



# 2018 Interim Results

China Telecom Corporation Limited  
20 August 2018 | [www.chinatelecom-h.com](http://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

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*Chairman & CEO*

Mr. Gao Tongqing

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*Executive Vice President*

Mr. Liu Guiqing

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*Executive Vice President*

Madam Zhu Min

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*Executive Vice President & CFO*



# | Overview

- | Business Review
- | Financial Performance

# Highlights

1

Revenue growth surpassed industry with  
profitability constantly increasing

2

Ecological collaboration promoted integration and mutual development;  
emerging business growth accelerating

3

Strong mobile momentum with  
significant result in data operation

4

Network edge steadily enhancing;  
innovative convergence powering growth

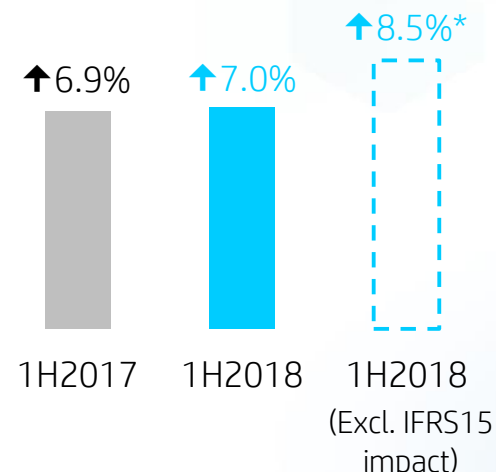
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Reinforced edges to tackle challenges;  
strong execution propelling development



# Accelerating Revenue and Profit Growths

|                             | 1H2017  | 1H2018  | Change |
|-----------------------------|---------|---------|--------|
| Operating Revenue (RMB Mil) | 184,315 | 193,029 | 4.7 %  |
| Service Revenue (RMB Mil)   | 165,996 | 177,588 | 7.0 %  |
| EBITDA (RMB Mil)            | 52,444  | 55,858  | 6.5 %  |
| EBITDA Margin               | 31.6%   | 31.5%   | -0.1pp |
| Net Profit (RMB Mil)        | 12,555  | 13,570  | 8.1%   |
| EPS (RMB)                   | 0.155   | 0.168   | 8.1%   |
| Free Cash Flow (RMB Mil)    | 7,235   | 18,383  | 154.1% |



\* Service revenue growth was 8.5% if applying the revenue standards in effect in 1H2017 for both periods

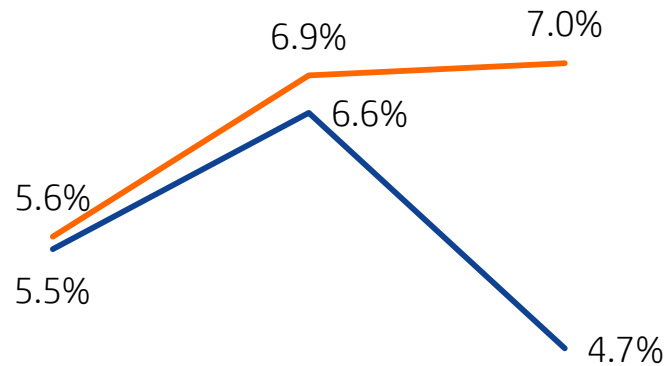


Note: Unless otherwise stated in this presentation

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (1H2017: RMB15,951 mil; 1H2018: RMB12,079 mil) – Sales of Wireline Equipment (1H2017: RMB1,890 mil; 1H2018: RMB2,773 mil) – Other Non-service Revenue (1H2017: RMB478 mil; 1H2018: RMB589 mil)
2. EBITDA = Operating Revenue – Operating Expenses + Depreciation & Amortization; EBITDA Margin = EBITDA / Service Revenue
3. Net Profit represents profit attributable to equity holders of the Company
4. Free Cash Flow (FCF) = EBITDA – CAPEX – Income Tax Expenses
5. 1H2017 financial data are restated according to relevant accounting standards to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited
6. Unless otherwise specified, all % and percentage point (pp) changes in this presentation are either 1H2018 vs 1H2017, or 2018.6 vs 2017.6

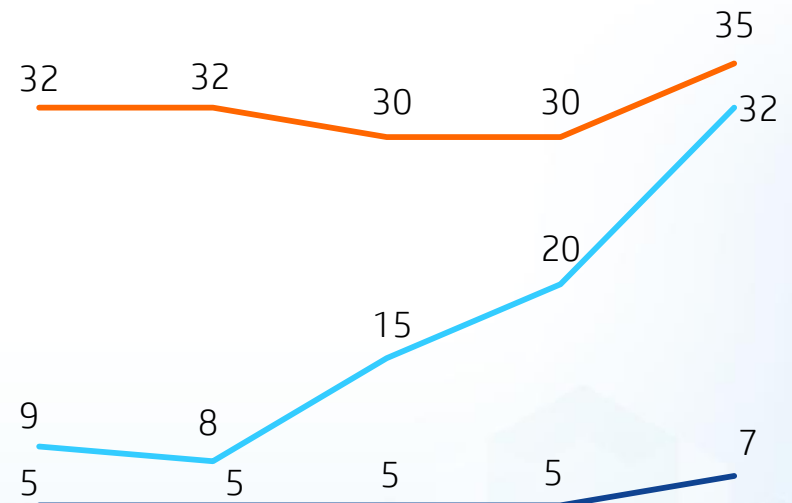
# Revenue and Subs Growth Prompted by Step-up Transformation

Service Revenue Growth Constantly Surpassed Industry



Subs Net Add Hit Historical High

Mil



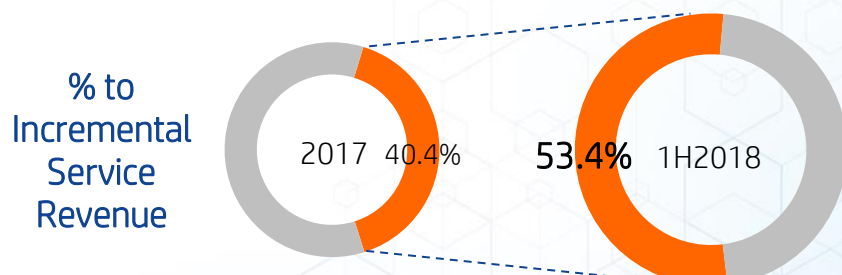
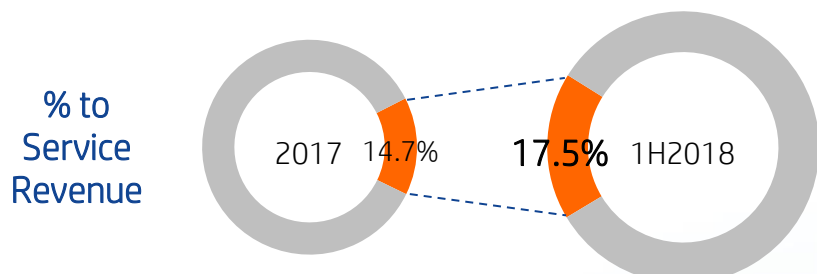
— China Telecom — Industry

