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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 2018

The unaudited financial data of the Group for the first three quarters of 2018

- Operating revenues were RMB284,971 million, representing an increase of 3.6% over the same period of last year
- Service revenues were RMB264,934 million, representing an increase of 6.0% over the same period of last year
- EBITDA was RMB80,819 million, representing an increase of 2.5% over the same period of last year
- Profit attributable to equity holders of the Company was RMB19,034 million, representing an increase of 2.7% 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 2018.

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

	For the period from 1 January 2018 to 30 September 2018 (RMB million)	For the period from 1 January 2017 to 30 September 2017 (RMB million) (Restated)*	Increase / (Decrease)
Operating revenues	284,971	274,967	3.6%
of which: Service revenues¹	264,934	249,927	6.0%
Operating expenses			
Depreciation and amortisation	(55,459)	(52,246)	6.1%
Network operations and support	(81,800)	(73,355)	11.5%
Selling, general and administrative	(43,128)	(42,334)	1.9%
Personnel expenses	(49,788)	(46,958)	6.0%
Other operating expenses	(29,436)	(33,436)	(12.0%)
Total operating expenses	(259,611)	(248,329)	4.5%
Operating profit	25,360	26,638	(4.8%)
Net finance costs	(2,107)	(2,583)	(18.4%)
Investment income and share of profits of associates	1,923	708	171.6%
Profit before taxation	25,176	24,763	1.7%
Income tax	(6,045)	(6,139)	(1.5%)
Profit for the first three quarters	19,131	18,624	2.7%
Profit attributable to:			
Equity holders of the Company	19,034	18,528	2.7%
Non-controlling interests	97	96	1.0%
	As at 30 September 2018 (RMB million)	As at 31 December 2017 (RMB million)	
Total Assets	669,594	661,194	1.3%
Total Liabilities	(328,394)	(334,497)	(1.8%)
Total Equity²	341,200	326,697	4.4%

* Certain figures for the first three quarters of 2017 were retrospectively restated due to the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited by the Group in year 2017. Please refer to note 1 to the audited consolidated financial statements in 2017 Annual Report for details.

1. Service revenues were calculated based on operating revenues minus sales of mobile terminals (first three quarters of 2018: RMB15,380 million; first three quarters of 2017: RMB20,746 million), sales of wireline equipment and other non-service revenues (first three quarters of 2018: total RMB4,657 million; first three quarters of 2017: total RMB4,294 million).
2. The Group adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" since 1 January 2018. For IFRS 15 and IFRS 9, the Group applied the limited retrospective method choosing not to restate the comparative information for prior periods in accordance with the requirements under the accounting standards. The adjustments from the adoption of IFRS 15 and IFRS 9 resulted in an increase of the opening balance of equity of the Group as at 1 January 2018 by approximately RMB3.0 billion in aggregate.

Business Data

	As at 30 September 2018/ For the period from 1 January 2018 to 30 September 2018	As at 30 September 2017/ For the period from 1 January 2017 to 30 September 2017
Mobile Subscribers (Million)	294.03	240.56
of which 4G Users (Million)	230.45	167.52
Net Add of Mobile Subscribers (Million)	44.07	25.56
of which Net Add of 4G Users (Million)	48.41	45.65
Handset Data Traffic (kTB) ³	9,414.8	2,020.4
Mobile Voice Usage (Billion Minutes)	617.73	570.23
Wireline Broadband Subscribers (Million)	143.84	131.31
of which Fibre-to-the-Home (FTTH) subscribers (Million)	138.62	121.80
Net Add of Wireline Broadband Subscribers (Million)	10.31	8.19
of which Net Add of FTTH subscribers (Million)	12.45	15.81
Access Lines in Service (Million)	118.27	123.31
Net Increase/(Decrease) of Access Lines in Service (Million)	(3.53)	(3.55)
Wireline Local Voice Usage (Billion Pulses)	46.19	57.55
Wireline Long Distance Usage (Billion Minutes)	10.11	11.68

