



Press Release
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For Immediate Release

China Telecom Corporation Limited Announces Annual Results for Year 2017

**Secure sustainable growth via upgraded transformation
and innovation reform
Boost confidence through flourishing performance
and further dividend growth**

FINANCIAL HIGHLIGHTS

<i>(RMB millions)</i>	2016 ¹	2017	Rate of change
Operating Revenues	352,534	366,229	3.9%
Service Revenues ²	309,812	331,044	6.9%
of which: Mobile Service Revenues	137,686	153,776	11.7%
Wireline Service Revenues	172,126	177,268	3.0%
EBITDA ³	95,162	102,171	7.4%
EBITDA margin ³	30.7%	30.9%	0.2 pp
Net Profit ⁴	18,018	18,617	3.3%
EPS <i>(RMB)</i>	0.223	0.230	3.3%
Dividend per share <i>(HK\$)</i>	0.105 ⁵	0.115	9.5%

BUSINESS HIGHLIGHTS

<i>(Millions)</i>	2016	2017	Net addition
Mobile subscribers	215.00	249.96	34.96
of which: 4G users	121.87	182.04	60.17
Wireline broadband subscribers	123.12	133.53	10.41
of which: Fibre-to-the-Home (FTTH) subscribers	105.99	126.17	20.18

¹ The data for 2016 were restated to include the retrospective impact of the acquisition of satellite communication business and Shaanxi Zhonghe Hengtai Insurance Agent Limited.

² Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

³ EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation while EBITDA margin was calculated based on EBITDA divided by service revenues.

⁴ Net profit refers to the profit attributable to equity holders of the Company. Excluding after-tax effect of changes in depreciable lives of certain fixed assets amounted to approximately RMB3.1 billion, the net profit for year 2017 was approximately RMB21.7 billion, representing an increase of 20.2% over last year.

⁵ Dividend for the year 2016 increased by 10.5% compared with that for the year 2015.

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 annual results today in Hong Kong.

2017 was a year with landmark connotation in the development history of the Company. Facing increasingly complicated operation environment together with continuously intensified fierce market competition, corporate development faced immense pressure. With a unitary goal cohering as a whole, the Company firmly adhered to the established direction and stepped forward with keen determination to surmount tough difficulties. The Company thoroughly exploited all-rounded competitive capabilities persistently constructed and accumulated over the years and fully developed the superb corporate culture spirit of excellent execution, resulting in achievement of impressive results for the year with profitable scale development leaping forward to a new landmark. Meanwhile, with conscientious and organised planning before implementation, the Company pragmatically fostered transformation and upgrades as well as promoted comprehensive in-depth reforms, attaining important progressive results in phases. With accelerated cultivation of new growth engines, corporate vitality was remarkably and substantially reinforced. As a result, the stamina of development momentum became prominent. The results of 2017 demonstrated the Company’s strong capabilities of resisting pressure and attaining growth and also proved the appropriateness of the development strategy of the Company, enabling the Company to further strengthen its confidence in persistently creating new value for shareholders.

In 2017, operating revenues amounted to RMB366.2 billion, representing an increase of 3.9% over last year. Of which service revenues amounted to RMB331.0 billion, representing an increase of 6.9% over last year with revenue growth surpassing the industry average for three consecutive years. Mobile service revenues amounted to RMB153.8 billion, representing an increase of 11.7% over last year while wireline service revenues amounted to RMB177.2 billion, representing an increase of 3.0% over last year, resulting in concurrent enhancement in growth rates. Revenue structure was further optimised and the proportion of revenues from emerging businesses as a percentage of service revenues increased by 6.4 percentage points over last year. EBITDA was RMB102.2 billion, representing an increase of 7.4% over last year. EBITDA margin was 30.9%, representing an increase of 0.2 percentage point over last year. Net profit was RMB18.6 billion, representing an increase of 3.3% over last year. Capital expenditure was RMB88.7 billion, representing a decrease of 8.4% over last year and achieving persistent stringent control. Free cash flow⁶ has remarkably improved and reached RMB7.3 billion.

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 that a final dividend equivalent to HK\$0.115 per share for the year 2017 to be declared, representing an increase of 9.5% over the year 2016.

