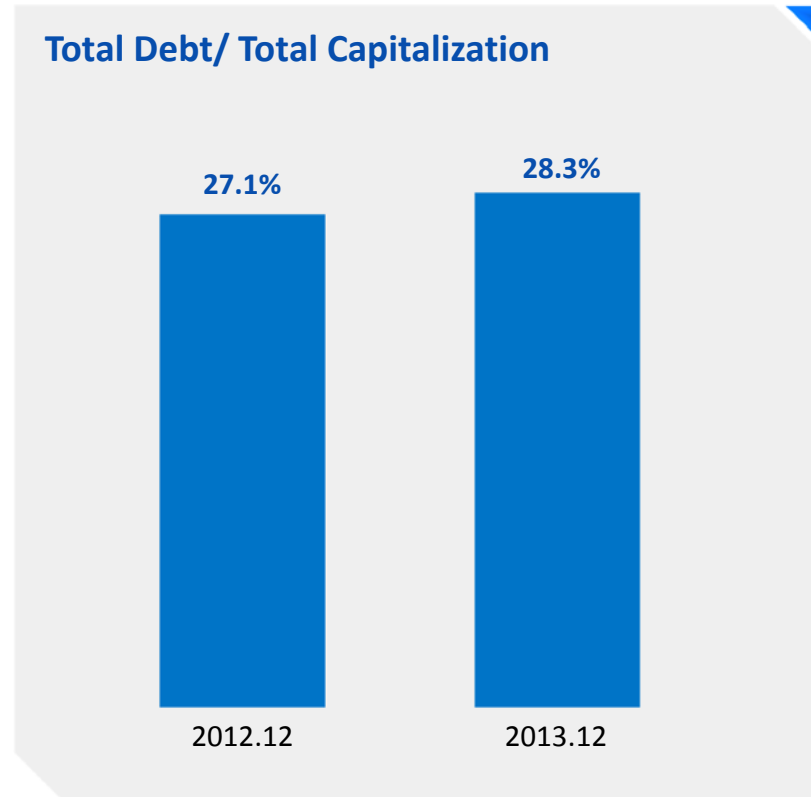


Note : * 2012 CAPEX included mobile capex borne by parent company

Effectively support fast business expansion & sharpen core competence

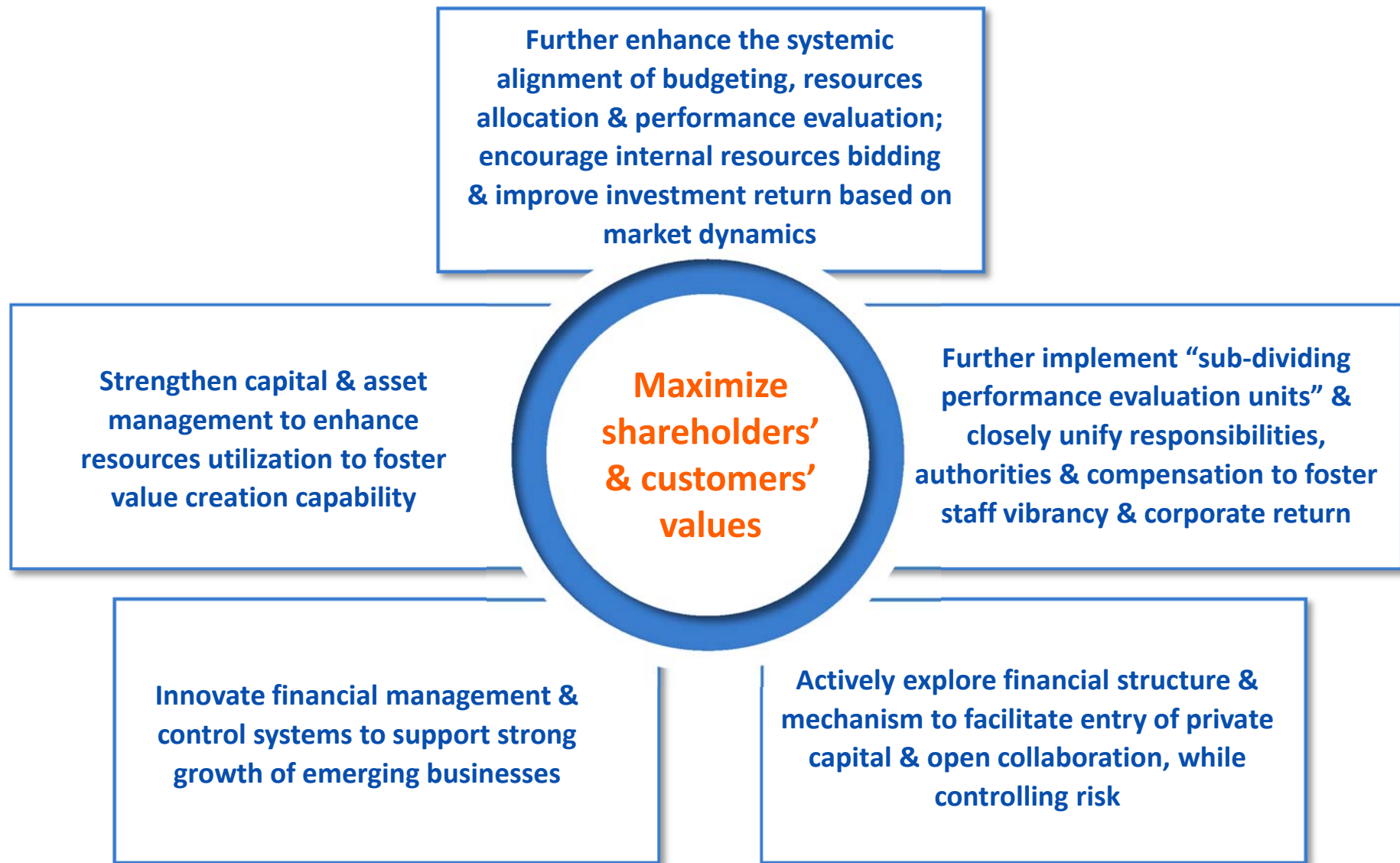
- ➔ Investment tilting toward high-growth, high-value businesses & areas
- ➔ Broadband & Internet
 - Completed the intensive phase (2011-13) of fibre network upgrade in cities as planned
 - Expanded back-haul capacity to support fast growing data traffic volume
- ➔ Mobile Network
 - **3G:** Focused on optimization & capacity expansion in high data traffic areas, creating exceptional network coverage & industry-leading customer experience
 - **4G:** Deployed LTE network timely & appropriately mainly in high data traffic & hotspot areas

