2016 Annual Results
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.
Highlights

1. Clear Strategy with Strong Execution
   Solid service revenue growth and significantly enhanced profitability

2. Innovative Convergence Strategy with Prominent Results
   “New Convergence” driving mutual development in services and rapid subscriber expansion

3. Optimizing CAPEX to Enhance Return
   Declining CAPEX with precision investment to support business development

4. Raise Dividend to Increase Shareholders’ Return
   Creating shareholders’ value continuously

5. Step Up Transformation to Strengthen Capabilities
   Pioneer in initiating intelligence strategy to forge differentiated competitive edge
## Solid Fundamentals

<table>
<thead>
<tr>
<th>Metric</th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong> (RMB Mil)</td>
<td>331,202</td>
<td>352,285</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Service Revenue</strong> (RMB Mil)</td>
<td>293,266</td>
<td>309,644</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>EBITDA</strong> (RMB Mil)</td>
<td>94,106</td>
<td>95,139</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>32.1%</td>
<td>30.7%</td>
<td>-1.4pp</td>
</tr>
<tr>
<td><strong>Net Profit</strong> (RMB Mil)</td>
<td>20,054</td>
<td>18,004</td>
<td>-10.2%</td>
</tr>
<tr>
<td><strong>EPS</strong> (RMB)</td>
<td>0.248</td>
<td>0.222</td>
<td>-10.2%</td>
</tr>
<tr>
<td><strong>Adjusted Net Profit</strong> (RMB Mil)</td>
<td>16,117</td>
<td>18,004</td>
<td>11.7%</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong> (RMB)</td>
<td>0.199</td>
<td>0.222</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

Notes: Unless otherwise stated in this presentation
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; Adjusted Net Profit excluded one-off tower assets disposal gain of RMB3,937 mil in 2015
Significantly Enhanced Operation

Adjusted Net Profit Achieved Double-digit Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Net Profit Margin</th>
<th>% Change</th>
<th>Net Profit (RMB Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5.5%</td>
<td></td>
<td>16,117</td>
</tr>
<tr>
<td>2016</td>
<td>5.8%</td>
<td>11.7%</td>
<td>18,004</td>
</tr>
</tbody>
</table>

Emerging Business Revenue Surged

<table>
<thead>
<tr>
<th>Year</th>
<th>Emerging Business Revenue as a % of Service Revenue</th>
<th>% Change</th>
<th>Revenue (RMB Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>34.4%</td>
<td></td>
<td>100,908</td>
</tr>
<tr>
<td>2016</td>
<td>39.6%</td>
<td>21.5%</td>
<td>122,580</td>
</tr>
</tbody>
</table>

Free Cash Flow Improved Substantially

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Cash Flow (RMB Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>(21,539)</td>
</tr>
<tr>
<td>2016</td>
<td>(7,666)</td>
</tr>
</tbody>
</table>

Notes:
1. Adjusted Net Profit Margin = Adjusted Net Profit / Service Revenue
2. Emerging business included Data Traffic Operation, ICT and Internet Applications
New Convergence Driving Rapid Scale Development

**Mobile Subscribers**
- 2015.12: 197.90 Mil
- 2016.12: 215.00 Mil
  - 4G Subs as a % of Mobile Subs: 30% to 57%

**e-Surfing HD (IPTV) Subscribers**
- 2015.12: 40.38 Mil
- 2016.12: 61.33 Mil
  - IPTV Subs as a % of Wireline Broadband Subs: 36% to 50%

**Wireline Broadband Subscribers**
- 2015.12: 113.06 Mil
- 2016.12: 123.12 Mil
  - FTTH Subs as a % of Wireline Broadband Subs: 63% to 86%

