



2015 Annual Results

A photograph of a white sailboat with a single mast and sail, sailing on a vast blue ocean under a clear sky. The sun is low on the horizon, creating a shimmering path of light on the water's surface.

China Telecom Corporation Limited
23 March 2016 | 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. Yang Jie

President & COO

Mr. Yang Xiaowei

Executive Vice President

Mr. Ke Ruiwen

Executive Vice President

1. Overview

Business Review & Financial Performance

2.



Highlights

- 1** Solid fundamental amid various regulatory challenges
... Market position strengthened
- 2** Speed up core network upgrade leveraging policy support
... Robust 4G and fibre broadband growth momentum
- 3** Tower asset disposal increased 2015 profit
... Tower sharing to enhance long-term value
- 4** Implement effective initiatives
... Mitigate impact from “Speed Upgrade and Tariff Reduction”
- 5** Create shareholders’ value
... Seize strategic opportunities and vitalize by reform and innovations

Solid Fundamentals

	2014	2015	Change
Operating Revenue (RMB Mil)	324,394	331,202	2.1%
Service Revenue (RMB Mil)	287,379	293,266	2.0%
EBITDA (RMB Mil)	94,853	94,106	-0.8%
EBITDA Margin	33.0%	32.1%	-0.9pp
Net Profit (RMB Mil)	17,680	20,054	13.4%
EPS (RMB)	0.218	0.248	13.4%

Notes: Unless otherwise stated in this presentation

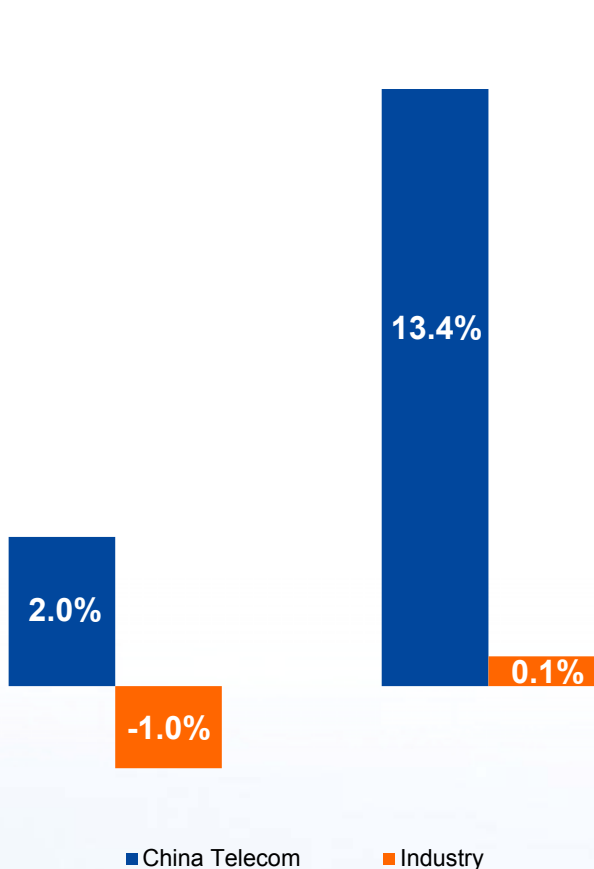
1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (2014: RMB31,343 mil; 2015: RMB32,026 mil) – Sales of Wireline Equipments (2014: RMB3,956 mil; 2015: RMB4,430 mil) – Other Non-service Revenue (2014: RMB1,716 mil; 2015: RMB1,480 mil)
2. EBITDA = Operating Revenue – Operating Expenses + Depreciation & Amortization; EBITDA Margin = EBITDA / Service Revenue
3. Net Profit represented profit attributable to equity holders of the Company; 2015 net profit included an one-off tower asset disposal gain of RMB3,937 mil