— Mobile — 4G — Wireline broadband

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

# Five Ecospheres Expanding Rapidly

Revenue of Intelligent Applications Ecospheres soared, gaining both revenue and incremental revenue shares

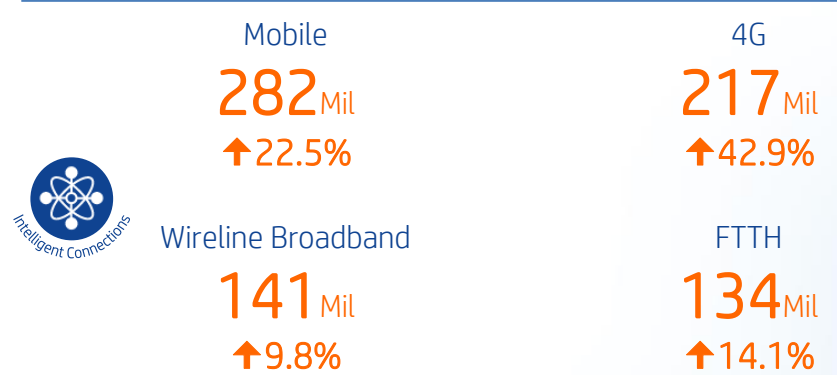


■ Intelligent Connections Ecosphere ■ Intelligent Applications Ecospheres

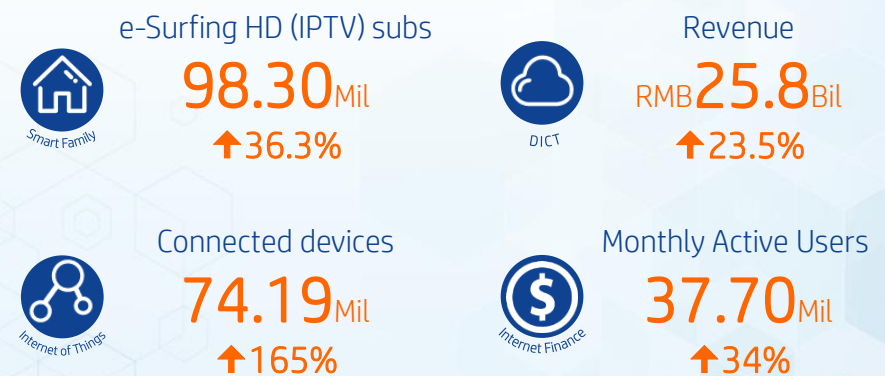
Note:  
 1. Intelligent Applications Ecospheres = Ecospheres of Smart Family, DICT, Internet of Things (IoT) and Internet Finance  
 2. DICT = Converged smart application service integrating three technologies, namely communications technology, information technology and cloud & Big Data technology

## Scale expansion of Five Ecospheres

### Intelligent Connections Ecosphere Subs Scale



### Intelligent Applications Ecospheres





# Network Intelligentization Strengthening Edges



4G

1.2 mil BTS with **98%** population coverage and **36%** utilization rate; leverage Big Data for dynamic capacity expansion to support 4G large data service scale development



Fibre

**96%** FTTH home pass coverage in cities and towns; Gbps broadband deployed in **>170** cities on demand; IP metropolitan network and backbone network bandwidth reached **500Tbps** and **170Tbps** respectively, maintaining industry leadership



IoT

Enhanced NB-IoT, accelerated eMTC trial; high-/mid-/low-speed IoT network architecture basically formed for differentiated service capability on demand



IDC

Enhanced entire network planning and forged a premium network of IDC clusters; deployment focused on Inner Mongolia, Guizhou, Beijing-Tianjin-Hebei, Yangtze River Delta, southern China, Chengdu-Chongqing-Shaanxi and other key regions, to match the cloud-based network planning



SDN

SDN application in product innovation and increasing network operating efficiency; conducted commercial trial, targeting SMEs, on intelligent self-selective dedicated line products, cloud-network integration with adjustable scale; scale deployment of SDN connecting cloud resources pools, shortening business activation process from weeks to minutes



NFV

Commenced trial of fully decoupled vIMS to lay foundation for fully cloud-based 5G in future based on the NFV Infrastructure (NFVI) standard unified with cloud network