**Mobile Subs Net Add**
- 2016 Annual Results: 17.10 Mil (▲ 39% yoy)

**e-Surfing HD Subs Net Add**
- 2016 Annual Results: 20.95 Mil (▲ 130% yoy)

**Wireline Broadband Subs Net Add**
- 2016 Annual Results: 10.06 Mil (▲ 65% yoy)

**4G Subs Net Add**
- 2016 Annual Results: 63.41 Mil (▲ 23% yoy)

**FTTH Subs Net Add**
- 2016 Annual Results: 35.00 Mil (▲ 23% yoy)
Declining CAPEX

CAPEX (RMB)

- 2015: 109.1 Bil RMB
- 2016: > 96.8 Bil RMB
- 2017E: > 89.0 Bil RMB

• Pioneer in building Three Superior Networks
  - **4G network**: multi frequencies (800MHz, 1.8/2.1GHz) coordinated, with appropriately allocated & adequate capacity and continuous basic coverage nationwide
  - **All-fibre network**: end-to-end high performance and good quality coverage in cities, towns & villages
  - **Internet of Things (IoT) network**: quality network with wide area coverage by multi technologies, simultaneously deploy LTE 800MHz & NB-IoT

• Increase CAPEX in Emerging Business

Note: 4G BTS number included outdoor base stations and indoor distribution systems
The Board of Directors recommends to the shareholders a final dividend of HK$0.105 per share for 2016, up 10.5%

- Recommend an increase in dividend for 2016 with due regards to capital requirement for future development, profitability and shareholders’ return, despite a negative free cash flow in 2016
- Review funding need appropriately to fulfill the capital requirement of long-term sustainable growth
- Strive to enhance future profit while creating shareholders’ value continuously
Rise to Challenge for “Speed Upgrade and Tariff Reduction”

Initiatives:
- to cease charging handset users domestic long-distance and roaming fees before 1 October 2017 with accelerating system upgrade and service grooming, etc.
- to reduce the fees of international long-distance calls
- to significantly reduce the tariff of Internet dedicated line access for SMEs

The above measures will have impact on the business operation to a certain extent.

The Company will proactively advance supply-side reform
to promote subscriber migration and information consumption.
Market-driven with Reform and Innovation to Stimulate Vitality

Establish **task force** to coordinate the setting of five ecospheres and nurture external ecological environment. Integrate emerging business into production procedural to **enhance professional operation and support ecology development**.

- **Organizational Reform**
- **Market-oriented operation enhancing return**
- **Innovative Mechanism**
- **Innovative Operation and Management**
- **Innovations in Technology, Management, Operation & Business model**

Deepen "**sub-dividing**" performance evaluation units and improve "**top-down**" service support system.
“SEE 2020”: Focus on “2+5” to Construct Five Ecospheres

Matching existing “2+5” key businesses with future service ecospheres

- **Smart Family Ecosphere**
  - e-Surfing HD

- **Internet, Finance Ecosphere**
  - BestPay

- **New ICT Application Ecosphere**
  - Internet+
  - Cloud / Big Data

- **IoT Ecosphere**
  - IoT

- **Intelligent Connection Service Ecosphere**
  - 4G (5G)
  - Fibre Broadband

**Inject Capabilities**

**Inject Intelligence**

**Inject Strengths**

**Grasp business patterns and customers’ demand**

**Consolidate and coordinate internal resources**

**Strengthen external cooperation**

**Notes:**
1. “SEE 2020” stands for Surfing Enterprise Ecosystem 2020
2. “2+5” refers to two fundamental businesses, namely 4G and fibre broadband, plus five emerging areas, namely e-Surfing HD, BestPay, Internet of Things (IoT), cloud and Big Data and "Internet+"
Strategy-led to Enhance Development Quality and Return

Opportunities

Supply-side Structural Reform  “Cyberpower” Strategy  “Internet+” Strategy
“Made-in-China 2025”  “Big Data” Strategy  Industrial Internet, Sharing Economy
Cyber Information Security  Innovation-driven  5G  SDN / NFV Deployment  VR / AR ...