Industry-leading Growth in Service Revenue and Net Profit

Growth Rate in 2015

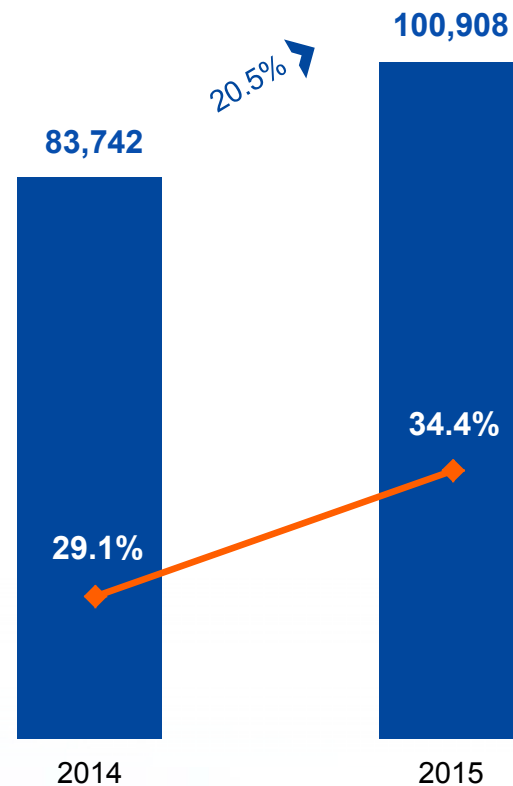
Service Revenue

Net Profit



Emerging Business Fueled Revenue Growth

RMB Mil



Emerging Business Revenue as a % of Service Revenue

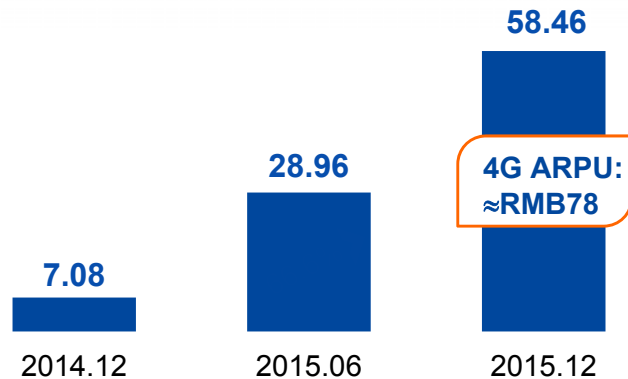
Source: Industry growth is calculated based on figures reported by the three listed Chinese telcos

Note: Emerging business included Data Traffic Operation, ICT and Internet Applications

Robust 4G Momentum

4G Subscribers

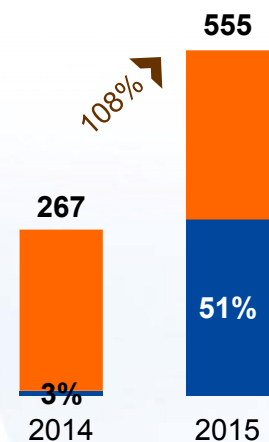
Mil



Note: 4G subscribers referred to 4G Terminal Users

3G/4G Handset Data Traffic

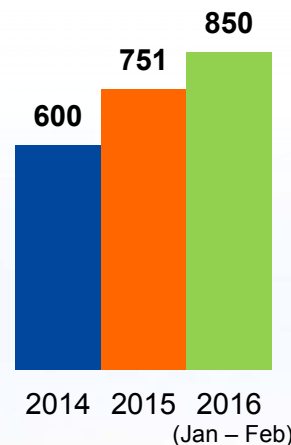
KTB



■ 4G

4G DOU

MB



⊗ Proactive 4G network deployment

- Key cities: Industry-leading network quality
- CT 4G covered areas: comparable to competitors

⊗ New integration in “4G + fibre”

- Dual-enhancement in subscriber scale and value

⊗ Promote six-mode handsets as national standard

- Foster prosperous value chain development and remove CDMA bottleneck

Number of Models

≈300 ≈70

4G Terminals

Six-mode Handsets

Annual Sales Volume

62 mil 16 mil

(70% of handset sales)

4G Terminals

Six-mode Handsets

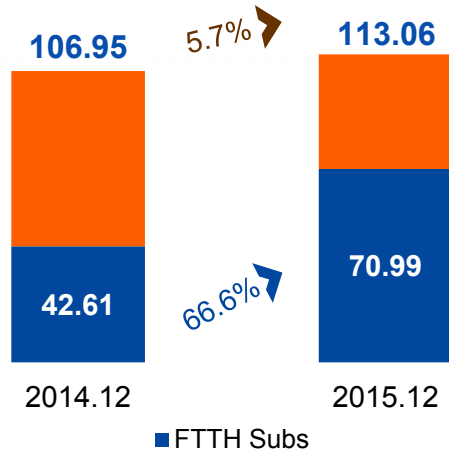
⊗ Create differentiated edges in applications

- Focusing informatization, Internet and daily life apps for Enterprise, Household and Retail Customers

Fibre Broadband Creates New Competitive Edge

Wireline Broadband Subscribers

Mil



Accelerated end-to-end speed upgrade

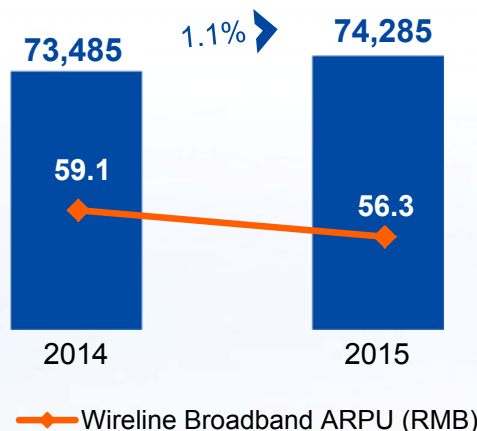
- Quality 100Mbps network provide industry-leading user experience

100Mbps as mainstream product

- 2015 FTTH subs
 - ▲ **28.38 mil** (vs 2014: ▲ **15.74 mil**)
 - 63% of total broadband subs

Wireline Broadband Revenue

RMB Mil



Solid subscriber growth supported revenue growth amid intensified competition

Feed in value-added services such as IPTV (e-Surfing HD) to enhance user experience, customer loyalty and network value

Tapped private capital RMB4 bil

- Accelerated access network deployment and market expansion for win-win cooperation