**No. 1 customer satisfaction** in handset Internet access and wireline broadband in industry by MIIT survey

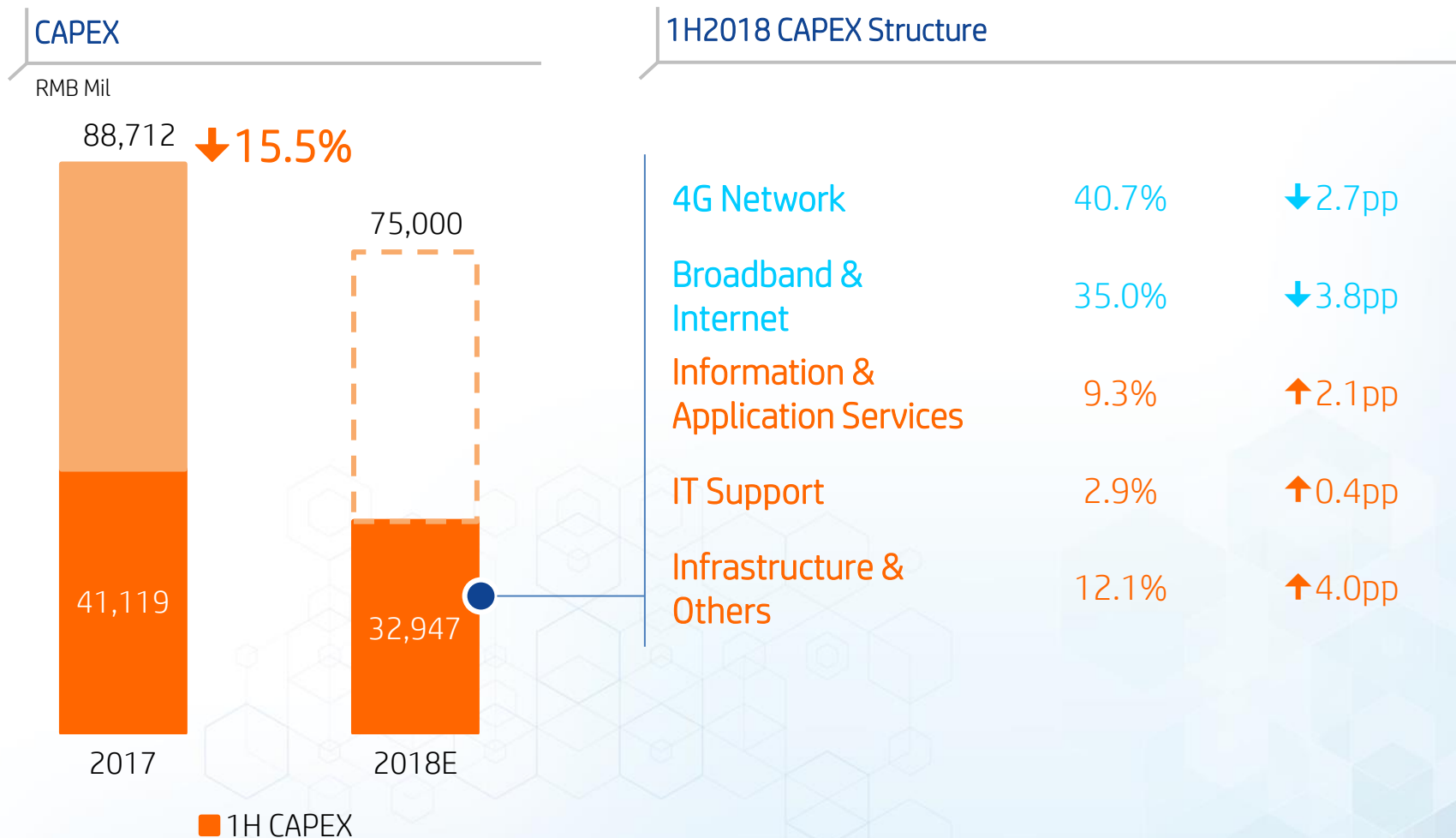


**Asia's largest IDC** on aggregate and standalone scale

CTNet 2025 network reconstitution

# Optimized CAPEX Structure Increasing Efficiency

Persist in precision investment with stringent control and optimized structure amid robust business growth



# 5G: Planning Ahead

Proactive and in-depth participation and research & development;  
persist in return-oriented approach for future growth opportunities

### Network

Mobile network

- Aiming at the optimal long-term development scheme
- 4G & 5G will co-exist for a prolonged period and with coordinated interoperativity

Carrying network

- With the world's largest fibre backbone network to carry massive data

### Application

Industry-focused leveraging government and enterprises customer base

Enhanced mobile broadband (eMBB)

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VR, data-condensed and high speed connections...

Massive machine-type communications (mMTC)

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IoT

Ultra-reliable low-latency communications (URLLC)

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Internet of Vehicles, industrial Internet...

### Coverage




5G      4G


First launch in locations with application and demand

### Investment Principle

Precision investment




Application-driven



Return-oriented

### Timetable



Outdoor trials in 17 cities

2018

Commercial trial

2019

Commercial use

2020

# Implementing “Speed Upgrade and Tariff Reduction”

- ✓ Ceased charging mobile data “roaming tariff” since 1 July
- ✓ Reduced tariffs for international, Hong Kong, Macau and Taiwan roaming
- ✓ Reduced tariffs for Internet dedicated line for SMEs and commercial dedicated line products since 1 May
- ✓ Increased access bandwidth for subscribers

| Mobile                      |                | Wireline Broadband |                               |
|-----------------------------|----------------|--------------------|-------------------------------|
| Handset Data Traffic Growth | 4G Penetration | % of >100Mbps Subs | Subs Average Access Bandwidth |
| 379%<br>↑253pp              | 77%<br>↑11pp   | 56%<br>↑19pp       | 85Mbps<br>↑37%                |



## 2H2018 Measures

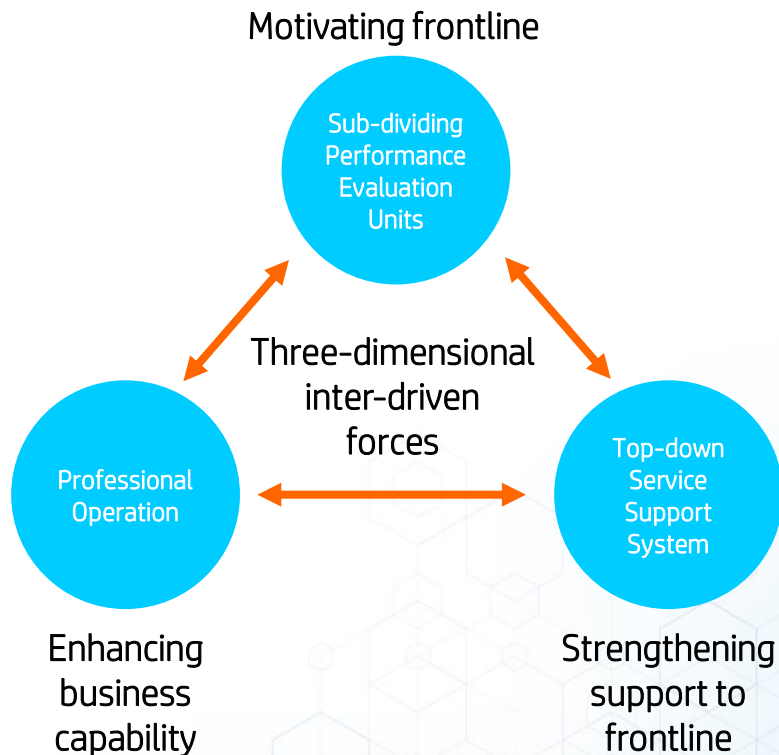
Expediting step-up transformation, boosting innovative businesses, persisting in cost reduction and efficiency enhancement, in order to promote corporate development

# Vitalizing by Reform & Innovation

## Development Powered by Ecological Collaboration

Deepening managerial reform

Ecological collaboration for integration and mutual development



Creating value for Intelligent Connections Ecosphere via collaboration on data, handset and third-party app privileges



Promoting all-rounded ecological collaboration on Smart Family with sales channel and service edges



Enriching cloud service offering via cloud-network / IoT-cloud integration



Innovating IoT business model by focusing on in-depth collaboration with industries which the Company has advantage



Expanding financial services via collaboration backed by subs and sales channel edges



# Strengthening Step-up Transformation to Enhance Corporate Value

Value Enhancement

Customers' Value

Shareholders' Value

Corporate Value

Building Cyberpower • Building First-class Enterprise • Building Better Lives

Strengthen Information Infrastructure

Deepen Application Convergence

Enhance Total Factor Productivity

Network  
Intelligentization

Service  
Ecologicalization

Operation  
Intellectualization

Continuous enhancement of network capability, customer experience and network operating efficiency

