



Press Release
19 August 2015
For Immediate Release

China Telecom Corporation Limited Announces Interim Results for Year 2015

- Fundamentals remained solid despite tax impact of VAT reform; revenue outperformed industry average growth
- 4G gaining edges & momentum fast
- Tower sharing enhanced quick & effective 4G network roll-out to capture window of opportunity; also expected to enhance long-term value for the Company & industry
- “Speed upgrade & tariff reduction” – to closely follow up & strive to accommodate regulatory requirements for achieving win-win
- Firmly leverages the opportunities of “Internet+” & deepens comprehensive reform to enhance shareholder return

<i>(RMB millions)</i>	2014 First Half	2015 First Half	Rate of change
Operating Revenues	165,973	164,953	-0.6%
Service Revenues ¹	146,965	147,022	0.0%
of which: Mobile Service Revenues	61,979	62,346	0.6%
Wireline Service Revenues	84,986	84,676	-0.4%
EBITDA ²	50,538	50,739	0.4%
Net Profit ³	11,436	10,980	-4.0%
EPS <i>(RMB)</i>	0.141	0.136	-4.0%

¹ Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

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

³ Net profit represents profit attributable to the 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 2015 interim results today in Hong Kong.**

In the first half of 2015, despite the challenges brought by the regulatory policies such as the value-added tax (“VAT”) reform and “speed upgrade & tariff reduction”, the Company managed to achieve a breakthrough in geographical limitations following the issuance of the LTE FDD licence and accelerated development comprehensively. With full exploitation of the competitive capabilities of network, terminals, channels and customer service accumulated in preceding periods and leveraging the favourable policy of tower sharing, the Company focused on strategy implementation and promptly grasped the development pace and initiatives. The 4G network coverage was effectively enhanced and the 4G subscriber scale and market share rapidly increased despite intensified market competition. The edges in broadband network were rapidly transformed into marketing edges, accelerating development in fibre broadband services. The new integrated offering advantages of dual-100Mbps with 4G and fibre broadband gradually emerged while the scale operation and data traffic operation of the Company achieved remarkable overall results. At the same time, seizing these favourable opportunities, the Company persisted in comprehensive in-depth reform and accelerated the Internet-oriented transformation, resulting in continual strengthening in differentiated core competitiveness and vigorous promotion of scale development with a view to expanding the new horizons for future development in full strengths.

In the first half of the year, despite the impact of the regulatory policies such as the VAT reform, the Company’s overall development remained solid. The operating revenues remained stable as compared with the same period last year and outperformed industry average growth. The revenues from emerging business accounted for approximately 34% of service revenues and the business structure continued to optimise rapidly. EBITDA has increased by 0.4% over the same period last year while the profit attributable to the equity holders of the Company declined by 4.0% over the same period last year. Capital expenditure was RMB36.7 billion.

Taking into consideration the Company’s profitability, cash flow level 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 to the shareholders’ general meeting accordingly.

In the first half of the year, the Company accelerated the development of its 4G services. The net addition of 4G terminal users was approximately 22 million, reaching a total of approximately 29 million and driving steady growth of the mobile business. Taking full advantages of tower sharing, the Company rolled out the 4G network fast and effectively to enhance time-to-market and savings in capital expenditure. The Company fully leveraged the network edges accumulated over the years and comprehensively commenced the end-to-end

bandwidth upgrade. The Company also reinforced the concerted development of broadband and 4G, as well as speeding up the product upgrade to promote the profitable and sustainable development of wireline broadband services. In the first half of the year, the number of wireline broadband subscribers reached 110 million, representing a net increase of 2.61 million. Of which the net addition of FTTH subscribers was approximately 11 million, reaching a total of approximately 54 million. Meanwhile, the Company accelerated the development of emerging business with continual expansion in business scale and revenue contribution.

Since the commencement of the pilot programme of the VAT reform in the telecommunications industry in June 2014, the Company has been striving to optimise its development and sales models, implement enhanced management over cost, procurement and vendors' tax qualifications as well as continual optimisation in revenue structure. The relevant monthly average adverse impact has been moderated. In the future, with the continual expansion of the VAT reform to other industries, it is expected that the Company will be entitled to more input VAT credits, which will be beneficial for the enhancement of its profitability in the long term.

2015 marks a crucial year for the Company's 4G scale development and change in the industry competitive landscape. The Company is facing various challenges including a slowdown in macro-economic growth, saturated market on mobile subscribers, VAT reform and "speed upgrade & tariff reduction", as well as intensifying competition within and across the industries. However, following the rapid development of the Internet industry together with the initiation and implementation of the national "Internet+" action plan, the benefits from the national "innovation-driven" policy became prominent. With the rapid growth in the demand for the high speed Internet, there will be huge development opportunity for information economy represented by the "Internet+" and vast potential for the Company's prospects. In the second half of the year, the Company will strengthen 4G premier network quality, brand advantage and leading customer experience, taking customer experience as the core. The Company will vigorously promote the development of signature terminals such as dual-SIM 6-mode handsets, 4G+ handsets and security handsets and comprehensively accelerate the transformation of channel operation model with O2O as the core. At the same time, the Company will further strengthen its differentiated competitive edges in wireline broadband network and promote scale development of its "Smart Family" products, "Joy me", to continuously enhance the scale and return of the fibre broadband subscribers. The Company will closely follow up and strive to accommodate the regulatory requirements of "speed upgrade & tariff reduction". The Company will continuously explore and optimise the business model of data traffic operation, leveraging data price elasticity to increase sales at lower unit prices in order to achieve a win-win situation. The Company will continuously promote Internet-oriented transformation, adhering to open cooperations and strengthening competitive advantages of the ecosystem.

Chairman Wang Xiaochu expressed that looking ahead the Company has full confidence. The Company will follow the established strategic plans to pursue innovative development, in-depth reform and excellent execution. The Company will well-perform the “punches combo” of scale development, data traffic operation and Internet data analytics to further enhance revenue and subscriber market share, fully promoting the changes in the industry landscape towards a favourable direction, with a view to continuously creating new value for shareholders.

For further information, please browse the Company’s website at: 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 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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