VAT Reform

Benefit Long-term Sustainable Development

RMB Bil	Pro forma VAT Reform Impact	
	2014 (Jun – Dec)	2015 (Jan – Dec)
Reported Operating Revenue	-9.3	-15.4
Operating Expenses	+4.3	+9.7
Operating Profit	-5.0	-5.7
Net Profit	-3.8	-4.3

Major initiatives

- Optimize development and sales models, implement stringent costs control measures and enhance control on purchasing
- Proportion of revenues generated from value-added telecommunications services increases gradually, resulting in a lower average tax rate of output VAT

Moderating monthly average negative impact on net profit from VAT Reform

- Monthly average pro forma impact on net profit: 2014: **RMB540 mil** → 2015: **RMB360 mil**

With nationwide implementation of VAT Reform from 1 May 2016, future profitability will be enhanced as more operating costs & investments will be entitled to input VAT credits

The above pro forma impacts are only intended to indicate the impact of incremental output VAT, authenticated incremental input VAT credits from operating expenses, savings of business tax and income tax in the periods arising from the implementation of VAT Reform effective 1 Jun 2014. They do not include other impact arising from VAT Reform such as optimized business development model, sales & marketing etc. Hence the above pro forma financials do not reflect the actual operating performance of the Company as if the VAT Reform were not implemented. The above pro forma financials are for illustration purpose only, which include estimates and are unaudited. Investors are cautioned not to rely on the above pro forma data.

Speed Upgrade and Tariff Reduction

Strive to Mitigate Regulatory Impact

Pressure on revenue and profit

- ⊗ **Wireline broadband unit price ▼55%**
- ⊗ **Mobile data unit price ▼33%**
- ⊗ **1-month handset data carried forward with effect from 1 Oct 2015**
 - Delay in mobile Internet access revenue recognition
 - Revenue lost on over data usage and change in consumer behaviour

Effective measures to stimulate usage

- ⊗ **Wireline broadband**
 - FTTH subs ▲28 mil+
 - Average access bandwidth ▲2x
- ⊗ **Mobile**
 - 4G subs ▲51 mil+
 - 3G/4G handset data traffic:
 - Monthly average ▲70%
 - Total ▲108%

Closely follow up and strive to accommodate regulatory changes

Tower Sharing Enhances Corporate Value

1. In 2015, TowerCo delivered $\approx 170k$ towers to the Company, of which 80% leveraged existing towers of other operators, accelerated the Company's 4G network deployment
2. **Tower assets disposal:** Final consideration: RMB30.131 bil (completed on 31 Oct 2015)
Tower assets + cash consideration (RMB2.966 bil) for 33.097 bil shares of TowerCo (27.9% shareholdings)
3. **Tower usage fee:** Estimated to be about RMB2.7 bil in 2015, used $\approx 500k$ towers (end-2015), sharing ratio: 50%
Major considering factors: depreciation cost, maintenance cost, markup margin and sharing discount

**Tower
assets
disposal**

Asset appreciation:

RMB7.2 bil

(P/B $\approx 1.3x$)



Pre-tax disposal gain:

RMB5.2 bil

(Recognized in 2015 earnings)

**Tower
usage fee**

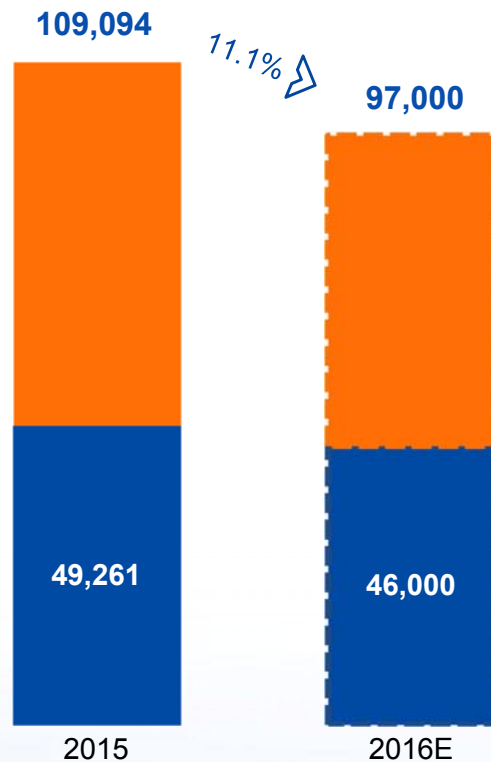
Unit usage fee to reduce as tenancy ratio progressively improves

**As one of major shareholders, set to benefit from
TowerCo's future earnings & value enhancement**

Accelerate Core Network Upgrade

CAPEX

RMB Mil



■ 4G

2015

- ⊗ **Centralized procurement and tower sharing reduced 4G CAPEX**
- ⊗ **Accelerated fibre and end-to-end speed upgrade in cities**
- ⊗ **Coverage**
 - 4G: Developed towns & villages nationwide (all in the East region)
 - 4G+: 45 key cities
 - FTTH home pass coverage: 75% (▲15pp)