For the first three quarters of 2018, facing increasingly intensified market competition coupled with complicated and changing industry environments, the Group adhered to established development strategy with excellent execution and continued to implement deepened reforms and innovation, achieving new breakthrough in scale. With further implementation of the “Speed Upgrade and Tariff Reduction” policy, the Group cancelled data roaming fees from 1 July 2018. The number of mobile subscribers reached approximately 294 million, representing a net addition of 44.07 million; of which the number of 4G users reached 230 million, representing a net addition of 48.41 million and maintained good growth momentum. The handset data traffic³ increased by 366% over the same period of last year. The monthly average data traffic per 4G user reached 5,219 MB and maintained strong growth. The average mobile service revenue per user per month (ARPU) decreased over the same period of last year. Facing intensified market competition, wireline broadband subscribers achieved favourable growth and reached 144 million, representing a net addition of 10.31 million. Despite the decline in the ARPU of broadband access, the growth in wireline broadband subscribers vigorously supported the rapid development of Smart Family service. With continuous strengthening of the advantages of ecological cooperation of the Company, the number of e-Surfing HD subscribers exceeded 100 million while IDC, cloud and Big Data businesses achieved rapid development, expediting the growth of Intelligent Applications ecosphere⁴.

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

4. Intelligent Applications ecosphere included Smart Family ecosphere, DICT ecosphere, IoT ecosphere and Internet Finance ecosphere. DICT refers to the integrated intelligent applications services based on three major technologies, namely communications technology, information technology, cloud and Big Data technology.

For the first three quarters of 2018, the Group proactively adapted to the impacts of cancellation of data roaming fees and implementation of new revenue standard with steady promotion of business operation as planned. For the first three quarters of 2018, the operating revenues were RMB284,971 million, representing an increase of 3.6% over the same period of last year, of which the service revenues were RMB264,934 million, representing an increase of 6.0% over the same period of last year. The operating expenses increased by 4.5% over the same period of last year. Of which, the depreciation and amortisation expenses increased by 6.1% over the same period of last year which was mainly due to the corresponding increase brought by the investment in 4G and fibre broadband construction in recent years. In order to further enhance network capabilities and quality to support scale development of business, the network operations and support expenses increased by 11.5% over the same period of last year. The selling, general and administrative expenses increased by 1.9% over the same period of last year which was well controlled amid rapid growth in the scale of subscribers mainly as a result of the continuous optimisation of the Company's sales and marketing model and the implementation of new revenue standard. The personnel expenses increased by 6.0% over the same period of last year. During the period, other operating expenses decreased by 12.0% over the same period of last year which was mainly attributable to the corresponding decrease in the costs of mobile terminals sold in line with the decrease in sales of mobile terminals during the period. For the first three quarters of 2018, the investment income and share of profits of associates increased by 171.6% over the same period of last year which was mainly due to the change in the Group's shareholding percentage in China Tower Corporation Limited ("China Tower") resulting in an increase in the interests in China Tower being accounted for under equity method after the listing of China Tower. During the period, the net finance costs decreased by 18.4% over the same period of last year which was mainly due to the Group's increased efforts in stringent control over capital centralisation and decrease in the scale of interest-bearing debts. The profit attributable to equity holders of the Company was RMB19,034 million, representing an increase of 2.7% over the same period of last year. EBITDA⁵ was RMB80,819 million, representing an increase of 2.5% over the same period of last year. EBITDA margin⁶ was 30.5%.

In the future, the Group will firmly seize the development opportunities of the communications and information industry and proactively respond to market competition and changes with perseverance in innovation and integration to promote scale development. With unwavering devotion to promote the "three initiatives"⁷ transformation and to persistently implement in-depth reforms, the Group will reinforce corporate vitality and efficiency as well as promote enhancement of corporate capabilities, endeavouring to continuously create new value potential for shareholders.

5. EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.
6. EBITDA margin was calculated based on EBITDA divided by service revenues.
7. "Three initiatives" represents network intelligentisation, service ecologicalisation and operation intellectualisation.

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, 29 October 2018

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. Ke Ruiwen (as the president and chief operating officer); Mr. Gao Tongqing, Mr. Chen Zhongyue and Madam Zhu Min (as the chief financial officer) (all as the executive vice presidents); Mr. Chen Shengguang (as the non-executive director); Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming, Madam Wang Hsuehming and Mr. Yeung Chi Wai, Jason (all as the independent non-executive directors).