



Press Release
23 March 2016
For Immediate Release

China Telecom Corporation Limited Announces Annual Results for Year 2015

**The scale of 4G and fibre broadband achieved rapid breakthrough,
service revenues and net profit growth surpassing industry**

- Proactively tackle the challenges from various regulatory policies, the Company maintained solid fundamentals with strengthened market position
- Speed up the upgrade of core network capability leveraging favourable policy opportunity from the issuance of FDD licence, etc., with robust 4G and fibre broadband growth momentum
- Tower asset disposal increased current year profit, tower sharing to enhance corporate long-term value
- Fully implement “Speed Upgrade and Tariff Reduction”, effective initiatives to mitigate the impact from the policy
- Seize strategic opportunities with reform and innovation as impetus, creating more values for shareholders

(RMB millions)	2014	2015	Rates of change
Operating Revenues	324,394	331,202	2.1%
Service Revenues ¹	287,379	293,266	2.0%
of which: Mobile Service Revenues	120,268	124,503	3.5%
Wireline Service Revenues	167,111	168,763	1.0%
EBITDA ²	94,853	94,106	(0.8%)
Net Profit ³	17,680	20,054	13.4%
EPS (RMB)	0.218	0.248	13.4%

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. Profit attributable to the equity holders of the Company for 2015 included a one-off gain of approximately RMB3,937 million from the disposal of towers assets.

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 annual results today in Hong Kong.

In 2015, the Company proactively grasped opportunities and achieved excellent execution of its established strategy through innovation. While taking the initiative to respond to various regulatory challenges, the Company has maintained a stable and healthy development and further strengthened its market position. Taking full advantage of favourable policies such as the issuance of LTE FDD licence and leveraging the sharing of telecommunications towers, we tilted more investment towards key business areas to speed up our core network upgrade. As a result, our 4G and fibre broadband featuring broad coverage, excellent quality and superb customer experience have taken shape quickly. In the meantime, we accelerated the integrated and scale development of 4G and fibre broadband services, thereby migrating our core basic services to high-value areas and shifting our growth drivers. We also further deepened our data traffic operation to boost differentiated development of emerging services to become a major growth driver. Moreover, the Company continuously promoted its comprehensive in-depth reform, persisted in innovation as a driving force, reinforced open cooperation and Internet-oriented transformation, and accelerated its full preparation for achieving new breakthrough. As a result, the capability of future value creation and vitality of the Company have been enhanced consistently. The completion of the disposal of our telecommunications towers and related assets will further foster the Company’s value enhancement in the future.

In 2015, the Company’s operating fundamentals remained robust. Despite the impact of various regulatory policies such as VAT reform, “Speed Upgrade and Tariff Reduction”⁴ and “handset data traffic carried forward”⁵, the operating revenues of the Company still increased by 2.1% over last year, amounting to RMB331.2 billion. Service revenues increased by 2.0% over last year, amounted to RMB293.3 billion, with revenue growth surpassing industry and further enhancement in market share. Emerging businesses accounted for approximately 34% of service revenues, representing an increase of 5 percentage points over the same period last year with further acceleration in the optimisation of business structure. EBITDA was RMB94.1 billion, while EBITDA margin⁶ was 32.1%. Profit attributable to the equity holders of the Company was RMB20.1 billion, representing an increase of 13.4% over last year. Basic earnings per share were RMB0.25.

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 and procurement, and optimise revenue structure. The relevant monthly average adverse impact in 2015 has been reduced. With the full implementation of the VAT reform across the nation in 2016, it will be beneficial for the enhancement of the Company’s profitability in the future.

⁴ In May 2015, the government issued the “Guidance for accelerating the construction of high-speed broadband network and promotion of network speed upgrade and tariff reduction”.

⁵ From October 2015, the Company further implemented the policy of “Speed Upgrade and Tariff Reduction”, enabling handset users to carry forward unused handset data traffic for use to the next one month.

⁶ EBITDA margin was calculated based on EBITDA divided by service revenues.