⁶ Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

In 2017, the growth of subscriber scale of the Company has further accelerated. The net increase of mobile subscribers was 34.96 million, being doubled over last year. The total number of mobile subscribers reached 250 million, accounting for 17.6% market share. Of which the net increase of 4G users was 60.17 million, with a net increase of over 60 million for two consecutive years and reaching a total of 182 million. The net increase of wireline broadband subscribers was 10.41 million, achieving a new record high over the past 5 years and reaching a total of 134 million. Of which the proportion of wireline subscribers of Hundred-Mbps or above accounted for nearly 50% and being doubled. e-Surfing HD services continued to develop rapidly and the net increase of e-Surfing HD subscribers was 24.43 million, reaching a total of 85.76 million. Internet of Things (IoT) services developed quickly while the connected devices increased by more than 200% over last year.

Year 2017 is the first complete year for implementation of transformation and upgrades strategy. The Company grasped and embraced the new development trend of intelligent era with network intelligentisation, service ecologicalisation and operation intellectualisation (“three initiatives”) as the direction of transformation and upgrades, striving to be “a leading integrated intelligent information services operator”. Over the past year, the Company continuously enriched strategic connotation and reinforced strategic execution, accomplishing effective results in phases and embarking on pragmatic steps forward in transformation and upgrades. With construction of three superior networks, namely 4G network, IoT network and all-fibre network and based on these foundations, the Company also boosted the intelligentisation evolution of network with further consolidation and enhancement of network advantages. In collaboration with its own strengths and resources endowment, the Company proactively established five business ecosphere, namely Intelligent Connection, Smart Family, new ICT applications, IoT and Internet Finance. Adhering to the theme of “co-sharing, co-innovation, co-prosperity”, the Company coordinated with co-operative partners to co-build “Ecosystem-Tetris” with the aim of fostering the mutual integration, mutual promotion and scale development of the entire ecosphere. Driven by Big Data as a force, the Company endeavoured to build market and frontline-driven operational systems, the corporate core was initially shaped and formed. With profound promotion in precision marketing, delicated service, lean network operations and precision management, the efficiency of operational management was further enhanced.

In 2017, the Company grasped the favourable and golden period of reforms to promote comprehensive in-depth reforms and reinforce reforms initiatives with its unwavering determination. The vitality of various factors such as human resources and capital were fully stimulated, accelerating the formation of operation systems and organisation mechanisms in alignment with transformation and upgrades.

Chairman Yang pointed out that, at present, national development enters into a new era as the economy is transitioning from a phase of rapid growth to a stage of high-quality development. Developing modernised economy becomes the strategic goal of our nation's development. With the state's vigorous promotion of the construction of "Cyberpower, Digital China and Smart Society", in-depth integration of informatisation with real economy including new industrialisation, urbanisation, agricultural modernisation is reinforced. New growth areas are cultivated while new impetus are shaped and formed, bringing precious development opportunities for the telecommunications industry. From the viewpoint of the entire industry, there is still vast growth potential for subscribers scale. Demand for data traffic continues to maintain rapid growth while emerging businesses show enormous demand capacity, providing vast market development potential for the Company. Meanwhile, with intensified industry competition together with increased pressure on price competition of data traffic and broadband services, the fleeting development opportunities of subscribers scale lapse promptly and cross-industry competition becomes increasingly prominent.

The present condition inspires us to strive for excellence and work hard while the development path has long term implication. The Company will promote deepened supply-side structural reform and accelerate transformation and upgrades, fostering quality reform, efficiency reform and impetus reform. Leveraging all-round competitive capabilities and insisting on integration and innovation, the Company will implement a more proactive marketing strategy to accelerate efficient scale development and persistently promote cost reduction and efficiency enhancement, while appropriately responding to the changes of regulations as well as maintaining good growth momentum. Meanwhile, with the Company's devoted efforts to deeply promote network intelligentisation, service ecologicalisation and operation intellectualisation, a new generation of informatisation fundamental infrastructure featuring "Internet of everything, human-computer interaction as well as integration of satellite with existing network as a whole" is being created and built. With the establishment of integrated ecology between information technology and various sectors and industries, the Company will enhance corporate total factor productivity and march towards the three major goals of "construction of Cyberpower, building a first-class enterprise, co-establishment of better living", endeavouring to continuously create new value for shareholders.

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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