Continuous growth in scale and revenue

Continuous promotion of digitalization and Big Data-based management

Step-up Transformation Strategy



Strong Execution

Fully leverage competitive edges to tackle challenges and seize opportunities



| Overview

| **Business Review**

| Financial Performance

# Revenue Breakdown

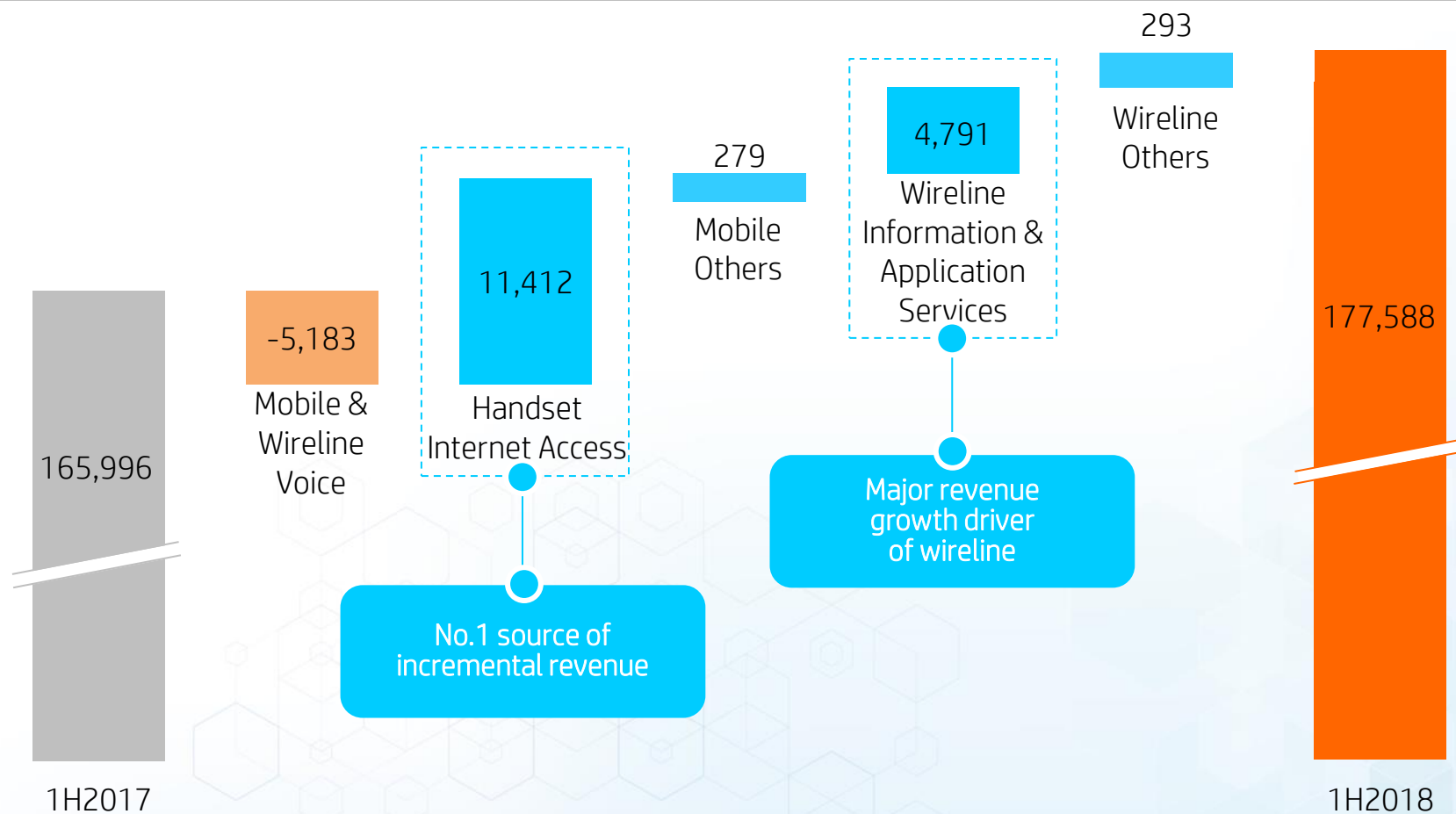
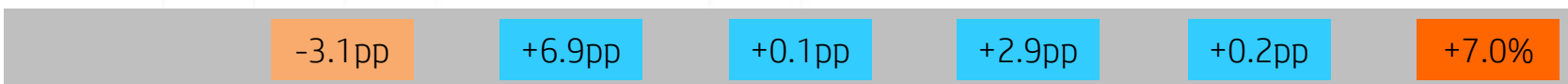
| RMB Mil                            | 1H2017         | 1H2018         | Change      |
|------------------------------------|----------------|----------------|-------------|
| <b>Mobile Service Revenue</b>      | 75,772         | 83,552         | 10.3%       |
| Incl.: Voice                       | 20,425         | 16,514         | -19.1%      |
| Data                               | 55,293         | 66,992         | 21.2%       |
| Incl.: Handset Internet Access     | 43,133         | 54,545         | 26.5%       |
| <b>Wireline Service Revenue</b>    | 90,224         | 94,036         | 4.2%        |
| Incl.: Voice                       | 11,437         | 10,165         | -11.1%      |
| Data                               | 76,638         | 81,632         | 6.5%        |
| Incl.: Broadband                   | 39,223         | 38,831         | -1.0%       |
| Information & Application Services | 26,652         | 31,443         | 18.0%       |
| <b>Service Revenue</b>             | <b>165,996</b> | <b>177,588</b> | <b>7.0%</b> |

Note: Mobile Service Revenue includes revenues from voice, data and MVNOs

# Prominent Revenue Growth Engines

## Service Revenue

RMB Mil







Note: Wireline Information & Application Services include IDC, cloud, Big Data, e-Surfing HD, etc.

# Extending Convergence for Rapid Scale Expansion

## Innovative convergence

Example

**RMB199 / month**

-  **Mobile** ✓ 40GB (with speed cap over limit)
-  **Wireline Broadband** ✓ Hundred Mbps broadband
-  **TV** ✓ e-Surfing HD
-  **Family Cloud** ✓ 2TB Family Cloud

## Increasing bundling and stabilizing churn

Triple-play Penetration

**59%**  
↑13pp

Mobile Bundling Rate

**58%**  
↑5pp

Wireline Broadband Churn Rate

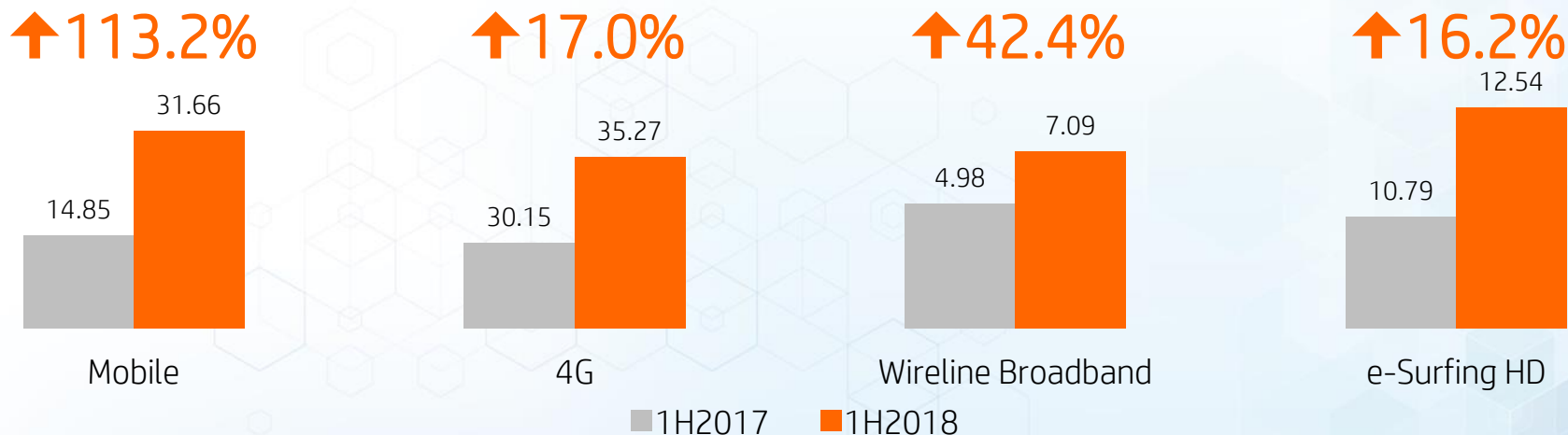
**1.1%**  
↓0.1pp

Note:

1. Triple-play Penetration = Wireline Broadband Subs subscribing mobile and e-Surfing HD services at the same time
2. Mobile Bundling Rate = Bundled Subs / Mobile Subs

## Strong Subs Net Add

Mil

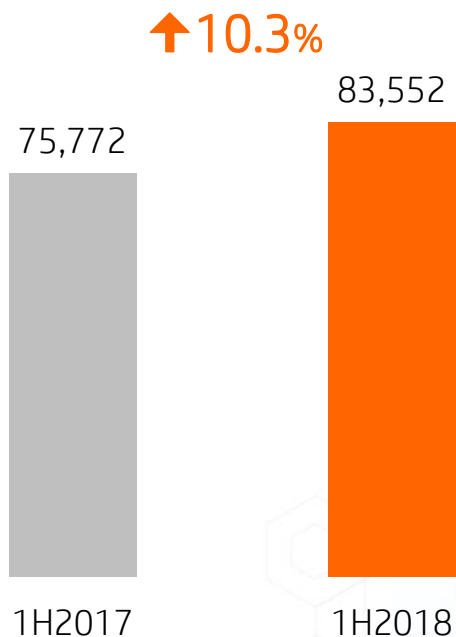




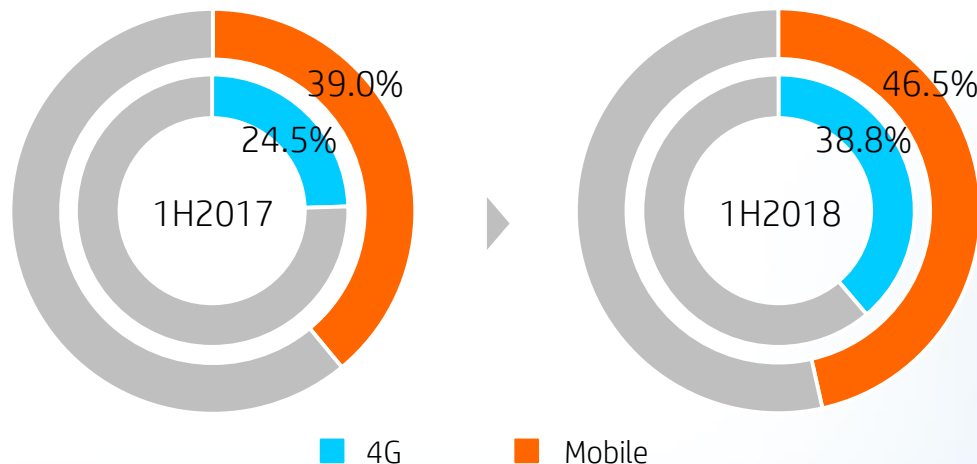
# Strong Mobile Momentum

## Mobile Service Revenue Growing Rapidly

RMB Mil



## Mobile and 4G Subs Net Add Market Share Gaining Remarkably



### Mobile strategy effectively expediting scale development

6-mode handset

Open up additional SIM opportunities

Innovative large data traffic package

Promote data traffic growth

Sales channel

Extend customer reach

Customer experience

Enhance service quality

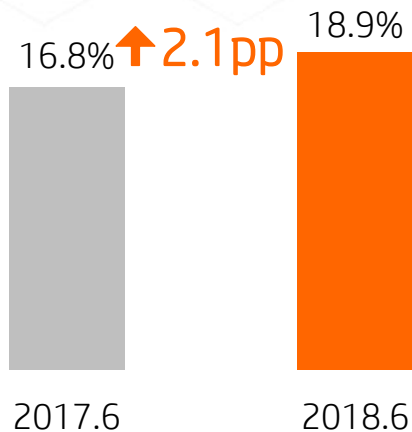
### ARPU

Mobile  
RMB 52.4

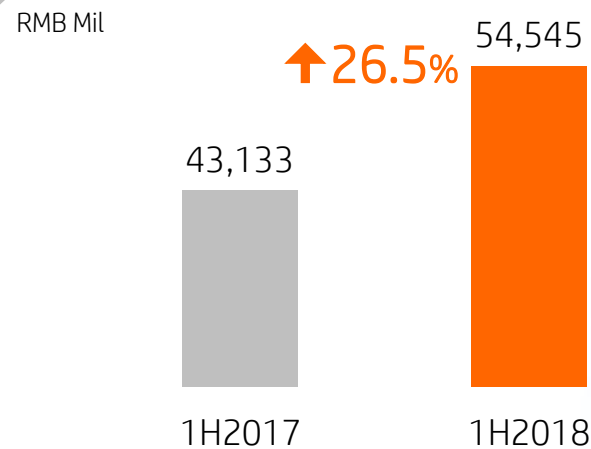
4G  
RMB 58.3

# Data Operation Achieving Significant Results

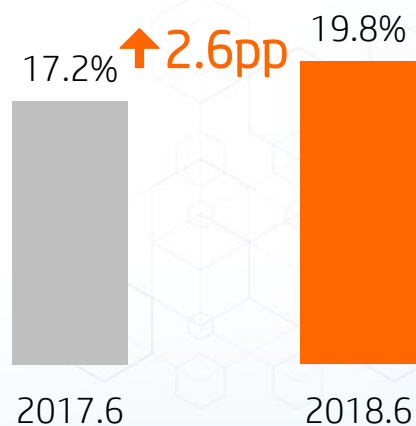
## Growing Mobile Subs Market Share



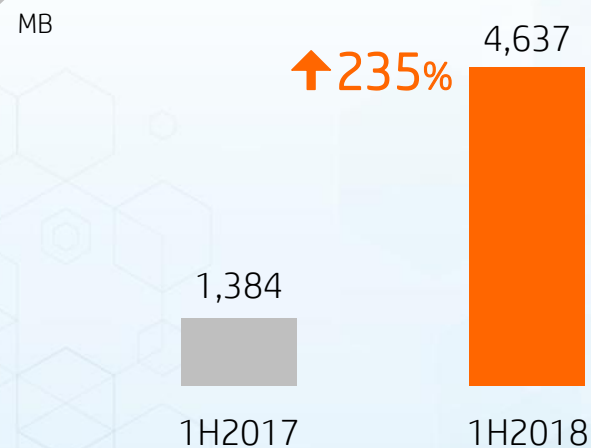
## Robust Handset Internet Access Revenue