Market-Oriented

Strategy-Led

Customers’ Value

Corporate Value

Shareholders’ Value
Overview

Business Review

Financial Performance
## Revenue Breakdown

<table>
<thead>
<tr>
<th>RMB Mil</th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile</strong></td>
<td>156,529</td>
<td><strong>172,223</strong></td>
<td>10.0%</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>124,503</td>
<td><strong>137,611</strong></td>
<td>10.5%</td>
</tr>
<tr>
<td><em>Incl.: Voice</em></td>
<td>48,983</td>
<td><strong>44,133</strong></td>
<td>-9.9%</td>
</tr>
<tr>
<td><em>Data</em></td>
<td>75,424</td>
<td><strong>93,363</strong></td>
<td>23.8%</td>
</tr>
<tr>
<td><em>Incl.: Handset Internet Access</em></td>
<td>47,770</td>
<td><strong>68,263</strong></td>
<td>42.9%</td>
</tr>
<tr>
<td>Sales of Terminals</td>
<td>32,026</td>
<td><strong>34,612</strong></td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>Wireline</strong></td>
<td>174,673</td>
<td><strong>180,062</strong></td>
<td>3.1%</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>168,763</td>
<td><strong>172,033</strong></td>
<td>1.9%</td>
</tr>
<tr>
<td>Voice</td>
<td>29,610</td>
<td><strong>25,987</strong></td>
<td>-12.2%</td>
</tr>
<tr>
<td>Data</td>
<td>135,100</td>
<td><strong>141,653</strong></td>
<td>4.9%</td>
</tr>
<tr>
<td><em>Incl.: Broadband</em></td>
<td>74,285</td>
<td><strong>76,766</strong></td>
<td>3.3%</td>
</tr>
<tr>
<td><em>Information &amp; Application Services</em></td>
<td>42,035</td>
<td><strong>44,335</strong></td>
<td>5.5%</td>
</tr>
<tr>
<td>Others</td>
<td>4,053</td>
<td><strong>4,393</strong></td>
<td>8.4%</td>
</tr>
<tr>
<td>Sales of Equipment &amp; Other Non-service Revenue</td>
<td>5,910</td>
<td><strong>8,029</strong></td>
<td>35.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>331,202</strong></td>
<td><strong>352,285</strong></td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Note: Mobile service revenue included revenues from voice, data and MVNOs
4G Scale Expansion Driving Mobile Revenue Growth

**Mobile Service Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB Mil</td>
<td>124,503</td>
<td>137,611</td>
</tr>
<tr>
<td>Increase</td>
<td>10.5%</td>
<td></td>
</tr>
</tbody>
</table>

**4G Subscribers**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.12</th>
<th>2016.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mil</td>
<td>58.46</td>
<td>121.87</td>
</tr>
<tr>
<td>Increase</td>
<td>16.0%</td>
<td></td>
</tr>
</tbody>
</table>

**ARPU (RMB)**

<table>
<thead>
<tr>
<th>Type</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>54.1</td>
<td>55.5</td>
</tr>
<tr>
<td>4G</td>
<td>78.0</td>
<td>72.8</td>
</tr>
</tbody>
</table>

**Enhancing Service & Handset**

**Service Capability**

- **Domestic**
  - Mobile online service app users: 110mil
  - Average monthly service volume: 1.4bil
  - No.1 customer satisfaction in mobile Internet access in industry in 2016 (Source: MIIT)

- **Overseas**
  - 4G international roaming in 124 countries & regions serving 95% of customers’ overseas travels with high speed service

**Handset Sales**

- **6-mode**
  - As national standard, mainstream handset, declining bill of materials
  - No. of models: >370
  - Sales vol. >80mil (~80% of 4G terminal sales)
  - 800MHz LTE handsets:
    - ~100 models (incl. local and foreign brands)
    - 200 models by end-2017
4G Promoting Prominent Data Volume & Revenue Growth