4G
510k BTS
▲ 330k, +50k vs planned

FTTH home passes
220 mil
▲ 90 mil

2016

- ⊗ **Improve 4G coverage in towns & villages and rural area with high data traffic**
- ⊗ **Deployment of 4G+ in all cities**
- ⊗ **Pilot test for 800MHz re-farm**
- ⊗ **Prepare to launch VoLTE for nationwide commercial trial in 2017**
- ⊗ **Basic full coverage of fibre network for all cities**

4G
800k BTS
▲ 290k

FTTH home passes
270 mil
▲ 50 mil

Note: 4G BTS number included outdoor base stations & indoor distribution systems



Dividend

Dividend per share

HKD



The Board of Directors recommends to the shareholders a final dividend of HK\$0.095 per share for 2015

- ⊗ Recommend a stable dividend for 2015 with due regards to shareholders' return, profitability, 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

Near-term Priorities

Reform and Innovations to Promote Sustainable Development

Strengthen **TWO** Fundamental Businesses

- 4G
- Fibre broadband

Breakthrough in **FIVE** Emerging Areas

- Smart Family
- Mobile Payment
- Internet+
- Internet of Things
- Cloud Computing & Big Data

Build Up **SIX** Key Capabilities

- Network fundamental
- Channel sales
- Network operation
- Customer service
- Data mining
- Human resources management

Deepening Internet-oriented Transformation

- Upgrade products and services
- Enhance operating efficiency

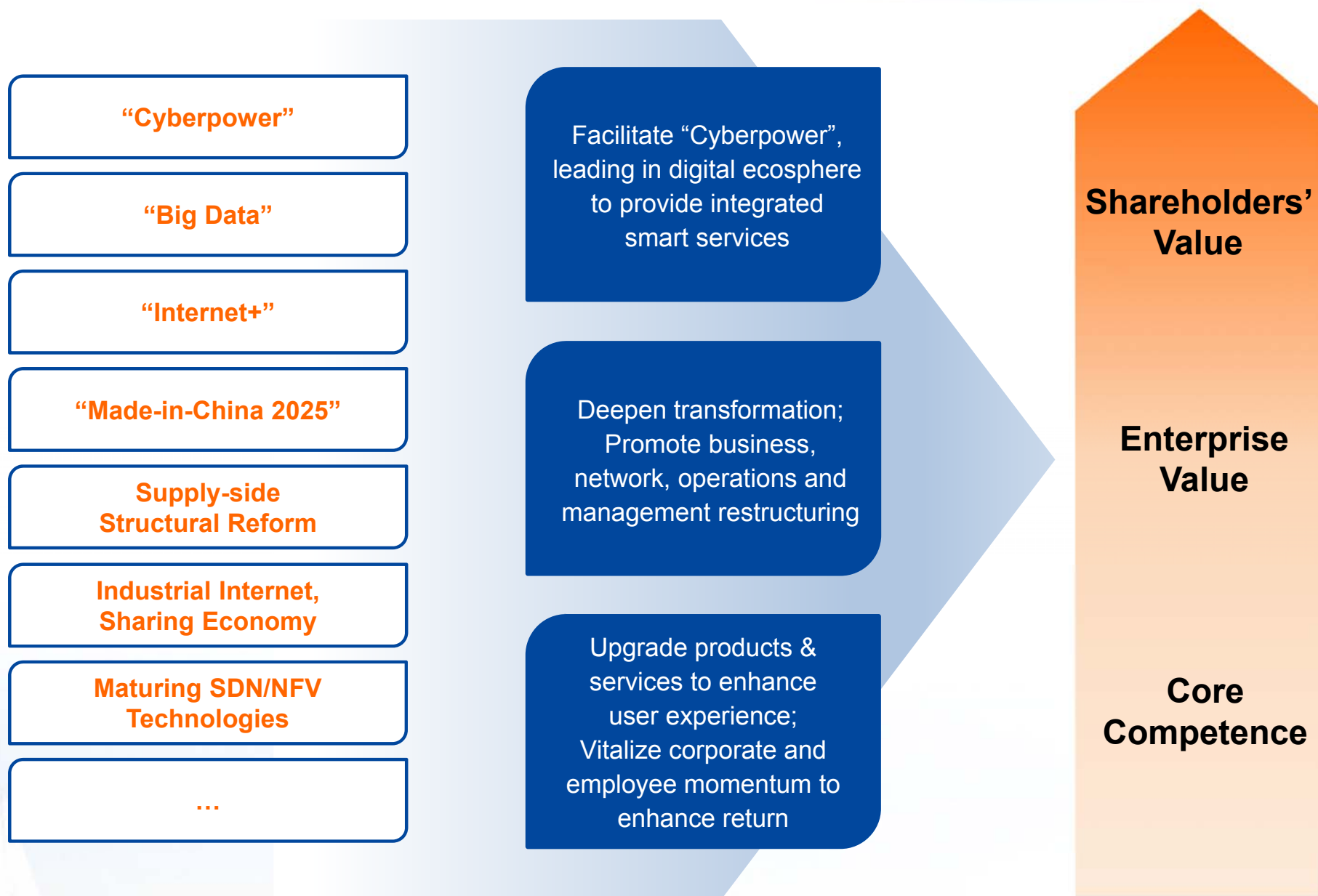
Open Cooperation

- Strengthen open cooperation to build competitive edge around the ecosphere
- Strategic cooperation with China Unicom in market-oriented approach for win-win