## Expanding 4G Subs Market Share



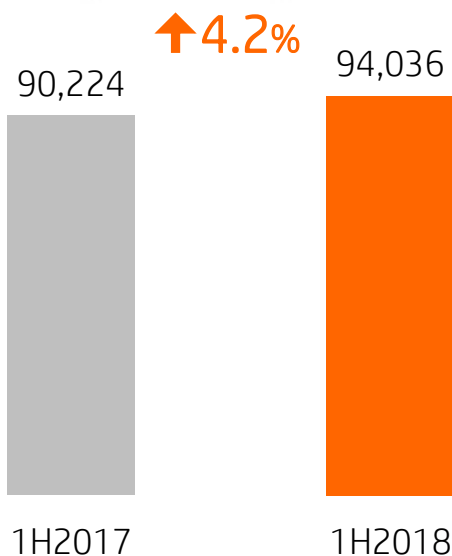
## Booming 4G DOU



# Healthy Wireline Development

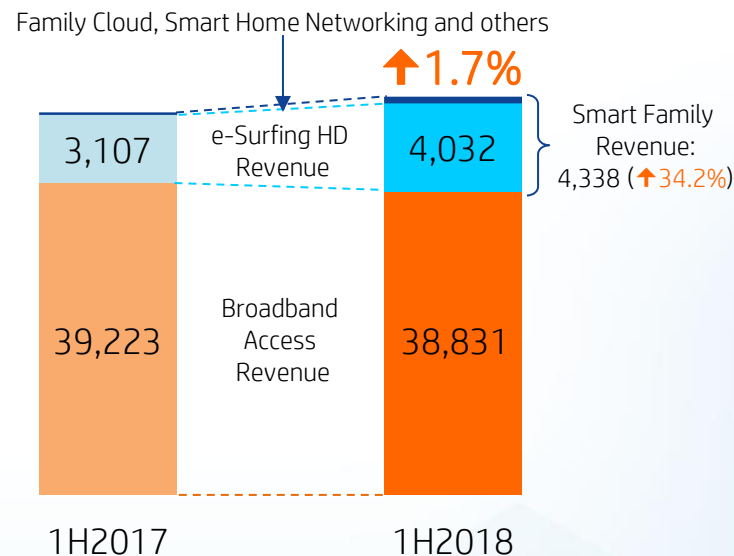
## Continuous Wireline Service Revenue Growth

RMB Mil

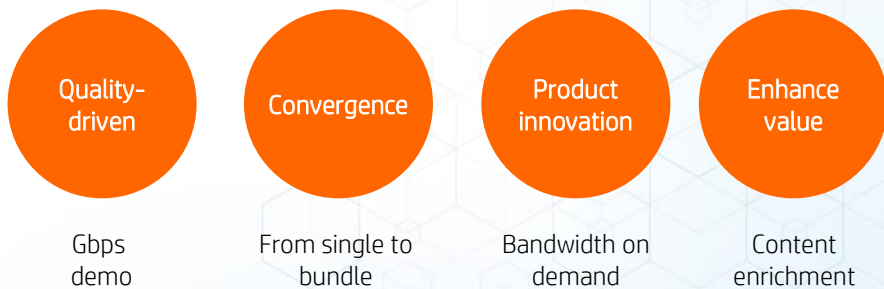


## Broadband Edge and Innovative Convergence Fending Off Fierce Competition

RMB Mil



### Effective strategy strengthening edges



### ARPU

Broadband Access

RMB 47.2

Broadband Blended

RMB 52.5



Maintained industry-leadership

Note: Broadband blended ARPU = Sum of monthly average of Smart Family and Broadband Access Revenues / average broadband subs



# Accelerating Emerging Business Development



Revenue  
↑ 34%

## Dual enhancement in scale and value

**Scale:** e-Surfing HD penetration reached **70%**; **9 mil** Smart Home Networking service delivered, Family Cloud subs ~**20 mil**

**Value:** Smart Family became new revenue growth driver with incremental ARPU of **RMB5.3**, up **23%**




Revenue  
↑ 24%

IDC revenue ↑ 20%    Cloud revenue ↑ 145%    Big Data revenue ↑ 31%

## Breakthrough in cloud-network integration capability

Won government and industry-leading customers by quality; “Secured Cloud” positioning well- recognized

 e-Surfing Cloud ranking in PRC public cloud market

**1<sup>st</sup> among telcos**    **3<sup>rd</sup> overall**

Note: Ranking by IDC



Revenue  
↑ 86%

## Rapid subs scale increase

Scale breakthrough in Internet of Vehicles, smart surveillance, public services, bike-sharing and other markets



