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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 2016

The unaudited financial data of the Group for the first three quarters of 2016

- Operating revenues were RMB263,816 million, representing an increase of 7.1% over the same period of last year
- Service revenues were RMB233,494 million, representing an increase of 5.6% over the same period of last year
- EBITDA was RMB76,033 million, representing a decline of 0.6% over the same period of last year
- Profit attributable to equity holders of the Company was RMB17,543 million, representing an increase of 7.2% over the same 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 2016.

Financial Data (Extracted from financial records prepared in accordance with International Financial Reporting Standards)

	For the period from 1 January 2016 to 30 September 2016 (RMB million)	For the period from 1 January 2015 to 30 September 2015 (RMB million)	Increase / (Decrease)
Operating revenues	263,816	246,317	7.1%
of which: Service revenues (Note 1)	233,494	221,067	5.6%
Operating expenses			
Depreciation and amortisation	(50,335)	(50,825)	(1.0%)
Network operations and support	(66,774)	(55,841)	19.6%
Selling, general and administrative	(39,426)	(38,081)	3.5%
Personnel expenses	(44,350)	(42,144)	5.2%
Other operating expenses	(37,233)	(33,738)	10.4%
Total operating expenses	(238,118)	(220,629)	7.9%
Operating profit	25,698	25,688	0.0%
Net finance costs	(2,595)	(3,178)	(18.3%)
Investment income and share of profits / (losses) of associates	236	(833)	N/A
Profit before taxation	23,339	21,677	7.7%
Income tax	(5,727)	(5,270)	8.7%
Profit for the first three quarters	17,612	16,407	7.3%
Profit attributable to:			
Equity holders of the Company	17,543	16,361	7.2%
Non-controlling interests	69	46	50.0%
	As at 30 September 2016 (RMB million)	As at 31 December 2015 (RMB million)	
Total Assets	647,477	629,561	2.8%
Total Liabilities	(331,583)	(324,810)	2.1%
Total Equity	315,894	304,751	3.7%

Note 1: Service revenues were calculated based on operating revenues minus sales of mobile terminals (first three quarters of 2016: RMB26,151 million; first three quarters of 2015: RMB21,823 million), sales of wireline equipment and other non-service revenues (first three quarters of 2016: total RMB4,171 million; first three quarters of 2015: total RMB3,427 million).

Business Data

	As at 30 September 2016/ For the period from 1 January 2016 to 30 September 2016	As at 30 September 2015/ For the period from 1 January 2015 to 30 September 2015
Mobile Subscribers (Million)	212.49	194.34
of which 4G Terminal Users (Million)	107.49	43.73
Net Add of Mobile Subscribers (Million)	14.59	8.72
of which Net Add of 4G Terminal Users (Million)	49.03	36.65
Handset Data Traffic (kTB) ¹	833.4	366.4
Mobile Voice Usage (Billion Minutes)	534.0	496.8
Wireline Broadband Subscribers (Million)	120.72	111.09
of which Fibre-to-the-Home (FTTH) subscribers (Million)	97.68	61.92
Net Add of Wireline Broadband Subscribers (Million)	7.66	4.14
of which Net Add of FTTH subscribers (Million)	26.69	19.31
Access Lines in Service (Million)	129.29	136.89
including: Household (Million)	80.24	85.84
Government & Enterprise (Million)	40.65	40.97
Public Telephone (Million)	8.40	10.08
Net Decrease of Access Lines in Service (Million)	(5.03)	(6.67)
Wireline Local Voice Usage (Billion Pulses)	71.5	84.4
Wireline Long Distance Usage (Billion Minutes)	16.1	20.2

For the first three quarters of 2016, the Group increased efforts in “New Convergence” development and continued to promote the users to upgrade from 3G to 4G as well as deepened the data traffic operation, achieving rapid growth in 4G users and mobile service revenues. The number of mobile subscribers of the Group reached approximately 212 million, representing a net addition of 14.59 million; of which the number of 4G terminal users reached 107 million, representing a net addition of 49.03 million. Meanwhile, the handset data traffic reached 833kTB, representing an increase of 127% over the same period of last year. The monthly average data traffic per 4G user achieved rapid growth and reached 920MB. The average mobile service revenue per user per month (ARPU) in the first three quarters of 2016 remained steady with slight increase as compared to that for the full year of last year. The Group continued to strengthen the business development of wireline broadband especially the FTTH so as to promote the healthy growth in the revenues from wireline services. The wireline broadband subscribers reached 121 million, representing a net addition of 7.66 million; of which FTTH subscribers reached 97.68 million, representing a net addition of 26.69 million, accounting for approximately 81% of wireline broadband subscribers. The overall wireline data services continued its healthy growth momentum. The number of access lines in service of the Group declined by 5.03 million in the first three quarters.