Handset Internet Access Revenue
RMB Mil

2015: 47,770
2016: 68,263

As a % of Mobile Service Revenue

Handset Data Traffic
kTB

2015: 555
2016: 1,277

4G DOU

1,029MB
(2015: 751MB)
▲37%

4G Data Traffic as a % of Handset Data Traffic

83%
(2015: 51%)
▲32pp

Deepening Data Traffic Operation

Handset Upgrade
- Promote precision handset upgrade, accelerate subscribers from 3G to 4G migration, leveraging big data and intellectual operation
- Increasing share of mid-to-high-end handset sales
- Proportion of >RMB1,000 handset sales >70%

Application Aggregation
- Strengthen self-developed application, such as e-Surfing Video, and enhance cooperation with content providers
- Leverage “Website Membership + Dedicated Data” bundling to accelerate content introduction and product upgrade
Stable Wireline Revenue Growth

Wireline Service Revenue **Growth Accelerated**

- **2015**: RMB 168,763
- **2016**: RMB 172,033
- Growth Rate yoy: 1.0% to 1.9%

**Wireline Internet Access Revenue as Main Driver**

- **Internet Access**: +3,871
- **Information and Application Services**: +722
- **Lease of Telecommunications Network Resources & Others**: +2,300
- **Voice**: -3,623

Non-voice Revenue **Portion Increased**

- Internet Access: 44.9% to 46.3%
- Information and Application Services: 24.9% to 25.8%
- Lease of Telecommunications Network Resources & Others: 12.7% to 15.1%
- Voice: 17.5% to 12.8%

*Note: As a % of Wireline Service Revenue*
Increasing High Bandwidth Subs Supporting Convergence Development

**Wireline Broadband Revenue**

- 2015: 74,285 RMB Mil
- 2016: 76,766 RMB Mil

**Average Access Bandwidth**

- >50 Mbps (2015: 29 Mbps)
- 54.2 (2015: 56.3)

**Wireline Broadband ARPU (RMB)**

- 2015: 29 Mbps
- 2016: 56.3 Mbps

**Subscribers Bandwidth Structure**

- 2015: 74,285
- 2016: 76,766

**Leveraging Intelligent Fibre Network Advantage**

- Hundred-Mbps as mainstream and Gbps as lead products: pioneer in promoting Hundred-Mbps smart fibre broadband product and plan to build Gbps demo in 100 cities to forge differentiation edges

- Introduce four core applications, including e-Surfing HD, VPN, family cloud and video call, by means of smart home gateway and 4K TV set-top box via fibre broadband to uplift high bandwidth threshold and extract broadband value
**e-Surfing HD, BestPay and IoT: New Breakthroughs**

### e-Surfing HD (IPTV)
- **Revenue**
  - 2015: RMB 3,863
  - 2016: RMB 4,789 (24.0% growth)

### BestPay
- **Ave. Monthly Active Users**: >16 Mil
- **Actively Participating Merchants**: 300k
  - GMV >RMB 1,000 Bil
  - Smart convergence of “Mobile + Payment” and differentiated development to accelerate the building of Internet Finance Ecosphere

### Internet of Things (IoT)
- **Connected Device Net Add**: >13 Mil
  - Leverage multi technologies and multi layer network edge to build up core capability for platform, laying foundation for expansion to data and application services

---

Source: MIIT, as at end-2016

Note: GMV denoted Gross Merchandise Value
Cloud / Big Data and Internet+: Rapid Growth

### IDC / Cloud / Big Data Revenue

- **IDC**
  - 2015: 12,457 RMB Mil
  - 2016: 15,936 RMB Mil
  - Growth: 27.9%

- **Cloud**
  - 2015: 1,008 RMB Mil
  - 2016: 1,500 RMB Mil
  - Growth: 48.8%

- **Big Data**
  - 2015: 226 RMB Mil
  - 2016: 410 RMB Mil
  - Growth: 81.4%

### No. of “Internet+” Projects

- >2,500
- Growth: 2.4x

- Projects with revenue >RMB1Mil p.a.

