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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 QUARTER OF 2011**

#### **The unaudited financial data of the Group for the first quarter of 2011**

*(excluding the amortisation of upfront connection fees)*

- Operating revenues were RMB58,674 million, representing an increase of 11.3% over the corresponding period of last year
- EBITDA (before CDMA network capacity lease fees) was RMB23,761 million, representing an increase of 4.2% over the corresponding period of last year
- Profit attributable to equity holders of the Company was RMB4,618 million, representing an increase of 8.1% 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 quarter of 2011.

**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 1 January 2011 to 31 March 2011 (RMB million)	For the period from 1 January 2010 to 31 March 2010 (RMB million)	Increase/ (Decrease)
<b>Operating revenues</b>	58,674	52,712	11.3%
<b>Operating expenses</b>			
Depreciation and amortisation	(12,746)	(12,946)	(1.5%)
Network operations and support	(11,935)	(10,836)	10.1%
Selling, general and administrative	(10,799)	(9,344)	15.6%
Personnel expenses	(9,729)	(8,776)	10.9%
Other operating expenses	(6,443)	(3,958)	62.8%
<b>Total operating expenses</b>	<b>(51,652)</b>	<b>(45,860)</b>	12.6%
<b>Operating profit</b>	7,022	6,852	2.5%
Finance costs and others	(679)	(941)	(27.8%)
<b>Profit before taxation</b>	<b>6,343</b>	<b>5,911</b>	7.3%
Income tax	(1,709)	(1,621)	5.4%
<b>Profit for the quarter</b>	<b>4,634</b>	<b>4,290</b>	8.0%
<b>Profit attributable to:</b>			
Equity holders of the Company	4,618	4,272	8.1%
Non-controlling interests	16	18	(11.1%)
	As at 31 March 2011 (RMB million)	As at 31 December 2010 (RMB million)	
<b>Total Assets</b>	413,956	407,355	1.6%
<b>Total Liabilities</b>	<b>(177,374)</b>	<b>(175,391)</b>	1.1%
<b>Total Equity</b>	<b>236,582</b>	<b>231,964</b>	2.0%

## Business Data

	As at 31 March 2011/ For the period from 1 January 2011 to 31 March 2011	As at 31 December 2010/ For the period from 1 October 2010 to 31 December 2010	As at 30 September 2010/ For the period from 1 July 2010 to 30 September 2010
Local Access Lines in Service (Million)	173.36	175.05	178.28
including:			
Household (Million)	109.60	110.20	111.39
Government & Enterprise (Million)	34.66	33.97	33.27
Public Telephone (Million)	14.37	14.46	14.64
Wireless Local Access (Million)	14.73	16.42	18.98
Net Decrease of Local Access Lines in Service (Million)	(1.69)	(3.23)	(2.79)
Wireline Broadband Subscribers (Million)	66.85	63.48	61.07
Net Add of Wireline Broadband Subscribers (Million)	3.37	2.41	2.74
Wireline Local Voice Usage (Billion Pulses)	64.67	58.23	64.42
Wireline Long Distance Usage (Billion Minutes)	13.69	15.29	17.53
Mobile Subscribers (Million)	100.25	90.52	82.98
of which : 3G subscribers (Million)	16.37	12.29	9.15
Net Add of Mobile Subscribers (Million)	9.73	7.54	8.46
Mobile Voice Usage (Billion Minutes)	87.58	86.97	79.28

For the first quarter of 2011, the mobile services continued to grow rapidly with an increasingly mature industry value chain. With rapid expansion in mobile customer scale and revenues, the subscriber market share increased progressively. The number of mobile subscribers achieved a breakthrough of 100 million, reaching a total number of 100.25 million which included 16.37 million 3G subscribers. The Group becomes the world's largest CDMA mobile network operator. The net addition of mobile subscribers was 9.73 million for the first quarter and the average mobile service revenue per user per month (ARPU) had a moderate decline as compared to that for the full year of last year. Facing the challenges from the intensified mobile substitution and churn of PAS subscribers, the Group continued to record negative growth in its number of local access lines in service for the first quarter. In response thereto, the Group strengthened the integrated packaging of full services operation, 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 66.85 million, representing a net addition of 3.37 million. The fundamentals of the overall wireline services continued to remain stable.

The Company's operation was on track as planned for the first quarter of 2011. Excluding the amortisation of upfront connection fees of RMB46 million, the operating revenues were RMB58,674 million, representing an increase of 11.3% from the same period of last year. Revenues from sale of mobile terminals were RMB3,121 million, increased by approximately two times over the corresponding period of last year. Meanwhile, other operating expenses increased by 62.8% from the same period of last year as a result of the corresponding significant increase in the costs of mobile terminals sold. Over the period, the Group increased the sales initiatives to effectively foster the business growth momentum and therefore, selling, general and administrative expenses increased by 15.6% from the same period of last year. The profit attributable to equity holders of the Company was RMB 4,618 million, representing an increase of 8.1% from the same period of last year. EBITDA (before CDMA network capacity lease fees) was RMB23,761 million, an increase of 4.2% from the same period of last year. EBITDA margin was 40.5%, representing a decline of 2.7 percentage points from 43.2% of the same period of last year. Benefitting from the robust momentum of full services operation and the seasonal effects of the Company's operation (same as prior years), the profitability for the first quarter of 2011 has rebounded noticeably from the fourth quarter of last year.

The Group will continue to pursue the “Customer-Focused Innovative Informatisation” strategy, aggressively expanding the scale of mobile, broadband and industry application services, while maintaining the contribution of the existing operation and continuing to optimise the revenue structure. By pursuing deepened strategic transformation, the Group aims to position itself as “a leader of intelligent pipeline, a provider of integrated platforms, and a participant of content and application development”. The Group will persist in the business strategy of high-value data traffic management operation and transform the Company to adapt to the mobile Internet operation mode. Through continuous enhancement in the capabilities of network, terminals, channels and services, the Group endeavours to achieve co-ordinated and sustainable development of the four pillars business as a whole – mobile, broadband, value-added and integrated information services, wireline voice.

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 April 2011

#### **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.