In-depth Comprehensive Reform

- Promote sub-dividing performance evaluation units, strengthen “top-down” service support system
- Promote innovation in structure and mechanism in emerging areas
- Unlock corporate vitality and internal momentum

Prospect: Leveraging Opportunities for Value Creation



1. Overview

2. **Business Review &
Financial Performance**



Revenue Breakdown

Service revenue growth despite impact from “VAT Reform” & “1-month Handset Data Carried Forward” and change in sales model

RMB Mil	2014	2015	Change
Mobile	151,611	156,529	3.2%
Service Revenue	120,268	124,503	3.5%
<i>Incl.: Voice</i>	54,673	48,983	-10.4%
<i>Data</i>	65,583	75,424	15.0%
Sales of Terminals	31,343	32,026	2.2%
Wireline	172,783	174,673	1.1%
Service Revenue	167,111	168,763	1.0%
Voice	33,587	29,610	-11.8%
Data	129,538	135,100	4.3%
Internet Access	74,622	75,852	1.6%
VAS & Integrated Information Services	38,047	42,035	10.5%
Lease of Telecommunications Network Resources	16,869	17,213	2.0%
Others	3,986	4,053	1.7%
Sales of Equipment & Other Non-service Revenue	5,672	5,910	4.2%
Total	324,394	331,202	2.1%

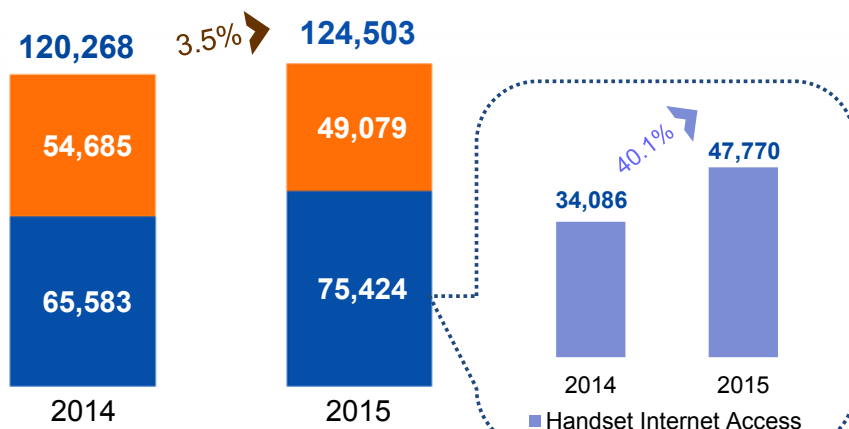
Notes: 1. Mobile service revenue included revenues from voice, data and MVNOs

2. 2015 Wireline Internet Access Revenue included wireline broadband revenue of RMB74,285 mil (2014: RMB73,485 mil)

Solid Mobile Growth Fueled by Data Operation

Mobile Service Revenue

RMB Mil



■ Mobile Data ■ Other Mobile Service Revenue

ARPU (RMB)

54.1 **65.9**

Mobile

3G/4G

Mobile Data Revenue

(% of mobile service revenue)

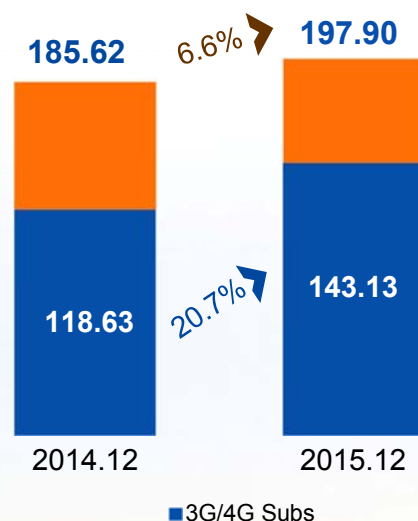
60.6% (▲ 6.1pp)

3G/4G Handset DOU

386 MB (▲ 70%)

Mobile Subscribers

Mil



■ 3G/4G Subs

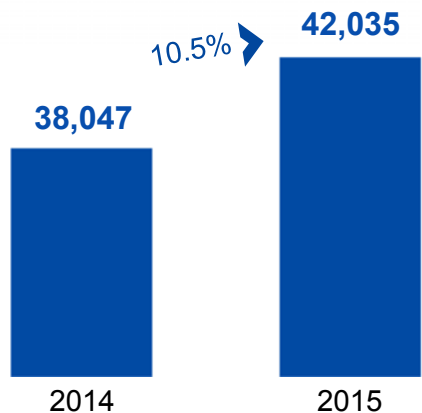
Key initiatives

- Promote 3G subscribers upgrade to 4G
- Enrich data application offerings
- Strengthen data traffic backward monetization among enterprises

