



Press Release
27 August 2014
For Immediate Release

China Telecom Corporation Limited
Announcement of Interim Results for Year 2014

**Persistence in profitable development with optimised revenues structure
and sustained solid growth in revenues and net profit**

- Leverage the trends & accelerate comprehensive in-depth reform to enhance value
- Focused on 4G & broadband Internet investment to strengthen customer experience & competitive advantages
- VAT reform – Short term pain, long term beneficial to sustainable growth
- 4G handset service debut in July added a new growth engine to mobile business

<i>(RMB millions)</i>	2013¹ First Half	2014 First Half	Rates of change
Operating Revenues	157,559	165,973	5.3%
Operating Revenues (excluding mobile terminal sales)	139,248	149,362	7.3%
of which: Mobile Services Revenues	54,600	61,979	13.5%
Wireline Revenues	84,648	87,383	3.2%
EBITDA ²	50,130	50,538	0.8%
Net Profit ³	10,225	11,436	11.8%
EPS <i>(RMB)</i>	0.13	0.14	11.8%

¹ The figures for the first half of 2013 were restated to include the retrospective impact of the acquisition of China Telecom (Europe) Limited.

² EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

³ Net profit represents profit attributable to equity holders of the Company.

China Telecom Corporation Limited (hereinafter “China Telecom” or the “Company”) (Stock Code on the Hong Kong Stock Exchange: 728) (Stock Code on the New York Stock Exchange: CHA) announces its 2014 interim results today in Hong Kong.

In the first half of 2014, the environment of the communications and information industry in the mainland China was complicated and tangled. The Company’s operations faced unprecedented uncertainty upon the simultaneous emergence of numerous factors including the 4G regulatory policy, the implementation of the Value-Added Tax (“VAT”) reform, the establishment of the Tower Company and the resale of mobile services (MVNO). The Company examined and assessed the situation, and timely refined the strategic plan to ensure that the operating results achieved a healthy growth. Embracing the overall landscape with a long term vision, the Company assumed responsibilities courageously and communicated pragmatically. With our dedicated efforts, we successfully obtained the approval of the 4G hybrid network operation and the VAT reform policy which is beneficial to the long term sustainable development. We took challenges as opportunities and proactively built cohesive consensus, stepping forward to deepen reform and focusing on enhancement of corporate vitality and efficiency. Through accurately grasping the trends, the Company promoted the implementation of the “Three New Roles”⁴ strategy and firmly established the roadmap of Internet-oriented corporate transformation to build a new China Telecom.

In the first half of the year, the Company persisted in rational competition and profitable development with appropriate controls over investments and costs, resulting in solid growth in both revenues and net profit. In the first half of the year, the operating revenues amounted to RMB166.0 billion, representing an increase of 5.3% over the same period last year. Excluding the mobile terminal sales, the operating revenues were RMB149.4 billion, representing an increase of 7.3% over the same period last year, with growth rate surpassing industry average. The proportion of revenues from emerging businesses accounted for 28% of total revenues excluding the mobile terminal sales, driving continual fast optimisation in business structure. EBITDA was RMB50.5 billion, while EBITDA margin⁵ was 33.8%. The profit attributable to the equity holders of the Company was RMB11.4 billion, representing an increase of 11.8% over the same period last year. Basic earnings per share were RMB0.14. Capital expenditure was RMB23.1 billion while free cash flow⁶ reached RMB23.9 billion.

Taking into consideration the cash flow of the Company and the capital requirements for future development, the Board of Directors has decided not to pay an interim dividend this year in order to maintain adequate funding flexibility. The Board of Directors will proactively consider a final dividend proposal when reviewing the full year results and will propose any such final dividend to the shareholders’ general meeting accordingly.

⁴ The “Three New Roles” refers to the Leader of Intelligent Pipeline, the Provider of Integrated Platforms and the Participant of Content & Application Development.

⁵ EBITDA margin is calculated based on EBITDA divided by the operating revenues excluding mobile terminal sales.

⁶ Free cash flow is calculated based on EBITDA minus capital expenditure and income tax.

In the first half of the year, the Company continued to leverage the competitive edges of the 3G network and services focusing on expansion of key markets and continuous enhancement of development quality. Persisting in the terminal-led approach, the Company continued to strengthen the Internet applications-driven mode and conduct targeted marketing to continuously optimise the customer acquisition approach. Amid intensified market competition driven by the launch of 4G services and strengthened marketing promotions by the peers, the Company insisted on profitable mobile development and appropriate control of marketing initiatives. In the first half of the year, the number of mobile subscribers of the Company experienced a net decline of 5.34 million to 180 million. Of which, the net addition of 3G subscribers was 4.13 million, with 3G subscribers accounting for approximately 60% of the total number of mobile subscribers with further optimisation of the subscriber structure. Through active promotion of subscribers upgrade to 3G services, the mobile services revenues experienced rapid growth while the ARPU of mobile subscribers was stable with slight increase. Meanwhile, the Company vigorously promoted the bandwidth upgrade to continuously improve the market competitiveness by fully leveraging the competitive strengths in optic fibre network and services edges. In the first half of the year, wireline broadband service revenues amounted to RMB36.4 billion, representing an increase of 3.4% over the same period last year. The number of wireline broadband subscribers reached 104 million with a net addition of 4.03 million. The number of Fibre-to-the-Home (FTTH) subscribers reached 33 million, accounting for approximately 32% of the total number of wireline broadband subscribers and representing an increase of 5 percentage points from the end of 2013. In the first half of the year, the Company strengthened innovation and cooperation, fully leveraging the competitive strengths of being a telecommunications operator to foster the rapid development of emerging businesses through promoting efficiently-centralised and market-driven operations. Revenues from emerging businesses increased by 30% over the same period last year.

Chairman Wang Xiaochu expressed that the Company will firmly seize the 4G development opportunities, fully leveraging the competitive strengths of hybrid network in full strengths and ensuring leadership in network quality of hybrid network trial to develop a good reputation amongst subscribers. The Company will actively cultivate the 4G terminal industry chain and build a mature, complete efficiently-centralised 4G operating system. The Company will also actively apply for the expansion of the LTE hybrid network trial footprint and LTE FDD licence so as to get fully prepared for the comprehensive commercial launch of 4G. At the same time, the Company will continue to focus on core services such as 3G and wireline broadband services, persisting in profitable scale development. The Company will promote the

implementation of comprehensive in-depth reform to stimulate the inherent corporate vitality. The Company will leverage mixed ownership to extend open cooperation and strengthen the capitalisation of the complementary resources. The Company will grasp the wisdom of the Internet mindset to comprehensively promote the corporate Internet-oriented transformation and tackle the implementation of the VAT reform in full strengths so as to create values for shareholders.

For further information, please browse the Company's website at: www.chinatelecom-h.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement 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 the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, the Company does 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.

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