



Press Release
23 August 2017
For Immediate Release

China Telecom Corporation Limited Announces Interim Results for Year 2017

Effectively responded to the intensified competition
Operating results continued to show good momentum
Expediting the formation of growth engines
Transformation and upgrades leading to smart future

FINANCIAL HIGHLIGHTS

<i>(RMB millions)</i>	2016 First Half	2017 First Half	Rate of change
Operating Revenues	176,828	184,118	4.1%
Service Revenues ¹	155,222	165,847	6.8%
of which: Mobile Service Revenues	67,516	75,742	12.2%
EBITDA ²	50,555	52,414	3.7%
Net Profit ³	11,673	12,537	7.4%
EPS <i>(RMB)</i>	0.14	0.15	7.4%
Free cash flow ⁴	6,062	7,213	19.0%

BUSINESS HIGHLIGHTS

<i>(Millions)</i>	2016.12	2017.06	Net addition
Mobile subscribers	215.00	229.85	14.85
of which: 4G terminal users	121.87	152.02	30.15
Wireline broadband subscribers	123.12	128.10	4.98
of which: Fibre-to-the-Home (FTTH) subscribers	105.99	117.23	11.24

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 the equity holders of the Company.

⁴ Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

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 2017 interim results today in Hong Kong.

In the first half of 2017, facing increasingly intensified market competition coupled with complicated and changing industry environments, the Company firmly rose to the challenges with a unitary goal cohering as a whole, adopting conscientious and pragmatic approach with excellent execution and marching towards the goal of being a leading integrated intelligent information services operator.

In the first half of 2017, firmly seizing the favourable opportunity of information consumption upgrade and proactively responding to the market competition, the Company achieved excellent performance in our operating results. Operating revenues amounted to RMB184.1 billion, representing an increase of 4.1% over the same period last year. Service revenues amounted to RMB165.8 billion, representing an increase of 6.8% over the same period last year with revenue growth surpassing the industry average. EBITDA was RMB52.4 billion, representing an increase of 3.7% over the same period last year while EBITDA margin⁵ was 31.6%. Net profit was RMB12.5 billion, representing an increase of 7.4% over the same period last year. Capital expenditure was RMB41.1 billion while free cash flow was RMB7.2 billion with remarkable improvement over last year. Meanwhile, revenue structure of the Company was continuously optimised. The mobile handset Internet access revenue, being the top revenue growth driver of the Company, increased by 35% over the same period last year. Total revenues from the ecosphere of Smart Family, new ICT applications, Internet of Things (IoT) and Internet Finance increased by 23% over the same period last year. New revenue growth engines are being rapidly shaped and formed.

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.

⁵ EBITDA margin was calculated based on EBITDA divided by service revenues.

In the first half of 2017, the Company persevered in integration and innovation and accelerated the scale development together with reinforcement of competitive strengths, the growth momentum of business development remained consistently strong. The net increase of mobile subscribers was 14.85 million, reaching a total of 230 million and market share increased to 16.8%. The net increase of 4G users was 30.15 million, reaching a total of 152 million. Market share increased to 17.2% while the penetration rate of 4G users increased to 66%. The aggregate handset Internet data traffic increased by 126% compared to the same period last year while the DOU of 4G users reached 1.4GB, representing an increase of 56% over the same period last year. The net increase of wireline broadband subscribers was 4.98 million, reaching a total of 128 million. The net increase of FTTH subscribers was 11.24 million, reaching a total of 117 million while the penetration rate reached 92%. At the same time, the subscribers of e-Surfing HD, IoT and BestPay all achieved rapid growth.

In the first half of 2017, the Company firmly adhered to the established development strategy and expedited the promotion of the three initiatives⁶, initially attaining effective achievement in Transformation 3.0⁶. The Company endeavoured to construct three superior networks, namely 4G network, IoT network and all-fibre network with further reinforcement of network edges. With the acceleration in the promotion and implementation of network evolution, the Company offers state-of-the-art network experience with embedded self-selective, visible and self-served features to customers. The Company consolidated internal resources and enhanced fundamental capabilities. Through creation of platforms, open capabilities, extended influence on industry value chain and cross-platforms integration, ecology synergies was reinforced. With converged efforts on the establishment of five business ecosystems, namely Intelligent Connection, Smart Family, new ICT applications, IoT and Internet Finance, the Company promoted co-sharing, co-innovation, co-prosperity with co-operative partners. Focusing on the enhancement of operating capability and driven by the corporate core construction and Big Data applications, the Company promoted precision management, precision marketing, dedicated service and lean network operation. Operating cost was reduced while operational efficiency was improved, injecting intelligence in the operations of the Company.

⁶ Three initiatives refers to the implementation paths of the transformation and upgrades strategy (Transformation 3.0), namely network intelligentisation, service ecologicalisation and operation intellectualisation.

Concurrently with the implementation of Transformation 3.0, the Company strived to promote the depth of comprehensive deepened reforms so as to establish suitable systems and mechanisms and operation models in alignment with the reconstitution in the areas including network, businesses, operations and management, which is highly compatible with the core philosophy of China's state-owned enterprises' reforms. In the first half of the year, with the market-oriented direction, the Company deepened the promotion of sub-division of performance evaluation units and became the role model of China's state-owned enterprises' reforms. Reinforcing the implementation of top-down support systems and mechanism, the Company established talents mechanism with incentive and restriction as the core and stimulated vitality of employees and organisations. Insisted on value contributions as the core, the Company persistently optimised internal control management and enhanced efficiency and effectiveness of the resources allocation.

Chairman Yang pointed out that currently, with the steady improvement of the national economy, the information and telecommunications industry becomes the industry with the highest growth potential among the key and fundamental industries of the national economy. Technologies penetration promotes industry upgrades. The vast potentials of new emerging businesses such as IoT, cloud computing and Big Data opens up vast market potentials for the Company. Meanwhile, increasingly intensified industry competition and value chain competition has evolved to competition of the entire ecosphere. Establishment of robust competitive strengths of the ecosphere is the crucial key to success.

People who can observe and analyse the trends well are intelligent. People who can grasp and dominate the trends well are winners. In the second half of the year, directly facing market competition, the Company will further transform the network strengths and service edges into competitive strengths. The Company will adhere to adopt aggressive strategy, not only intensely focusing on integration and innovation as well as in-depth data traffic operation but also facilitating persistent enhancement of scale and effectiveness, so as to ensure the achievement of excellent results for the whole year. With unwavering promotion of Transformation 3.0, the Company will focus on the enhancement of capabilities, expansion of open cooperation and co-building of "Ecosystem-Tetris" with co-operative partners, resulting in continuous reinforcement of ecological strengths. The Company will stimulate vitality with in-depth reforms and strengthen market consciousness, breaking up the barrier of systems and mechanisms which impede productivity and cultivating good atmosphere for work and entrepreneurship. With pragmatic implementation and reinforced execution together with the strengthening of process management and control by adopting clear and effective systems, the Company strives to attain new achievement in corporate transformation and upgrades as well as create more 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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