



Press Release
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For Immediate Release

China Telecom Corporation Limited Announces Annual Results for Year 2016

**Operational development leaped forward to a new landmark
Transformation and upgrades entered into a new stage of journey**

FINANCIAL HIGHLIGHTS

<i>(RMB millions)</i>	2015	2016	Rate of change
Operating Revenues	331,202	352,285	6.4%
Service Revenues ¹	293,266	309,644	5.6%
of which: Mobile Service Revenues	124,503	137,611	10.5%
Wireline Service Revenues	168,763	172,033	1.9%
EBITDA ²	94,106	95,139	1.1%
Net Profit ³	20,054	18,004	-10.2%
EPS <i>(RMB)</i>	0.248	0.222	-10.2%
Adjusted Net Profit ³	16,117	18,004	11.7%
Adjusted EPS <i>(RMB)</i>	0.199	0.222	11.7%

BUSINESS HIGHLIGHTS

<i>(Millions)</i>	2015	2016	Net addition
Mobile subscribers	197.90	215.00	17.10
of which: 4G terminal users	58.46	121.87	63.41
Wireline broadband subscribers	113.06	123.12	10.06
of which: Fibre-to-the-Home (FTTH) subscribers	70.99	105.99	35.00

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 refers to the profit attributable to equity holders of the Company. Adjusted net profit for the year 2015 represents the net profit excluding the one-off gain from the disposal of tower assets amounted to approximately RMB3.9 billion.

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 annual results today in Hong Kong.

In 2016, with a coherent goal to step forward with keen determination, the Company strived to devote all efforts to firmly seize the favorable opportunity of information consumption upgrade and proactively responded to the complicated environments and circumstances, effectively tackling various pressures and challenges and successfully embarking on a new stage of corporate development. Adhering to explore for new development with cohesive efforts, scale and effectiveness were remarkably enhanced while development capabilities were continuously accumulated. With our unwavering perseverance in promoting reforms, the vitality of our employees was comprehensively exploded and intrinsic momentum was consistently improved. With detailed analysis in strategies planning for future vision, the Company promptly deployed the new direction to become the pioneer and embraced the new intellectual era in full strengths.

In 2016, the Company achieved impressive results. Operating revenues amounted to RMB352.3 billion, representing an increase of 6.4% over last year. Service revenues amounted to RMB309.6 billion, representing an increase of 5.6% over last year, achieving continuous improvement in growth rate. EBITDA was RMB95.1 billion while EBITDA margin⁴ was 30.7%. Net profit was RMB18.0 billion, representing an increase of 11.7% as compared to the net profit⁵ for the year 2015 excluding the one-off gain from the disposal of tower assets. Basic earnings per share were RMB0.22. Capital expenditure was RMB96.8 billion, representing a decrease of 11.3% over last year.

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’ meeting to appropriately increase the dividend level, that a dividend equivalent to HK\$0.105 per share for the year 2016 to be declared.

In 2016, the Company successfully grasped and embraced the intelligent trend of development era as well as comprehensively examined and assessed the industry environment and actual corporate circumstances. Meanwhile, with widespread convergence of intelligence and experience from the implementation of strategic transformation (Transformation 1.0)⁶ and in-depth transformation (Transformation 2.0)⁶, the Company established a comprehensive transformation and upgrades strategy (Transformation 3.0). Surrounding the overall strategies planning, the Company promptly determined and established the implementation path to pragmatically promote network intelligentisation, service ecologicalisation and operation intellectualisation, and strived to be a leading integrated intelligent information services operator.

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

⁵ Excluding the one-off gain from the disposal of tower assets amounted to approximately RMB3.9 billion, the net profit for the year 2015 was RMB16.1 billion.

⁶ For the years from 2004 to 2010, the Company implemented strategic transformation which defined the corporate as Telecom Full Service Provider, Internet Applications Aggregator and Leading Enterprise ICT Service Provider. For the years from 2011 to 2015, the Company implemented in-depth transformation which adjusted the corporate’s positioning as the Leader of Intelligent Pipeline, the Provider of Integrated Platforms and the Participant of Content & Application Development.

In 2016, with full exploitation of the strengths of international mainstream FDD technology and co-sharing of telecommunications towers resources, the Company seized favourable opportunities from the policy to refarm 800MHz frequency and swiftly achieved basic full coverage of superior 4G network nationwide characterised with multi-frequency collaboration. Through comprehensive promotion of fibre broadband network upgrade, the Company primarily achieved all cities in service areas with fibre broadband access capability, maintaining industry-leading customers' experience. The Company adopted a proactive marketing strategy and placed emphasis on two fundamental businesses namely 4G and fibre broadband as well as five emerging areas namely e-Surfing HD, BestPay, Internet of Things, cloud and Big Data and "Internet+" ("2+5"). With perseverance in integration and innovation as well as comprehensive products upgrade, the Company accelerated scale breakthrough.

The net increase of mobile subscribers for the year was 17.10 million, reaching a total of 215 million. The total number of 4G terminal users doubled and reached a total of 122 million while the penetration rate reached 57%. The aggregate handset Internet data traffic for the year increased by 130% over last year. Mobile service revenues increased by approximately 11% over last year, of which mobile handset Internet access revenues for the year increased by 43% over last year. The net increase of wireline broadband subscribers for the year was 10.06 million, reaching a total of 123 million. Of which the total number of Fibre-to-the-Home (FTTH) subscribers was 106 million, representing a net increase of 35 million while the penetration rate reached 86%. The wireline broadband access revenues for the year increased by approximately 3% over last year with good momentum in business development.

Chairman Yang pointed out that year 2017 is a crucial year for the Company to implement the strategy of comprehensive transformation and upgrades as well as the construction of comprehensive competitive advantages. Despite facing more complicated external environment and more intensified market competition, the Company is even more confident looking into the future. The confidence is originated from the continuous improvement of macro environment — steady improvement of the national economy, progressive promotion of supply-side reforms, vitality released from the reforms of state-owned enterprises; from the prosperous and booming industry outlook — deepened promotion of a series of national strategies including "Cyberpower", "Network and information Country" and "Made in China 2025", upgrade of information consumption, forming and creating vast market potentials; from the deepened endowment of the Company — robust development fundamentals and brilliant corporate culture established over many years. The strategy of transformation and upgrade catering for the development trends has been comprehensively commenced.

In the future, with a unitary goal cohering as a whole, the Company will firmly seize the opportunities to step forward with unwavering determination and excellent execution. Driven by "Transformation 3.0" with reform and innovation as impetus, the Company strives to create superior and leading intelligent network in a more highly-efficient way, build a win-win business ecosystem in a more open way, promote flexible synergic smart operation and leverage the smart wisdom of our employees in a more comprehensive way so as to achieve concurrent development and enhancement of corporate values, customer values and employee values as a respectable corporate citizen.

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, 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.

For press enquiries:

China Telecom Corporation Limited

Investor Relations Department

Ms. Lisa Lai/Ms. Angela Cheng/Mr. Jackie Yuen

IR Enquiry: (852) 2582-0388

Email: ir@chinatelecom-h.com

Fax: (852) 2877-0988