### Cloud / Big Data

#### IDC

- **Domestic**
  - No. of IDCs: 400
  - Cabinets: >200k
- **Overseas**
  - No. of IDCs: 15

- Data centres are interconnected nationwide

- Across 8 cities in 6 countries & regions

#### Cloud

- Launched e-Surfing Cloud 3.0 service
- Cloud-network integration & efficiently-centralized managed, enhancing customization via resource strength

#### Big Data

- Promote IDC / Cloud / Industry applications integrated solution focusing on government administration, finance and etc.

### Internet+

- Leveraged cloud computing & big data capabilities, accelerated development focusing on government administration, education, healthcare and etc.

- Launched “Internet+” open platform as one of the “Internet+” key projects by NDRC

- Published “Internet+” Action White Paper 2016 to promote Top 10 actions in 2016

- Commenced “Internet+” strategic cooperation by signing agreements with 14 provincial government and 2 sub-provincial cities

### Gov’t. Admin. Cloud

- >100 Cities

### Education Cloud

- >200 Projects

### Medication Image Cloud

- >500 Hospitals
### Open Cooperation for Win-win

#### Tower Company

- **No. of Towers Leased**
  - ~610,000 (2016.12)
  - ↑110,000

- **Sharing Ratio**
  - (overall) ~66%
  - (newly leased) >90%

#### China Unicom

- **Jointly Promoted Value Chain Cooperation for Industry Ecology Development**
  - Jointly promoted 6-mode all frequencies compatible handsets (800MHz LTE incl.) to become national standard
  - Jointly announced "Broadband Services White Paper" and "4K TV Smart Set-top Box (STB) White Paper" to standardize service quality and STB specifications

- **Network Co-build & Sharing**
  - ~70,000 4G BTS
  - ~16,000 km Transmission Fibre Network

#### Multi Sectors Cooperation

- **IoT Open Laboratory**
- **e-Surfing IoT Industry Alliance**
Pioneer in Initiating Step-up Transformation

To be a Leading Integrated Intelligent Information Service Provider

**Network Intelligentization**

**CTNet2025** promotes **Network Reconstitution**

Widely deploy SDN to achieve intelligent network data traffic load balancing, construct an intelligent, efficiently-centralized and open on-demand network; Actively participate in the formulation of 5G standard and deploy outdoor trial

**Service Ecologicalization**

“SEE 2020” promotes **Service Reconstitution**

Inject capabilities, intelligence & strengths to grasp the five ecospheres development patterns, coordinate internal resources and strengthen external cooperation to develop industry ecology

**Operation Intellectualization**

**Corporate Core** promotes **Operation & Management Reconstitutions**

Adopt Big Data application to drive operational capabilities enhancement, achieve precision in management, marketing, services and network operations to inject “intelligence” into ecosphere

- Optimizing network structure, business system and management platform to promote development of service ecospheres
- Constructing operation management system leveraging big data to enhance efficiency
Operation Intellectualization Driving Core Capability New Breakthroughs

"Corporate Core" at the centre of Operation Intellectualization

DIKW pyramid from Data to Wisdom

- **Wisdom:** Predictability based on Knowledge
- **Knowledge:** Interpretation of Information
- **Information:** Relational Connection of Data
- **Data:** Raw data

- Manage and develop “data” as corporate core asset to build big data capability
- Leverage big data application to enhance capability, for intellectual operation with precision in investment, management, sales & marketing, services and network operation, injecting intelligence to the ecosphere
## Key Financial Information