Taking into consideration the return to shareholders, the Company's profitability, cash flow level and capital requirements for its future development, the Board of Directors has decided to recommend at the forthcoming shareholders' general meeting that a dividend equivalent to HK\$0.095 per share be declared for the year 2015, maintaining at the same level of dividends as last year. Going forward, the Company will strive to enhance its profits while paving the way for an increase in future dividends.

In 2015, the Company fully leveraged the opportunities from the issuance of FDD licence and tower resources sharing and achieved a leap-forward breakthrough in the 4G network construction, providing the industry-leading excellent 100Mbps fibre broadband network experience. The Company's growth momentum shifted rapidly with remarkable achievement in the new integration of "4G plus fibre broadband" and significant strengthening in fundamental business capabilities. The development of 4G business entered into a fast track lane. The Company endeavoured to promote the six mode handsets as the national standard and effectively tackled the bottlenecks in CDMA terminals. The net increase of 4G terminal subscribers for the year was 51.38 million, reaching a total of 58.46 million, driving the total number of mobile subscribers to nearly 200 million. The aggregate handset Internet data traffic doubled as compared to last year, of which the contribution from 4G data traffic has significantly increased to 51% while the monthly average data traffic per 4G user reached 751MB, representing an increase of 25% over last year. The mobile handset Internet access revenues reached an increase of 40% over last year. The new competitive edges of fibre broadband were established and the business scale and market share continued to reinforce. The net increase of Fibre-to-the-Home (FTTH) subscribers for the year was 28.38 million, reaching a total of 70.99 million. The total number of wireline broadband subscribers reached 113 million while the penetration rate of FTTH subscribers reached 63%. The net increase of IPTV (e-Surfing HD) subscribers for the year was more than 9 million, reaching a total of approximately 40 million. Emerging businesses become the key growth driver. The revenues for the year increased by approximately 20% over last year with continued increase in revenue contribution. Meanwhile, the Company speeded up the development of businesses including IPTV (e-Surfing HD, key portal of "Smart Family" in the future), "BestPay", "Internet+", cloud computing and Big Data, the Internet of Things to accelerate reserves for future growth momentum.

Currently, the national macro-economic growth is slowing down and the fundamental telecommunications market is becoming saturated amid intensified market competition. The regulatory environment is still embedded with a lot of uncertainties, bringing certain challenges to the future development of the Company. Meanwhile, with the nation's advocacy of the development concepts of "innovation, harmonisation, green, openness and sharing", together with the proactive launch of national strategies of "Cyberpower", "Big Data" and "Internet+", there is massive room for the rapid development of information economy. During the "Thirteenth Five-Year Plan" period, the national supply-side structural reform shall lead to upgrade in consumption. The release of benefits from "innovation-driven" policies was accelerated, injecting new vitality to industry development. The transformation pace of mainland telecommunications industry accelerates and the new technologies such as cloud computing, Big Data and Internet of Things gradually mature. The "Industrial Internet" will embark a turning point in accelerating growth, providing vast potentials for the Company's prospect.

2016 is a crucial year for the Company in building up a more favourable market position for the future. We will firmly seize new opportunities and take the initiative to develop through reform and innovation, while striving to adapt to the changing regulatory environment and tackle various challenges. We will persistently strengthen the core competence in network and operation and tightly grasp the opportunities from the scale development and value enhancement of 4G and fibre broadband businesses to further strengthen the Company's fundamentals. Meanwhile, we will be unwaveringly dedicated to speedily achieve a breakthrough in the five emerging areas including "Smart Family", "mobile payment", "Internet+", "cloud computing & Big Data" and "Internet of Things" to ignite the new growth engine. We will further promote the comprehensive in-depth reform, incentivise the corporate and employee vitality and deepen the Internet-oriented transformation to upgrade the products and services. With increased efforts in open cooperation, we will fully mobilise and share the social resources to build the "Smart Ecosystem", and promote to reconstitute our business, network, operation and management to offer integrated smart services. We will endeavour to facilitate the accomplishment of "Cyberpower" and take the lead in the digital ecosystem, thereby continually creating value for our 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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