



Press Release  
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For Immediate Release

## China Telecom Corporation Limited Announces Annual Results for Year 2014

- Successfully managed various prominent external changes, leading to persistent growth in revenue and profit with solid fundamental
- Industry-leading revenue growth fuelled by fast growing emerging business
- To rapidly ramp up 4G business scale, leveraging the prime opportunities of LTE FDD licensing and tower sharing as well as the 4G hybrid network trial experience
- VAT Reform: short-term pain, long-term beneficial to sustainable growth
- Proactively deepen comprehensive reform and accelerate Internet-oriented transformation to further enhance shareholders return

(RMB millions)	2013	2014	Rates of change
Operating Revenues	321,584	324,394	0.9%
Service Revenues <sup>1</sup>	278,851	287,379	3.1%
of which: Mobile Service Revenues	113,751	120,268	5.7%
Wireline Service Revenues	165,100	167,111	1.2%
EBITDA <sup>2</sup>	96,551	94,853	(1.8%)
Net Profit <sup>3</sup>	17,545	17,680	0.8%
Free Cash Flows <sup>4</sup>	11,137	12,466	11.9%
EPS (RMB)	0.217	0.218	0.8%

<sup>1</sup> Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

<sup>2</sup> EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

<sup>3</sup> Net profit represents profit attributable to the equity holders of the Company.

<sup>4</sup> Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

**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 2014 annual results today in Hong Kong.**

In 2014, in the face of a number of prominent changes in the external environment, the Company rose to the challenges. While persisting in its established strategic direction, the Company proactively and flexibly adjusted its operation plans. The Company accelerated the transformation of its development model, achieving a stable growth in its operating results. By seizing the 4G development opportunities, the Company advanced the sound development of its 4G service in 56 trial cities with the strength of its hybrid network. The Company pragmatically promoted its comprehensive deepening reform to further liberate its productivity and continually generate development vitality. The Company proactively promoted an Internet-oriented transformation and accelerated the upgrade of its fundamental services and the “market-driven” development of its emerging businesses. The Company persisted in reform and innovation and strengthened open cooperation, enhancing its quality and efficiency. Moreover, the Company participated in the investment and establishment of the Tower Company and recently it was granted the 4G (LTE FDD) licence, which brought the Company brand new opportunities for its development.

In 2014, the Company accelerated its reform and transformation. Despite the impact of the value-added tax (VAT) reform and the geographical limitations on the trial of its 4G hybrid network, the Company still managed to achieve a stable growth in its revenue and profit. Operating revenues amounted to RMB324.4 billion, representing an increase of 0.9% over last year. Service revenues amounted to RMB287.4 billion, representing an increase of 3% over last year, ranking first in the industry for the first time in respect of the growth rate of the revenues since the restructuring of the telecommunications industry in 2008. Emerging businesses accounted for 29% of service revenues, representing an increase of 5 percentage points over last year. The business structure of the Company continued to be fast optimised. EBITDA was RMB94.9 billion, while EBITDA margin<sup>5</sup> was 33%. Profit attributable to the equity holders of the Company was RMB17.7 billion, representing an increase of 0.8% over last year. Basic earnings per share were RMB0.22. Capital expenditure was RMB76.9 billion while free cash flow was RMB12.5 billion.

In 2014, the Company efficiently leveraged the synergy of the networks and target markets between 4G and 3G, with the splendid launch of 4G driving the sustainable development of its mobile services. Along with the increasingly intensified competition in the wireline broadband market, the Company accelerated its innovation and transformed its business development model. By continually leveraging the strength of its fibre network, the Company promoted comprehensive bandwidth upgrades for subscribers, creating a comparative advantage throughout the entire network. At the same time, the Company achieved significant breakthroughs in its emerging businesses. It innovated the business model of data traffic operations and continually enhanced the Internet application development model. The Company also focused on informatisation applications to further enhance its competitive strength in the Information and Communications Technology (ICT) services.

<sup>5</sup> EBITDA margin was calculated based on EBITDA divided by service revenues.

The pilot programme of VAT reform commenced in the telecommunications industry in June 2014. Although it has an adverse impact on the Company in the short term, the Company expects that it will be beneficial for its sustainable development in the long term. The Company strived to optimise its development and sales models, implemented enhanced management over cost, procurement and vendors' tax qualifications. The relevant adverse impact has been moderated. In the future, with the continual expansion of the VAT reform to other industries, it is expected that the Company will be entitled to more input VAT credits. Together with the continuously optimising revenue structure of the Company, it will be beneficial for its enhancement of its profitability in the long term.

Taking into account the return to shareholders, the Company's profitability, free cash flow and capital requirements for its future development, the Board of Directors has decided to recommend at the forthcoming shareholders' general meeting that a dividend equivalent to HK\$0.095 per share be declared for the year 2014, maintaining the same level of dividends as last year. Going forward, the Company will strive to enhance its profit while paving the way for an increase in future dividends.

At present, China's economy has entered into the "new normal" of medium-high-level growth, and innovation will be the key driver for future development. The booming development of the "Consumption Internet" market along with the emerging "Industrial Internet" market in China will provide the Company with vast market potential. The issuance of the 4G licence will bring new opportunities for the industry development, and the corporate transformation development of the Company will generate new opportunities. At the same time, the domestic telecommunications industry is increasingly saturated, and market competition will gradually lead to an era of competition for existing customers. Under the new industry ecology, cross-industry competition and cooperation become a main trend, which brings severe challenges to the current operating model. Although the VAT reform is expected to be beneficial for the Company's development in the long term, it will still impose a significant impact on its profitability in the short term. Tackling various challenges will also become a new norm for the Company for some time in the future.

Chairman Wang Xiaochu expressed that the Company has full confidence in its future prospects. The Company will seize the crucial opportunities from the issuance of 4G licence and the sharing of tower resources. The Company will increase its investment and promote the rapid development of its mobile services in full strengths, especially the profitable scale development of its 4G services. The Company will proactively promote its comprehensive deepening reform, accelerate the transformation of its operation and management models to further stimulate the corporate vitality. The Company will speed up its Internet-oriented transformation and fully leverage its existing strengths in telecommunications. The Company will engage in open cooperation and strengthen its competitive advantages of the ecosystem to enhance its differentiated operational capabilities. The Company will rapidly establish a new China Telecom so as to create values for shareholders.

For further information, please browse the Company's website at: [www.chinatelecom-h.com](http://www.chinatelecom-h.com).

## **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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