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## **China Telecom Corporation Limited**

### **中国电信股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 728)

#### **KEY FINANCIAL AND PERFORMANCE INDICATORS FOR THE FIRST THREE QUARTERS OF 2010**

##### **The unaudited financial data of the Group for the first three quarters of 2010**

(excluding the amortisation of upfront connection fees)

- Operating revenues were RMB163,162 million, representing an increase of 5.4% over the corresponding period of last year
- EBITDA (before CDMA network capacity lease fees) was RMB68,242 million, representing an increase of 7.4% over the corresponding period of last year
- Profit attributable to equity holders of the Company was RMB12,593 million, representing an increase of 10.5% over the corresponding period of last year.

In order to further enhance the transparency of the Group and to enable shareholders, investors and the general public to better appraise the operational performance of the Group, the board of directors (the "Board") of China Telecom Corporation Limited (the "Company", together with its subsidiaries, the "Group") announces certain selected unaudited key financial and performance indicators of the Group for the first three quarters of 2010.

**Financial Data (prepared based on International Financial Reporting Standards but operating revenues and profit excluded the amortisation of upfront connection fees )**

|  | For the period from<br>1 January 2010 to<br>30 September 2010<br>(RMB million) | For the period from<br>1 January 2009 to<br>30 September 2009<br>(RMB million) | Increase/<br>(Decrease) |
|--|--|--|-------------------------|
| <b>Operating revenues</b>                  | 163,162  | 154,748  | 5.4%                    |
| <b>Operating expenses</b>                  |  |  |                         |
| Depreciation and amortisation              | (38,687)   |  |                         |
| Network operations and support             | (35,218)   |  |                         |
| Selling, general and administrative        | (29,535)   |  |                         |
| Personnel expenses                         | (26,916)   |  |                         |
| Other operating expenses                   | (13,120)   |  |                         |
| <b>Total operating expenses</b>            | (143,476)  |  |                         |
| <b>Operating profit</b>                    | 19,686   |  |                         |
| Finance costs and others                   | (2,702)  |  |                         |
| <b>Profit before taxation</b>              | 16,984   |  |                         |
| Income tax                                 | (4,347)  |  |                         |
| <b>Profit for the first three quarters</b> | 12,637   |  |                         |
| Profit attributable to:                    |  |  |                         |
| Equity holders of the Company              | 12,593   | 11,392   | 10.5%                   |
| Non-controlling interests                  | 44   |  |                         |
|  | As at<br>30 September 2010<br>(RMB million)                                    | As at<br>31 December 2009<br>(RMB million)                                     |                         |
| <b>Total Assets</b>                        | 408,680  | 426,520  | (4.2%)                  |
| <b>Total Liabilities</b>                   | (179,058)  | (203,907)  | (12.2%)                 |
| <b>Total Equity</b>                        | 229,622  | 222,613  | 3.1%                    |

## Business Data

|   | As at<br>30 September 2010/<br>For the period from<br>1 July 2010 to<br>30 September 2010 | As at<br>30 June 2010/<br>For the period from<br>1 April 2010 to<br>30 June 2010 | As at<br>31 March 2010/<br>For the period from<br>1 January 2010 to<br>31 March 2010 |
|---|---|--|--|
| Local Access Lines in Service (Million)                 | 178.28  | 181.07   | 184.23   |
| including:  |   |  |  |
| Household (Million)                                     | 111.39  | 111.14   | 111.72   |
| Government & Enterprise (Million)                       | 33.27   | 33.56  | 32.94  |
| Public Telephone (Million)                              | 14.64   | 14.81  | 14.90  |
| Wireless Local Access (Million)                         | 18.98   | 21.56  | 24.67  |
| Net Decrease of Local Access Lines in Service (Million) | (2.79)  | (3.16)   | (4.33)   |
| Wireline Broadband Subscribers (Million)                | 61.07   | 58.33  | 55.84  |
| Net Add of Wireline Broadband Subscribers (Million)     | 2.74  | 2.49   | 2.38   |
| Wireline Local Voice Usage (Billion Pulses)             | 64.42   | 64.17  | 64.61  |
| Wireline Long Distance Usage (Billion Minutes)          | 17.53   | 18.80  | 18.13  |
| Mobile Subscribers (Million)                            | 82.98   | 74.52  | 65.45  |
| Net Add of Mobile Subscribers (Million)                 | 8.46  | 9.07   | 9.36   |
| Mobile Voice Usage (Billion Minutes)                    | 79.28   | 71.69  | 57.95  |