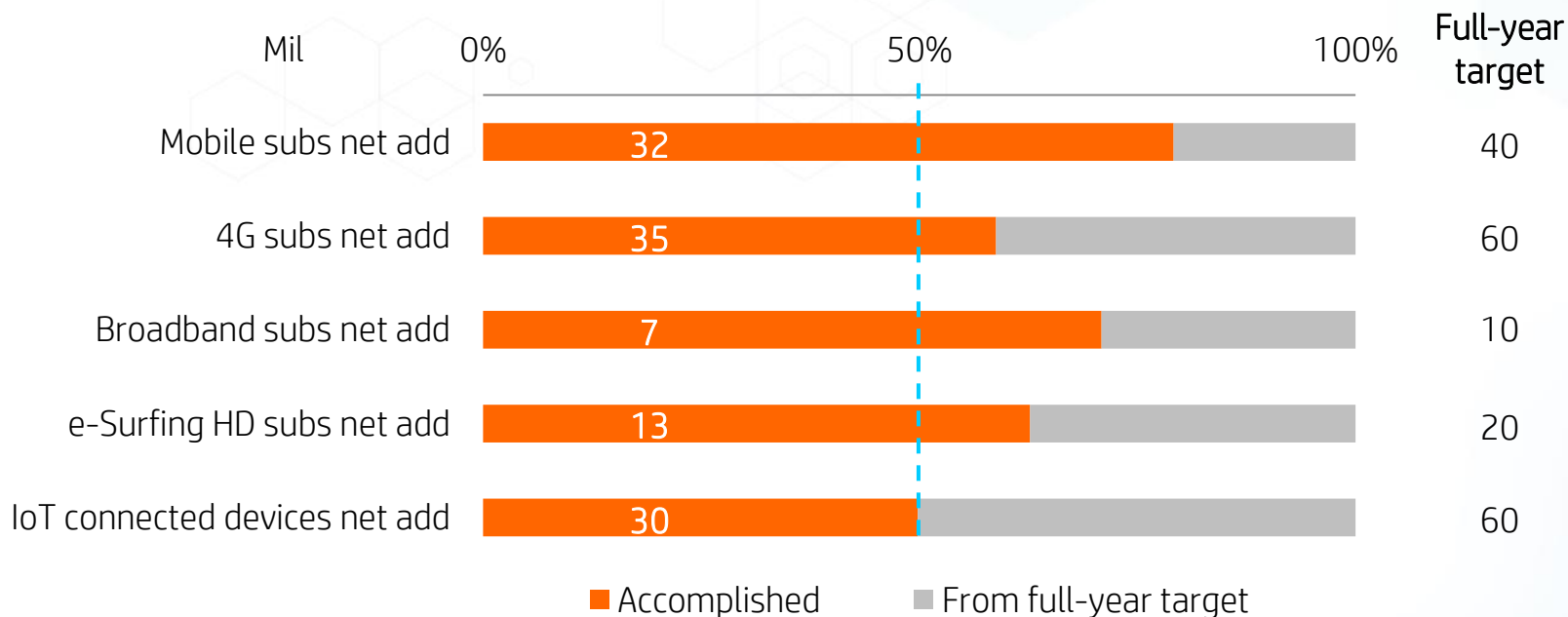
GMV per account  
↑ 88%

## Breakthrough in business model for coordinated development with mobile




**Red packet:** increase customer loyalty and activeness

**Instalment:** lower users’ subscription barrier to boost scale development

# Strong Execution Propelling Development



## 2H2018 Initiatives

-  Persist in promoting step-up transformation and strengthening competitive advantages to escalate to next level
-  Persist in building a three-pillar system in value operation system in marketing, with convergence for scale expansion, integration and mutual development for more applications, and intelligentization for higher service efficiency
-  Persist in reform & innovation, and strengthening execution to improve corporate vitality and return





Overview

Business Review

Financial  
Performance

# Key Financial Information

| RMB Mil                                       | 1H2017  | 1H2018  | Change |
|---|---------|---------|--------|
| <b>Operating Revenue</b>                      | 184,315 | 193,029 | 4.7%   |
| Service Revenue                               | 165,996 | 177,588 | 7.0%   |
| Sales of Terminals & Equipment and Others     | 18,319  | 15,441  | -15.7% |
| <b>Operating Expenses</b>                     | 166,308 | 173,872 | 4.5%   |
| Depreciation & Amortization                   | 34,437  | 36,701  | 6.6%   |
| Network Operations & Support                  | 48,461  | 54,184  | 11.8%  |
| <i>Incl.: Tower Leasing Fee</i>               | 7,569   | 7,841   | 3.6%   |
| Personnel                                     | 30,777  | 32,649  | 6.1%   |
| SG&A  | 28,742  | 29,048  | 1.1%   |
| <i>Incl.: Selling Expense</i>                 | 25,300  | 25,031  | -1.1%  |
| Interconnection & Others                      | 23,891  | 21,290  | -10.9% |
| <i>Incl.: Interconnection</i>                 | 5,914   | 6,226   | 5.3%   |
| <i>Cost of Terminals &amp; Equipment Sold</i> | 17,136  | 14,266  | -16.7% |
| <b>Operating Profit</b>                       | 18,007  | 19,157  | 6.4%   |
| <b>Net Profit</b>                             | 12,555  | 13,570  | 8.1%   |

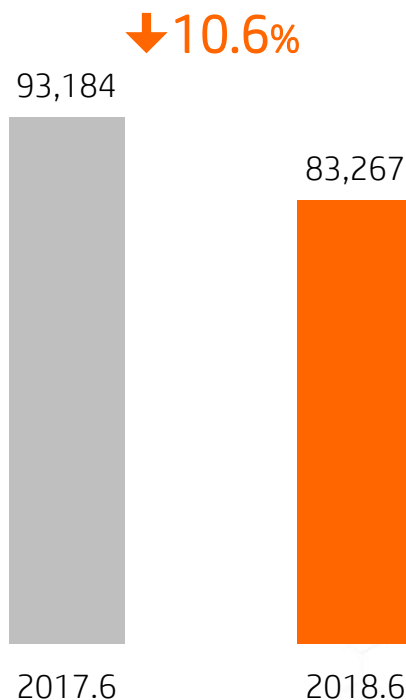
# Optimizing Cost Structure

|                                 | Share of Operating Revenue | Share Change  | Yoy Growth  |   |
|---------------------------------|----------------------------|---------------|-------------|---|
| <b>Operating Expenses</b>       | <b>90.1%</b>               | <b>↓0.1pp</b> | <b>4.5%</b> | Highly efficient resource allocation, cost structure optimized, resource utilization efficiency and return improved |
| Depreciation & Amortization     | 19.0%                      | ↑0.3pp        | 6.6%        | Increased investment in 4G and fiber network in recent years, with relatively high CAPEX levels                     |
| Network Operations & Support    | 28.1%                      | ↑1.8pp        | 11.8%       | Enhanced network capability and quality to support scale development  |
| Personnel                       | 16.9%                      | ↑0.2pp        | 6.1%        | Increase in incentives for frontline employees, emerging business talents and technical experts                     |
| SG&A                            | 15.1%                      | ↓0.5pp        | 1.1%        | Mainly due to optimized sales mode and adoption of new accounting standard  |
| Interconnection                 | 3.2%                       | -             | 5.3%        |   |
| Cost of Terminals Sold & Others | 7.8%                       | ↓1.9pp        | -16.2%      | Mainly due to less mobile terminals sold  |

