



Press Release
23 August 2016
For Immediate Release

China Telecom Corporation Limited Announces Interim Results for Year 2016

Excellent performance in overall results
Strong competitive capabilities
Comprehensive transformation and upgrades

FINANCIAL HIGHLIGHTS

<i>(RMB millions)</i>	2015 First Half	2016 First Half	Rate of change
Operating Revenues	164,953	176,828	7.2%
Service Revenues ¹	147,022	155,222	5.6%
of which: Mobile Service Revenues	62,346	67,516	8.3%
Wireline Service Revenues	84,676	87,706	3.6%
EBITDA ²	50,739	50,555	-0.4%
Net Profit ³	10,980	11,673	6.3%
EPS <i>(RMB)</i>	0.136	0.144	6.3%

BUSINESS HIGHLIGHTS

<i>(Millions)</i>	2015 . 12	2016 . 06	Net addition
Mobile subscribers	197.90	206.94	9.04
of which: 4G terminal users	58.46	90.10	31.64
Wireline broadband subscribers	113.06	118.00	4.94
of which: Fibre-to-the-Home (FTTH) subscribers	70.99	88.34	17.35
e-Surfing HD (IPTV) subscribers	40.38	50.16	9.78

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 2016 interim results today in Hong Kong.

In the first half of 2016, with a unitary goal cohering as a whole, the Company adhered to the established development strategy to persist in excellent execution. Firmly seizing opportunities and taking steps in reform and innovation, the Company accomplished brilliant results. With accelerated expansion of operation scale, our business structure was continually optimised while our competitive capabilities were remarkably strengthened. The vitality of our employees was fully demonstrated. Through proactively grasping the arising opportunities and adapting to the changing trends in a timely manner, the Company firmly established a new strategy on transformation and upgrades, aimed at providing superb customer experience in an era of intellectual services and facilitating the Company’s evolution into a leading integrated intelligent information services operator.

In the first half of 2016, the Company had excellent performance in its overall results. Operating revenues amounted to RMB176.8 billion, representing an increase of 7.2% over the same period last year, achieving industry-leading growth. Service revenues amounted to RMB155.2 billion, representing an increase of 5.6% over the same period last year with continual rapid optimisation in revenue structure. EBITDA was RMB50.6 billion while EBITDA margin⁴ was 33%. Profit attributable to the equity holders of the Company was RMB11.7 billion, representing an increase of 6.3% over the same period last year. Basic earnings per share were RMB0.14. Capital expenditure was RMB40.7 billion while free cash flow⁵ was RMB6.1 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 the expectation of shareholders’ return and evaluate the final dividend proposal when reviewing the full year results and will propose to the shareholders’ general meeting accordingly.

In the first half of 2016, the Company comprehensively implemented aggressive marketing strategy and accelerated the scale development of two fundamental businesses namely 4G and fibre broadband to achieve concurrent enhancements in scale and value. The Company rapidly

⁴ EBITDA margin was calculated based on EBITDA divided by service revenues.

⁵ Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

expanded five emerging areas namely e-Surfing HD (IPTV), BestPay, Internet of Things, cloud and Big Data and “Internet+” to accelerate cultivation of new growth engines with continual optimisation of business structure. The high-value users subscribing to 4G, fibre broadband and e-Surfing HD services grew rapidly and reached a total of 90.10 million, 88.34 million and 50.16 million, respectively and accounted for 45%⁶ of total subscribers. The mobile handset Internet access revenue increased by 42% over the same period last year while the aggregate handset Internet data traffic increased by 135% compared to same period last year and the monthly average data traffic per 4G user reached 889 MB.

In the first half of 2016, the Company planned meticulously and executed efficiently. The new and all-rounded competitive advantages comprising extensive in-depth integration, leading superior network, flexible and innovative marketing strategies, remarkable achievements in cooperation, convenient and highly-efficient services, persistent and unwavering reform, and continual optimisation of operation management were gradually formed while striving to promote changes towards a more favourable direction for the Company in the competitive landscape.

Starting from the end of 2004, the Company unwaveringly persisted in pursuing strategic transformation and upgrades to pave a new path for promoting China Telecom’s development through transformation. At present, facing the development trend towards the era of intellectual service, the Company officially established a comprehensive transformation and upgrades plan (Transformation 3.0) at the end of June 2016 and endeavoured to become a leading integrated intelligent information services operator. The Company will focus and link through the main theme of intelligence and will promote the reconstitution of network, business, operations and management based on the three main directions namely network intelligentisation, service ecologicalisation and operation intellectualisation. Integrated intelligent information services featuring connection on demand, automatic response, realistic virtual experience and high price-to-performance ratio will be provided to customers.

⁶ Up to the first half of 2016, the total number of users subscribing to access lines in service, mobile, wireline broadband and e-Surfing HD of the Company reached approximately 510 million.

Chairman Yang pointed out that currently, the implementation of the national strategy of “Cyberpower” coupled with the promotion of supply-side structural reform will foster an advanced level equilibrium of supply and demand. This positive policy environment creates favourable conditions for the sustainable and healthy development of the industry. The Company will seize new development opportunities for transformation and upgrades. The Company will proactively respond to the increasingly intensified market competition and changes in external environment. Oriented by the market share dominance, the Company will expedite the scale development of two fundamental businesses, effectively collaborate on the operations of five major emerging areas while also endeavouring to enhance the six key capabilities comprising network fundamentals, network operations, data operation, channel sales, customers service and talent development in order to accelerate the transformation of our resource edges and capabilities into competitive strengths. With reform and innovation as the driving force, the Company will promote the development strategy with talent development as the priority, optimise the market-oriented incentive mechanism, bolster vitality and improve efficiency in order to lay down a solid foundation for accelerated transformation and upgrades. At the same time, the Company will comprehensively promote reconstitution of four major areas including business, network, operations and management in order to accelerate the implementation of the new strategy on transformation and upgrades. The Company will strive to become a leading integrated intelligent information services operator, facilitate development towards the national strategy of “Cyberpower” and also serve society and the general public as a whole, while 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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