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>331,202</td>
<td>352,285</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>304,760</td>
<td>325,084</td>
<td>6.7%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>67,664</td>
<td>67,938</td>
<td>0.4%</td>
</tr>
<tr>
<td>Network Operations &amp; Support</td>
<td>81,240</td>
<td>94,092</td>
<td>15.8%</td>
</tr>
<tr>
<td>Personnel</td>
<td>52,541</td>
<td>54,460</td>
<td>3.7%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>54,472</td>
<td>56,417</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Incl.: Mobile Handset Subsidies</strong></td>
<td>11,620</td>
<td>9,370</td>
<td>-19.4%</td>
</tr>
<tr>
<td>General &amp; Administration</td>
<td>8,529</td>
<td>8,596</td>
<td>0.8%</td>
</tr>
<tr>
<td>Interconnection &amp; Others</td>
<td>48,843</td>
<td>52,177</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Incl.: Interconnection</strong></td>
<td>12,329</td>
<td>11,790</td>
<td>-4.4%</td>
</tr>
<tr>
<td><strong>Cost of Terminals &amp; Equipment Sold</strong></td>
<td>34,963</td>
<td>38,628</td>
<td>10.5%</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>26,442</td>
<td>27,201</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>20,054</td>
<td>18,004</td>
<td>-10.2%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>(21,539)</td>
<td>(7,666)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*2016 Annual Results*
## Optimizing Resource Allocation Supporting Business Development

### 2016 Annual Results

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses as a % of Operating Revenue</strong></td>
<td>92.0%</td>
<td>92.3%</td>
<td>0.3pp</td>
</tr>
<tr>
<td><strong>Depreciation &amp; Amortization</strong></td>
<td>20.4%</td>
<td>19.3%</td>
<td>-1.1pp</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount flat yoy, mainly due to increase from higher CAPEX offset by decrease from tower assets disposal</td>
</tr>
<tr>
<td><strong>Network Operations &amp; Support</strong></td>
<td>24.5%</td>
<td>26.7%</td>
<td>2.2pp</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mainly due to increase in tower assets lease &amp; related fee</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td>15.9%</td>
<td>15.5%</td>
<td>-0.4pp</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>16.4%</td>
<td>16.0%</td>
<td>-0.4pp</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Selling expense up 4.1%, mainly due to appropriate increase in channel sales</td>
</tr>
<tr>
<td><strong>Interconnection</strong></td>
<td>3.7%</td>
<td>3.3%</td>
<td>-0.4pp</td>
</tr>
<tr>
<td><strong>Cost of Terminals Sold &amp; Others</strong></td>
<td>11.1%</td>
<td>11.5%</td>
<td>0.4pp</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mainly due to increase in sales of 6-mode handsets</td>
</tr>
</tbody>
</table>
Precision Investment Enhancing Network Edge

CAPEX tilted towards rapidly expanding 4G & fibre broadband services

**Optimized CAPEX Structure**

**Mobile Network** ▼4.4pp

- 4G network covering 95% population
- 4G+ deployment completed in all cities nationwide

**Broadband & Internet** ▲3.6pp

- Basic full fibre network coverage in cities
- Invested in advance in broadband network to meet strong market demand for high bandwidth access, maintaining network and service edges

**Information & Application Services** ▲1.8pp

- Appropriately increased investment in five ecospheres to support and lay network foundation for future development
Healthy Financial Strength

Total Debt / Total Capitalization

2015.12: 27.7%  2016.12: 26.3%

1.4pp decrease

Net Debt / EBITDA

2015: 0.87x  2016: 0.89x

0.02x increase

Solid capital structure to support sustainable development
Integrating Intellectual Operation in Financial Value Management

- Dynamic matching and fully exploiting resource
- Applying profitability model and automatic closed-loop management of ICT project
- Establishing asset categorization model to achieve precision investment and identify low efficiency asset automatically

- Connecting big data platform and operation system
- Strengthening analysis and modeling with data analysis and application
- Injecting intellectual in financial operation to enhance value
Thank You!