# Enhancing Financial Strength

Total Debt

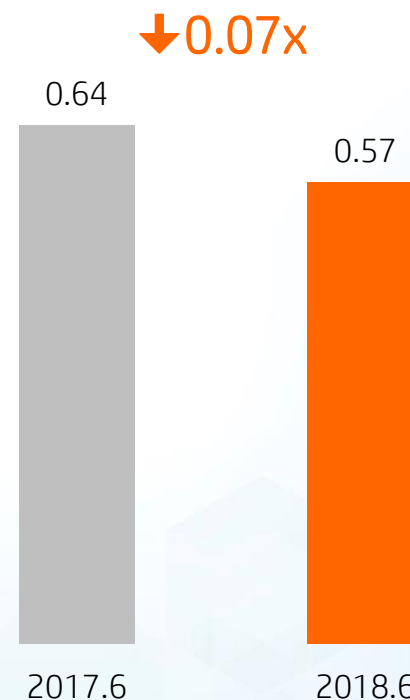
RMB Mil



Total Debt / Total Capitalization

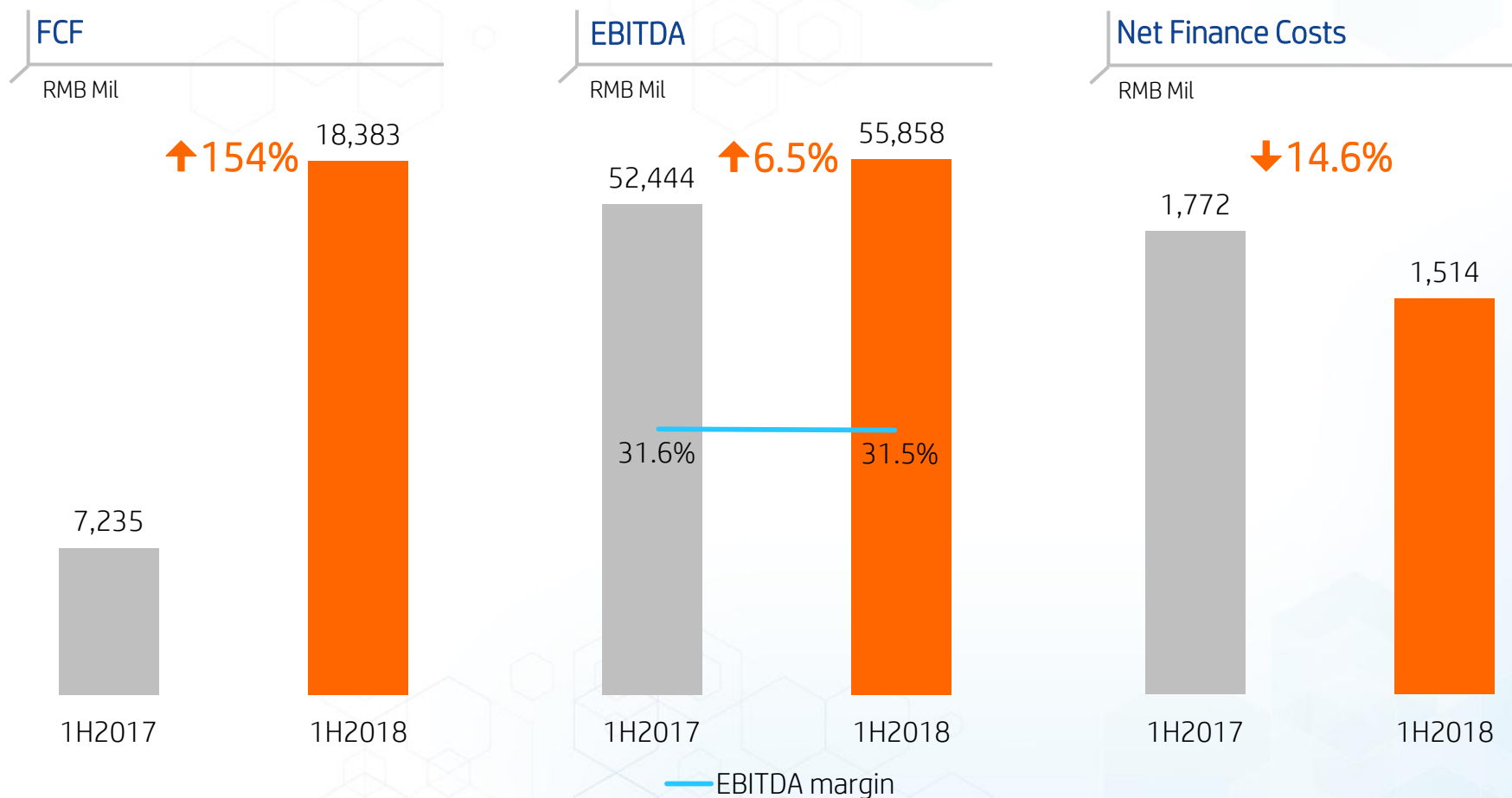


Net Debt / Simplified Annualized EBITDA



- ✓ Efficiently-centralized capital management lowered the size of interest-bearing debt
- ✓ Healthy capital structure to support sustainable development

# Strengthening Financial Position



- ✓ FCF improved significantly
- ✓ EBITDA achieved solid growth
- ✓ EBITDA margin held stable
- ✓ Financing cost declined





*"Most Honored  
Company  
(2009-2018)"*



*"Platinum  
Award –  
Excellence in  
Environmental,  
Social and  
Corporate  
Governance"*



*"Asia's  
Most Honored  
Company"*



*"The Best of  
Asia –  
Icon on  
Corporate  
Governance"*

# Thank You!

For further information & enquiries,  
please contact our Investor Relations Department at  
[ir@chinatelecom-h.com](mailto:ir@chinatelecom-h.com) or visit [www.chinatelecom-h.com](http://www.chinatelecom-h.com)

# Appendix 1

*Extracted from Unaudited Consolidated Statement of Comprehensive Income for the Period Ended 30 Jun 2018*

| RMB Mil  | 1H2017    | 1H2018    |
|--|-----------|-----------|
| <b>Operating Revenue</b>                         | 184,315   | 193,029   |
| Operating Expenses                               | (166,308) | (173,872) |
| Net Finance Costs                                | (1,772)   | (1,514)   |
| Investment Income, Share of Profit of Associates | 468       | 516       |
| <b>Profit Before Taxation</b>                    | 16,703    | 18,159    |
| Income Tax                                       | (4,090)   | (4,528)   |
| <b>Profit for the Period</b>                     | 12,613    | 13,631    |
| Equity Holders of the Company                    | 12,555    | 13,570    |
| Non-controlling Interests                        | 58        | 61        |

Note: 2017 interim financial data were restated according to relevant accounting standards to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited

# Appendix 2

*Extracted from Unaudited Consolidated Statement of Financial Position as at 30 Jun 2018*

| RMB Mil  | 2017.12        | 2018.6         |
|--|----------------|----------------|
| Current Assets                                       | 71,550         | 76,480         |
| Non-current Assets                                   | 589,644        | 585,819        |
| <b>Total Assets</b>                                  | <b>661,194</b> | <b>662,299</b> |
| Current Liabilities                                  | 275,408        | 265,672        |
| Non-current Liabilities                              | 59,089         | 61,082         |
| <b>Total Liabilities</b>                             | <b>334,497</b> | <b>326,754</b> |
| <b>Total Equity</b>                                  | <b>326,697</b> | <b>335,545</b> |
| Equity Attributable to Equity Holders of the Company | 325,867        | 334,655        |
| Non-controlling Interests                            | 830            | 890            |

# Appendix 3

## Selected Operating Metrics for the Period Ended 30 Jun 2018

|                                | 2017.12 | 2018.6 | Change |
|--------------------------------|---------|--------|--------|
| Subscriber (Mil)               |         |        |        |
| <b>Mobile</b>                  | 249.96  | 281.62 | +31.66 |
| Incl.: 4G                      | 182.04  | 217.31 | +35.27 |
| <b>Wireline Broadband</b>      | 133.53  | 140.62 | +7.09  |
| Incl.: FTTH                    | 126.17  | 133.81 | +7.64  |
| <b>Access Lines in Service</b> | 121.80  | 119.50 | -2.30  |
| <b>e-Surfing HD</b>            | 85.76   | 98.30  | +12.54 |
| <b>BestPay Mau</b>             | 33.00   | 37.70  | +4.70  |
| <b>IoT Connected Devices</b>   | 44.30   | 74.19  | +29.89 |

|                                   | 1H2017 | 1H2018 | Change |
|-----------------------------------|--------|--------|--------|
| <b>Mobile ARPU</b>                | 56.8   | 52.4   | -7.7%  |
| <b>4G ARPU</b>                    | 67.2   | 58.3   | -13.2% |
| <b>4G DOU (MB / Sub / Month)</b>  | 1,384  | 4,637  | +235%  |
| <b>Handset Data Traffic (kTB)</b> | 1,125  | 5,389  | +379%  |
| <b>Wireline Broadband ARPU</b>    | 52.0   | 47.2   | -9.2%  |