VAS & Integrated Information Services Drive Wireline Growth

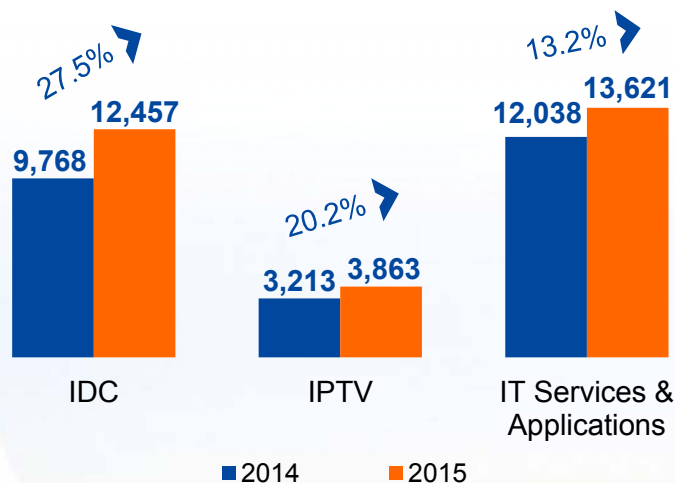
Revenue from VAS & Integrated Information Services

RMB Mil



IDC, IPTV, IT Services & Applications Revenue

RMB Mil



⊗ IDC / Cloud / Big Data

- Country's largest Cloud resources planning ("8+2+X") with 150k+ cabinets in operation
- Constructed Data Centre Interconnect (DCI), established leading capabilities in Cloud Computing & Big Data and user experience

⊗ IPTV (e-Surfing HD)

- Leveraged favourable policy on three network convergence to be a forerunner in "Smart Family" market
- Effectively promoted fibre development and enhanced broadband value

⊗ IT Services & Applications

- Leveraged leading edges in enterprise market to promote differentiated and innovative offerings with focus in specific sectors

Note: "8+2+X" denoted 8 major regional nodes, 2 core Cloud data centre bases in Inner Mongolia & Guizhou and numerous dynamic city nodes

Fostering New Growth Drivers

Smart Family

2015: IPTV (e-Surfing HD) subscribers

40 mil (▲ 9 mil)

“Fibre broadband + TV”

Be the forerunner in “Smart Family”

BestPay 翼支付

2015: GMV **RMB770 bil+**

Registered users **200 mil+**

“4G + Mobile Payment”

To increase customer loyalty and expand towards Internet finance

Internet+

Expansion in new ICT services to create new growth potential

Cloud Computing & Big Data

Competitive edge of cloud-network integration to enhance core competence and value contribution

Internet of Things

- Consolidated efficiently-centralized operations
- Develop scale in connections
- Enrich application services

Key Financial Information

RMB Mil	2014	2015	Change
Operating Revenue	324,394	331,202	2.1%
Operating Expenses	295,886	304,760	3.0%
Depreciation & Amortization	66,345	67,664	2.0%
Network Operation & Support	68,651	81,240	18.3%
Personnel	50,653	52,541	3.7%
SG&A	62,719	54,472	-13.1%
<i>Incl.: Mobile Handset Subsidies</i>	15,340	11,620	-24.3%
<i>General & Administration</i>	8,230	8,529	3.6%
Interconnection & Others	47,518	48,843	2.8%
<i>Incl.: Interconnection</i>	12,483	12,329	-1.2%
<i>Cost of Wireline Equipment Sold</i>	3,854	4,096	6.3%
<i>Cost of Mobile Terminals Sold</i>	29,982	30,867	3.0%
Operating Profit	28,508	26,442	-7.2%
Gain from Tower Assets Disposal	-	5,214	N/A
Net Profit	17,680	20,054	13.4%
Free Cash Flow	12,466	(21,539)	N/A

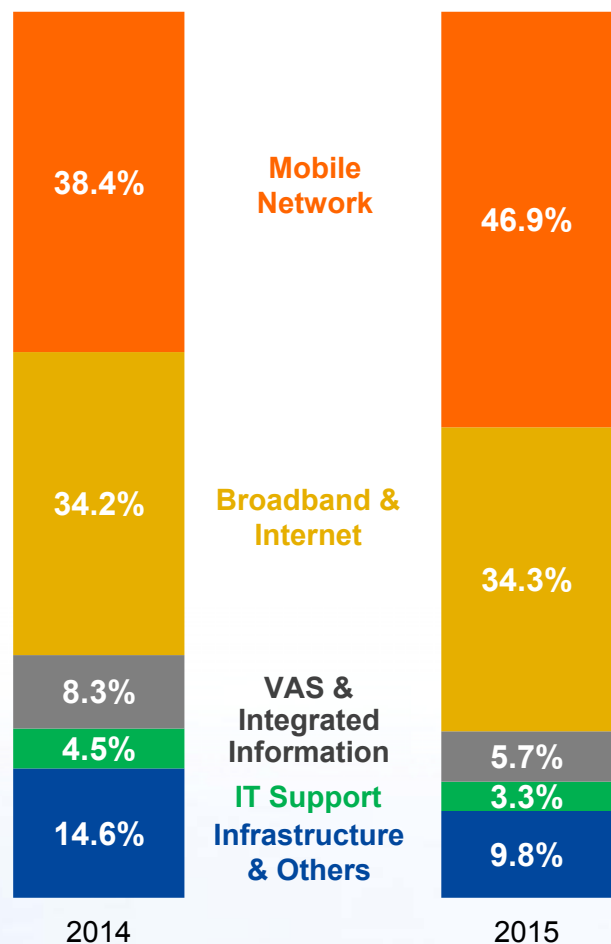
Note: Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses

Stringent Cost Control

	2014	2015	Change	
Operating Expenses as a % of Operating Revenue	91.2%	92.0%	▲ 0.8pp	
Depreciation & Amortization	20.5%	20.4%	▼ 0.1pp	2015 D&A RMB67.7 bil, increased 2.0% yoy mainly due to higher CAPEX
Network Operations & Support	21.2%	24.5%	▲ 3.3pp	Mainly due to newly added tower usage fee in 2015, appropriately increase in costs for network quality enhancement with an expanded network scale
Personnel	15.6%	15.9%	▲ 0.3pp	
SG&A	19.3%	16.4%	▼ 2.9pp	Mainly benefitting from change in sales model for improved sales efficiency
Interconnection	3.8%	3.7%	▼ 0.1pp	
Cost of Terminals Sold & Others	10.8%	11.1%	▲ 0.3pp	

Stringent CAPEX Control

CAPEX Structure



⊗ Optimized CAPEX structure

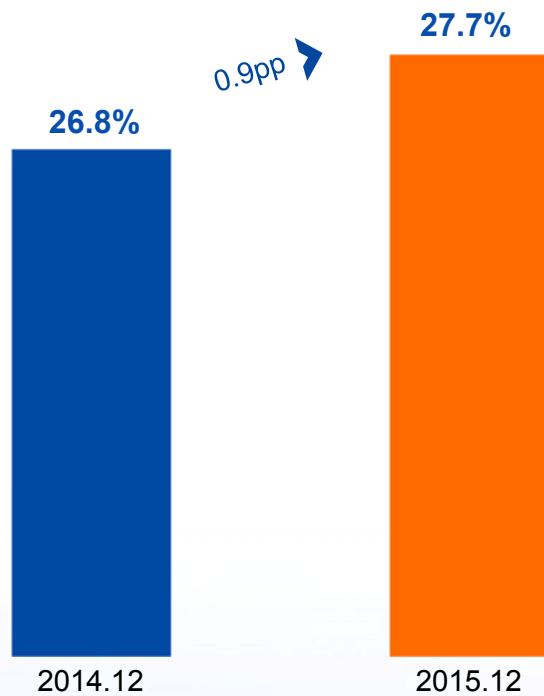
- Strengthened investment in key areas
 - Mobile Network and Broadband & Internet: ▲8.6pp
 - Infrastructure & others: ▼4.8pp

⊗ Enhanced CAPEX efficiency

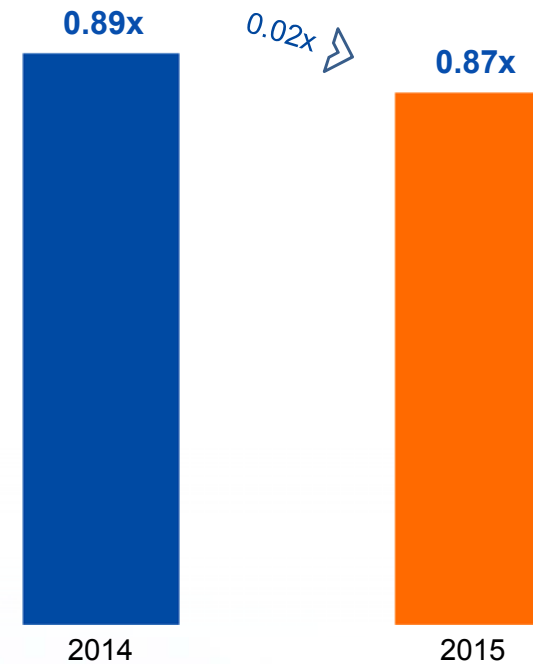
- Promoted sub-division of performance units, resources allocation driven by value enhancement and market demand
- Effective use of network resources with precision investment management
- Introduced private capital to commence cooperation to achieve win-win