¹ Handset data traffic represents the data traffic generated from 3G and 4G handset internet access.

For the first three quarters of 2016, the Group had excellent performance in its overall results and showed robust growth momentum. The operating revenues of the Group were RMB263,816 million, representing an increase of 7.1% over the same period of last year; of which the service revenues were RMB233,494 million, representing an increase of 5.6% over the same period of last year. The operating expenses of the Group increased by 7.9% over the same period of last year as the network operations and support expenses for the first three quarters of 2016 increased by 19.6% over the same period of last year, which is because the Group is required to pay tower assets lease fee to China Tower Corporation Limited (“China Tower”) following the disposal of certain telecommunications towers and related assets by the Company to China Tower in last year. The network operations and support expenses other than the tower assets lease fee were effectively controlled. The Group continued to strictly control the marketing expenses and optimised the sales models to enhance the efficiency of resources utilisation and promote the scale development of mobile business. The selling, general and administrative expenses of the Group for the first three quarters of 2016 increased by 3.5% over the same period of last year. The personnel expenses for the first three quarters of 2016 increased by 5.2% over the same period of last year. Meanwhile, as a result of the corresponding increase in the costs of mobile terminals sold in line with the increase in sales of mobile terminals during the period, other operating expenses increased by 10.4% over the same period of last year. During the period, the finance costs decreased by 18.3% over the same period of last year mainly due to the decrease in the interest rates on the outstanding amount of the deferred payment of the mobile network acquisition by the Group. The profit attributable to equity holders of the Company was RMB17,543 million, representing an increase of 7.2% over the same period of last year. EBITDA was RMB76,033 million, representing a decrease of 0.6% over the same period of last year. EBITDA margin (EBITDA divided by service revenues) was 32.6%.

Currently, the implementation of the national strategy of “Cyberpower” coupled with the promotion of supply-side structural reform will foster an advanced level equilibrium of supply and demand. This positive policy environment creates favourable conditions for the sustainable and healthy development of the industry. The Group will proactively respond to the increasingly intensified market competition and changes in external environment. Oriented by market share dominance, the Group will expedite the scale development of two fundamental businesses, effectively collaborate on the operations of five major emerging areas while also endeavouring to enhance the six key capabilities in order to accelerate the transformation of our resource edges and capabilities into competitive strengths. By seizing new development opportunities for transformation and upgrades, the Group will focus and link through the main theme of intelligence and will promote the reconstitution of network, business, operations and management based on the three main directions namely network intelligentisation, service ecologicalisation and operation intellectualisation. Integrated intelligent information services featuring connection on demand, automatic response, realistic virtual experience and high price-to-performance ratio will be provided to customers. With reform and innovation as the driving force, the Group will promote the development strategy with talent development as the priority, optimise the market-oriented incentive mechanism, bolster vitality and improve efficiency in order to lay down a solid foundation for accelerated transformation and upgrades. At the same time, the Group will accelerate the implementation of the new strategy on transformation and upgrades. The Group will strive to become a leading integrated intelligent information services operator, facilitate the accomplishment of “Cyberpower” and also serve society and the general public as a whole, while continuously creating new value for shareholders.

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
Yang Jie
Chairman and Chief Executive Officer

Beijing, China, 28 October 2016

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 at the date of this announcement, the Board of Directors of the Company consists of Mr. Yang Jie (as the chairman and chief executive officer); Mr. Yang Xiaowei (as the president and chief operating officer); Mr. Sun Kangmin and Mr. Ke Ruiwen (all as the executive vice presidents); Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura, Mr. Xu Erming and Madam Wang Hsuehming (all as the independent non-executive directors).