For further information & enquiries, please contact our Investor Relations Department at ir@chinatelecom-h.com or visit www.chinatelecom-h.com
### Extracted from Audited Consolidated Statement of Comprehensive Income for Year Ended 31 Dec 2016

<table>
<thead>
<tr>
<th>RMB Mil</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>331,202</td>
<td>352,285</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(304,760)</td>
<td>(325,084)</td>
</tr>
<tr>
<td>Gain from Tower Assets Disposal</td>
<td>5,214</td>
<td>-</td>
</tr>
<tr>
<td>Net Finance Costs</td>
<td>(4,273)</td>
<td>(3,235)</td>
</tr>
<tr>
<td>Investment Income, Share of (Loss) / Profit from Associates</td>
<td>(690)</td>
<td>131</td>
</tr>
<tr>
<td>Profit Before Taxation</td>
<td>26,693</td>
<td>24,097</td>
</tr>
<tr>
<td>Income Tax</td>
<td>(6,551)</td>
<td>(5,988)</td>
</tr>
<tr>
<td>Profit for the Year</td>
<td>20,142</td>
<td>18,109</td>
</tr>
<tr>
<td>Equity Holders of the Company</td>
<td>20,054</td>
<td>18,004</td>
</tr>
<tr>
<td>Non-controlling Interests</td>
<td>88</td>
<td>105</td>
</tr>
</tbody>
</table>
## Appendix 2

*Extracted from Audited Consolidated Statement of Financial Position as at 31 Dec 2016*

<table>
<thead>
<tr>
<th></th>
<th>2015.12</th>
<th>2016.12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RMB Mil</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>78,108</td>
<td>73,972</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>551,453</td>
<td>578,396</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>629,561</td>
<td>652,368</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>255,929</td>
<td>318,998</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>68,881</td>
<td>17,075</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>324,810</td>
<td>336,073</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>304,751</td>
<td>316,295</td>
</tr>
<tr>
<td>Equity Attributable to Equity Holders of the Company</td>
<td>303,784</td>
<td>315,324</td>
</tr>
<tr>
<td>Non-controlling Interests</td>
<td>967</td>
<td>971</td>
</tr>
</tbody>
</table>
### Appendix 3

**Selected Operating Metrics for the Year Ended 31 Dec 2016**

<table>
<thead>
<tr>
<th>Subscriber (Mil)</th>
<th>2015.12</th>
<th>2016.12</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>197.90</td>
<td>215.00</td>
<td>+17.10</td>
</tr>
<tr>
<td>Incl.: 4G</td>
<td>58.46</td>
<td>121.87</td>
<td>+63.41</td>
</tr>
<tr>
<td><strong>Wireline Broadband</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>113.06</td>
<td>123.12</td>
<td>+10.06</td>
</tr>
<tr>
<td>Incl.: FTTH</td>
<td>70.99</td>
<td>105.99</td>
<td>+35.00</td>
</tr>
<tr>
<td><strong>Access Lines in Service</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>134.32</td>
<td>126.86</td>
<td>-7.46</td>
</tr>
<tr>
<td>Incl.: Household</td>
<td>84.17</td>
<td>78.64</td>
<td>-5.53</td>
</tr>
<tr>
<td>Government &amp; Enterprise</td>
<td>40.80</td>
<td>40.41</td>
<td>-0.39</td>
</tr>
<tr>
<td>Public Telephone</td>
<td>9.35</td>
<td>7.81</td>
<td>-1.54</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Wireline Voice Usage</strong></th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Usage (Pulses Mil)</td>
<td>110,935</td>
<td>93,403</td>
<td>-15.8%</td>
</tr>
<tr>
<td>Long Distance Usage (Minutes Mil)</td>
<td>26,503</td>
<td>20,570</td>
<td>-22.4%</td>
</tr>
<tr>
<td>Mobile Voice Usage (Minutes Mil)</td>
<td>667,535</td>
<td>720,566</td>
<td>+7.9%</td>
</tr>
</tbody>
</table>