Healthy Financial Strength

Total Debt / Total Capitalization

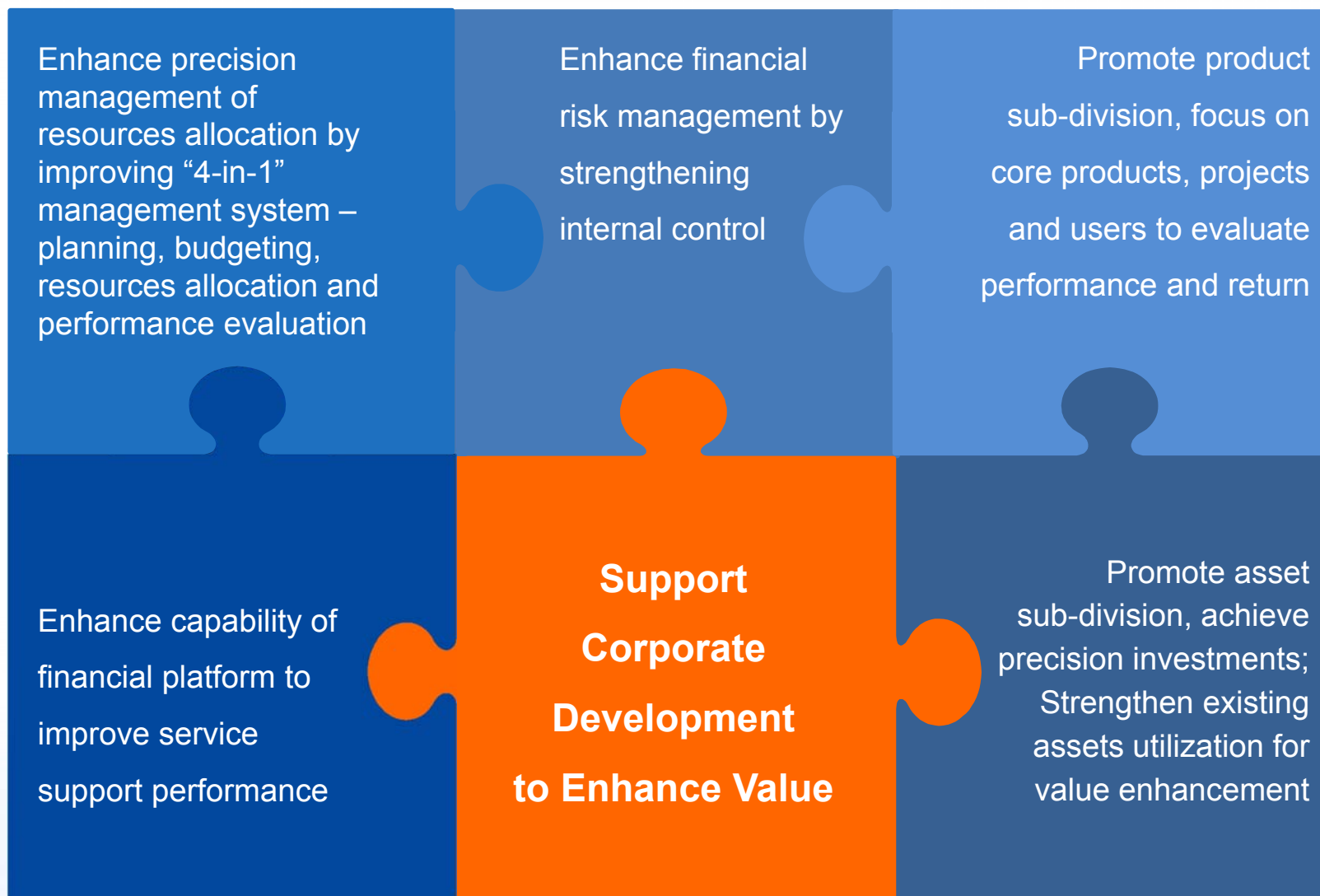


Net Debt / EBITDA



**Strong Financial Position
to Support Sustainable Scale Development**

Strengthen Value Management



Thank You!



*“Overall Best
Managed
Company
in Asia”*



*“No. 1 Best
Managed
Company
in Asia”*



*“Asia’s Most
Honored
Company”*

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



Appendix 1

Extracted from Audited Consolidated Statement of Comprehensive Income for Year Ended 31 Dec 2015

RMB Mil	2014	2015
Operating Revenue	324,394	331,202
Operating Expenses	(295,886)	(304,760)
Gain from Tower Assets Disposal	-	5,214
Net Finance Costs	(5,291)	(4,273)
Investment Income, Share of Profit / (Loss) from Associates	40	(690)
Profit Before Taxation	23,257	26,693
Income Tax	(5,498)	(6,551)
Profit for the Year	17,759	20,142
Equity Holders of the Company	17,680	20,054
Non-controlling Interests	79	88

Appendix 2

*Extracted from Audited Consolidated Statement of Financial Position
as at 31 Dec 2015*

RMB Mil	2014.12.31	2015.12.31
Current Assets	59,543	78,108
Non-current Assets	501,731	551,453
Total Assets	561,274	629,561
Current Liabilities	206,325	255,929
Non-current Liabilities	64,841	68,881
Total Liabilities	271,166	324,810
Total Equity	290,108	304,751
Equity Attributable to Equity Holders of the Company	289,183	303,784
Non-controlling Interests	925	967

Appendix 3

Selected Operating Metrics for the Year Ended 31 Dec 2015

Subscriber (Mil)	2014.12	2015.12	Change
Mobile	185.62	197.90	12.28
Incl.: 3G/4G	118.63	143.13	24.50
of which: 4G	7.08	58.46	51.38
Wireline Broadband	106.95	113.06	6.11
Incl.: FTTH	42.61	70.99	28.38
Access Lines in Services	143.56	134.32	-9.24
Incl.: Household	90.87	84.17	-6.70
Government & Enterprise	40.88	40.80	-0.08
Public Telephone	11.41	9.35	-2.06
	2014	2015	Change
Wireline Voice Usage			
Local Usage (Pulses Mil)	130,439	110,935	-15.0%
Long Distance Usage (Minutes Mil)	30,066	26,503	-11.9%
Mobile Voice Usage (Minutes Mil)	655,939	667,535	1.8%
Mobile Handset Data Unit Price (RMB)	0.122	0.082	-32.6%