Healthy Financial Strength



Strong financial position supporting sustainable business development

Strengthen Financial Management to Elevate Corporate Return



Thank You!

For further information & enquiries,
please contact our Investor Relations Department at
ir@chinatelecom-h.com or visit www.chinatelecom-h.com



*"No. 1 Overall Best
Managed Company
in Asia 2013"*



*"No. 1 Asia's Overall
Best Managed
Company 2014"*

**Institutional
Investor 2013**

*"No. 1 Asia's Most
Honored
Company 2013"*

Appendix 1

Extracted from audited consolidated statement of comprehensive income for year ended 31 Dec 2013

RMB Mil	2012	2013
Operating Revenue	283,176	321,584
Operating Expenses	(261,968)	(294,116)
Net Finance Costs	(1,562)	(5,153)
Investment Income, Share of Profit from Associates	171	773
Profit Before Taxation	19,817	23,088
Income Tax	(4,753)	(5,422)
Profit for the Year	15,064	17,666
Equity Holders of the Company	14,949	17,545
Non-controlling Interests	115	121

Note: 2012 data were restated to include the retrospective impact of the acquisition of China Telecom (Europe) Limited.

Appendix 2

Extracted from audited consolidated statement of financial position as at 31 Dec 2013

RMB Mil	2012.12.31	2013.12.31
Current Assets	65,375	52,783
Non-current Assets	479,916	490,456
Total Assets	545,291	543,239
Current Liabilities	193,610	200,098
Non-current Liabilities	85,581	64,477
Total Liabilities	279,191	264,575
Total Equity	266,100	278,664
Equity Attributable to Equity Holders of the Company	265,139	277,741
Non-controlling Interests	961	923

Note: 2012 data were restated to include the retrospective impact of the acquisition of China Telecom (Europe) Limited.

Appendix 3 Selected Operating Metrics for 2013

Subscriber (Mil)	2012.12	2013.12	Change
Mobile Subs	160.62	185.58	24.96
Incl: 3G Subs	69.05	103.11	34.06
Wireline Broadband Subs	90.12	100.10	9.98
Access Lines in Services	163.00	155.80	-7.20
Incl: Household	103.49	97.62	-5.87
Government & Enterprise	38.74	40.17	1.43
Public Telephone	13.26	12.56	-0.70
PAS	7.51	5.45	-2.06
	2012	2013	Change
Wireline Voice Usage			
Local Usage (Pulses Mil)	172,175	148,690	-13.6%
Long Distance Usage (Minutes Mil)	42,199	34,329	-18.6%
Mobile Voice Usage (Minutes Mil)	509,229	603,616	18.5%