For the first three quarters of 2010, the Group continued to deepen the promotion of the “Customer-focused Innovative Informatisation” Strategy, leveraging the full services integrated operation to expand the market and riding on the differentiated operation to create competitive edge. The Company achieved invigorated development with enhanced profitability. The mobile service continued to maintain robust development with expanding scale, while mobile terminal supply also showed significant improvement. The market leading position of wireline broadband and integrated information services was strengthened and the overall business structure was further optimised. This has established a solid foundation for the healthy sustainable growth and value enhancement of the Company.

Facing the challenges from the intensified mobile substitution and churn of Personal Handyphone System (PAS) subscribers, the Group continued to record negative growth in its number of local access lines in service for the first three quarters. In response thereto, the Group offered customized integrated packaging services to customers, while strictly controlling sales initiatives for the low-end customers and endeavouring to maintain the return of wireline voice service. Services like Internet and data services continued its robust growth momentum, which effectively mitigated the impact of decline in the wireline voice services. The wireline broadband subscribers reached 61.07 million, representing a net addition of 7.61 million. The fundamentals of the overall wireline services continued to remain stable, while same as last year, the overall wireline services revenue had a moderate decline. For the first three quarters of 2010, the mobile service continued to grow rapidly with expanding customer scale and revenue while the market share increased steadily. Up to the end of September 2010, the number of mobile subscribers reached 82.98 million (of which 3G subscribers reached 9.15 million), representing a net addition of 26.89 million for the first three quarters. The average mobile service revenue per user per month (ARPU) for the first three quarters had a moderate decline, while the average mobile minutes of voice usage per user per month (MOU) had a moderate increase, as compared to those for the full year of last year.

The Company’s operation was on track as planned for the first three quarters of 2010. Excluding the amortisation of upfront connection fees of RMB380 million, the operating revenues were RMB 163,162 million, representing an increase of 5.4% from the same period of last year. The profit attributable to equity holders of the Company was RMB 12,593 million, representing an increase of 10.5% from the same period of last year. EBITDA (before CDMA network capacity lease fees) was RMB 68,242 million, an increase of

7.4% from the same period of last year. EBITDA margin was 41.8%, representing an increase of 0.7 percentage points from 41.1% of the first three quarters of last year.

The Group will continue to deepen the integrated operation and persist to enhance the product and service innovation capability to form a new competitive edge in differentiation. Focusing on customers' needs, the Group will accelerate the development of broadband access and mobile services, particularly the 3G service. The Group will also strive to retain the existing subscribers and consolidate the traditional services, endeavouring to achieve sustainable and co-ordinated development of the four pillars business as a whole – mobile, broadband, wireline voice, value-added and integrated information services.

The Board wishes to remind investors that the above financial and business data are based on the Group's unaudited management accounts. Investors are cautioned not to unduly rely on such data.

**In the meantime, investors are advised to exercise caution in dealing in the securities of the Company.**

By Order of the Board  
**China Telecom Corporation Limited**  
**Wang Xiaochu**  
*Chairman and Chief Executive Officer*

Beijing, PRC, 28 October 2010

#### ***FORWARD-LOOKING STATEMENTS***

*Certain statements contained in this announcement 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.*

As of the date of this announcement, the Board consists of Mr. Wang Xiaochu as the chairman and chief executive officer, Mr. Shang Bing as the president and chief operating officer, Madam Wu Andi as the executive vice president and chief financial officer, Mr. Zhang Jiping, Mr. Zhang Chenshuang, Mr. Yang Xiaowei, Mr. Yang Jie, and Mr. Sun Kangmin as the executive vice presidents, Mr. Li Jinming as the non-executive director, and Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura, Mr. Xu Erming as the independent non-executive directors.