



2016 Annual Results



China Telecom Corporation Limited
21 March 2017 | 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 China Telecom Corporation Limited (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.

Mr. Yang Jie

Chairman & CEO

Mr. Yang Xiaowei

President & COO

Mr. Ke Ruiwen

Executive Vice President

Mr. Gao Tongqing

Executive Vice President



| Overview

| Business Review

| Financial Performance

Highlights



1 Clear Strategy with Strong Execution

Solid service revenue growth and significantly enhanced profitability



2 Innovative Convergence Strategy with Prominent Results

“New Convergence” driving mutual development in services and rapid subscriber expansion



3 Optimizing CAPEX to Enhance Return

Declining CAPEX with precision investment to support business development



4 Raise Dividend to Increase Shareholders' Return

Creating shareholders' value continuously



5 Step Up Transformation to Strengthen Capabilities

Pioneer in initiating intelligence strategy to forge differentiated competitive edge

	2015	2016	Change
Operating Revenue (RMB Mil)	331,202	352,285	6.4%
Service Revenue (RMB Mil)	293,266	309,644	5.6%
EBITDA (RMB Mil)	94,106	95,139	1.1%
EBITDA Margin	32.1%	30.7%	-1.4pp
Net Profit (RMB Mil)	20,054	18,004	-10.2%
EPS (RMB)	0.248	0.222	-10.2%
Adjusted Net Profit (RMB Mil)	16,117	18,004	11.7%
Adjusted EPS (RMB)	0.199	0.222	11.7%

Notes: Unless otherwise stated in this presentation

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (2015: RMB32,026 mil; 2016: RMB34,612 mil) – Sales of Wireline Equipment (2015: RMB4,430 mil; 2016: RMB5,822 mil) – Other Non-service Revenue (2015: RMB1,480 mil; 2016: RMB2,207 mil)

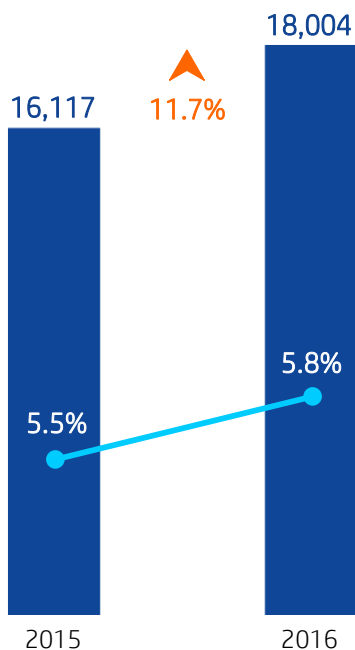
2. EBITDA = Operating Revenue – Operating Expenses + Depreciation & Amortization; EBITDA Margin = EBITDA / Service Revenue

3. Net Profit represented profit attributable to equity holders of the Company; Adjusted Net Profit excluded one-off tower assets disposal gain of RMB3,937 mil in 2015

Significantly Enhanced Operation

Adjusted Net Profit Achieved Double-digit Growth

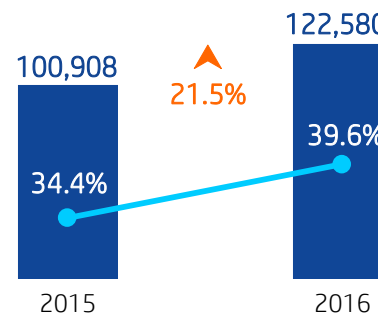
RMB Mil



Adjusted Net Profit Margin

Emerging Business Revenue Surged

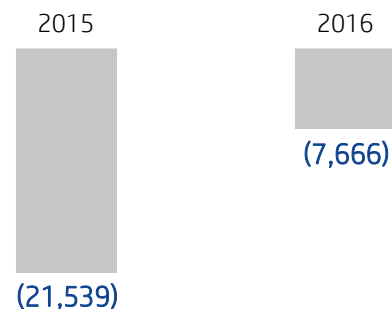
RMB Mil



Emerging Business Revenue as a % of Service Revenue

Free Cash Flow Improved Substantially

RMB Mil

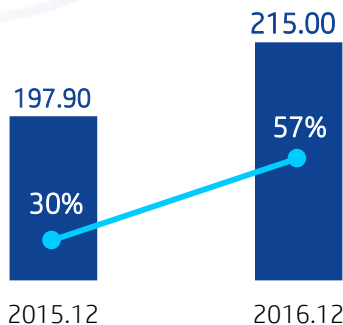


- Notes: 1. Adjusted Net Profit Margin = Adjusted Net Profit / Service Revenue
 2. Emerging business included Data Traffic Operation, ICT and Internet Applications
 3. Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses

New Convergence Driving Rapid Scale Development

Mobile Subscribers

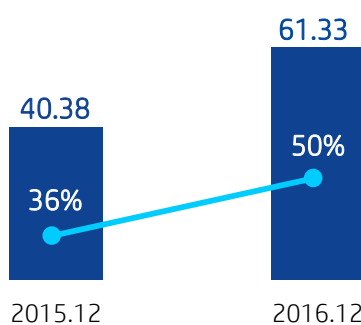
Mil



— 4G Subs as a % of Mobile Subs

e-Surfing HD (IPTV) Subscribers

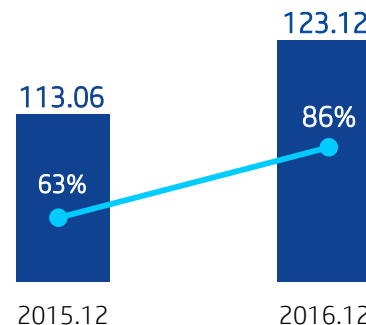
Mil



— IPTV Subs as a % of Wireline Broadband Subs

Wireline Broadband Subscribers

Mil



— FTTH Subs as a % of Wireline Broadband Subs

Mobile Subs Net Add

17.10 Mil
(▲ 39% yoy)

e-Surfing HD Subs Net Add

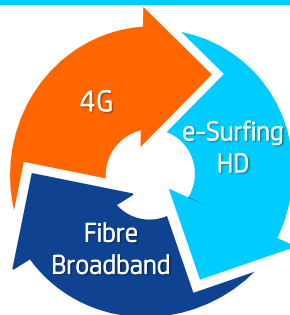
20.95 Mil
(▲ 130% yoy)

Wireline Broadband Subs Net Add

10.06 Mil
(▲ 65% yoy)

4G Subs Net Add

63.41 Mil
(▲ 23% yoy)



FTTH Subs Net Add

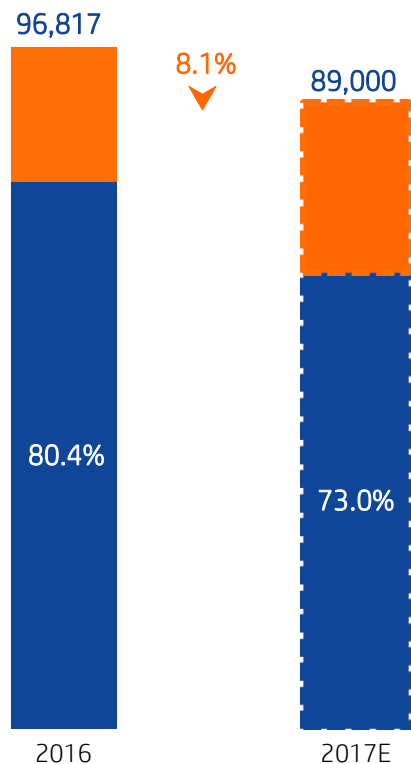
35.00 Mil
(▲ 23% yoy)

Declining CAPEX

CAPEX
RMB Mil

CAPEX (RMB)

109.1 Bil 2015 > 96.8 Bil 2016 > 89.0 Bil 2017E



■ 4G + Fibre Broadband

2017E

- Pioneer in building Three Superior Networks**
 - 4G network:** multi frequencies (800MHz, 1.8/2.1GHz) coordinated, with appropriately allocated & adequate capacity and continuous basic coverage nationwide

4G BTS Target

1.16 Mil 2017.12 ▲ 270k
 - All-fibre network:** end-to-end high performance and good quality coverage in cities, towns & villages
 - Internet of Things (IoT) network:** quality network with wide area coverage by multi technologies, simultaneously deploy LTE 800MHz & NB-IoT
- Increase CAPEX in Emerging Business**

Note: 4G BTS number included outdoor base stations and indoor distribution systems

Raise Dividend to Increase Shareholders' Return

Dividend per share

HKD



The Board of Directors recommends to the shareholders a final dividend of HK\$0.105 per share for 2016, up 10.5%

- Recommend an increase in dividend for 2016 with due regards to capital requirement for future development, profitability and shareholders' return, despite a negative free cash flow in 2016
- Review funding need appropriately to fulfill the capital requirement of long-term sustainable growth
- Strive to enhance future profit while creating shareholders' value continuously

Rise to Challenge for “Speed Upgrade and Tariff Reduction”

2016

Mobile Handset

Data Unit Price

▼ 38% yoy

Data Traffic

▲ 130% yoy

Internet Access Revenue

▲ 42.9% yoy

Wireline Broadband

Bandwidth Unit Price

▼ 50% yoy

Average Access Bandwidth

▲ 72% yoy

Revenue

▲ 3.3% yoy

2017E

Initiatives:

- to cease charging handset users domestic long-distance and roaming fees before 1 October 2017 with accelerating system upgrade and service grooming, etc.
- to reduce the fees of international long-distance calls
- to significantly reduce the tariff of Internet dedicated line access for SMEs

The above measures will have impact on the business operation to a certain extent

The Company will proactively advance supply-side reform to promote subscriber migration and information consumption

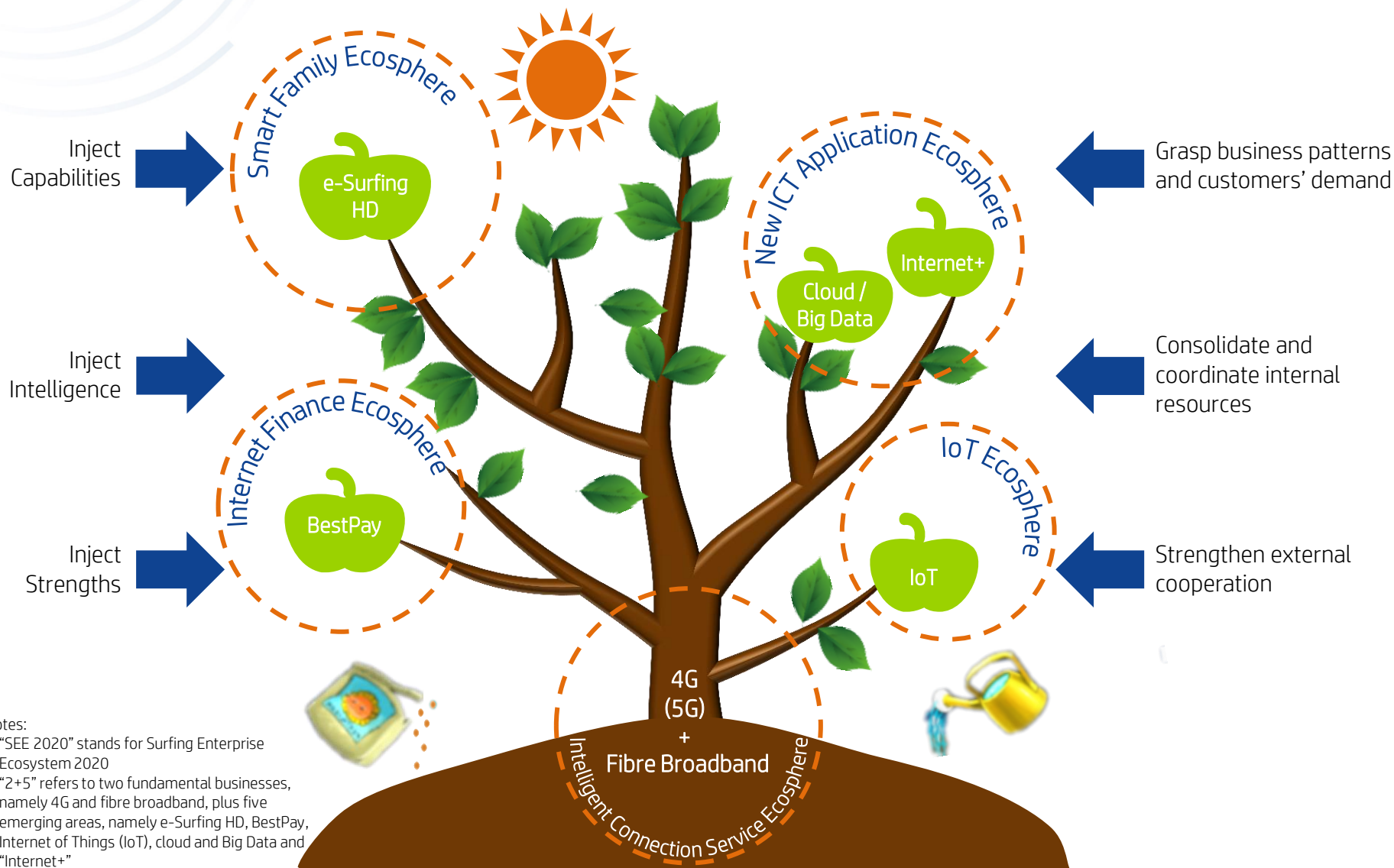
Market-driven with Reform and Innovation to Stimulate Vitality

Establish **task force** to coordinate the setting of five ecospheres and nurture external ecological environment. Integrate emerging business into production procedurals to **enhance professional operation and support ecology development**



“SEE 2020”: Focus on “2+5” to Construct Five Ecospheres

Matching existing “2+5” key businesses with future service ecospheres

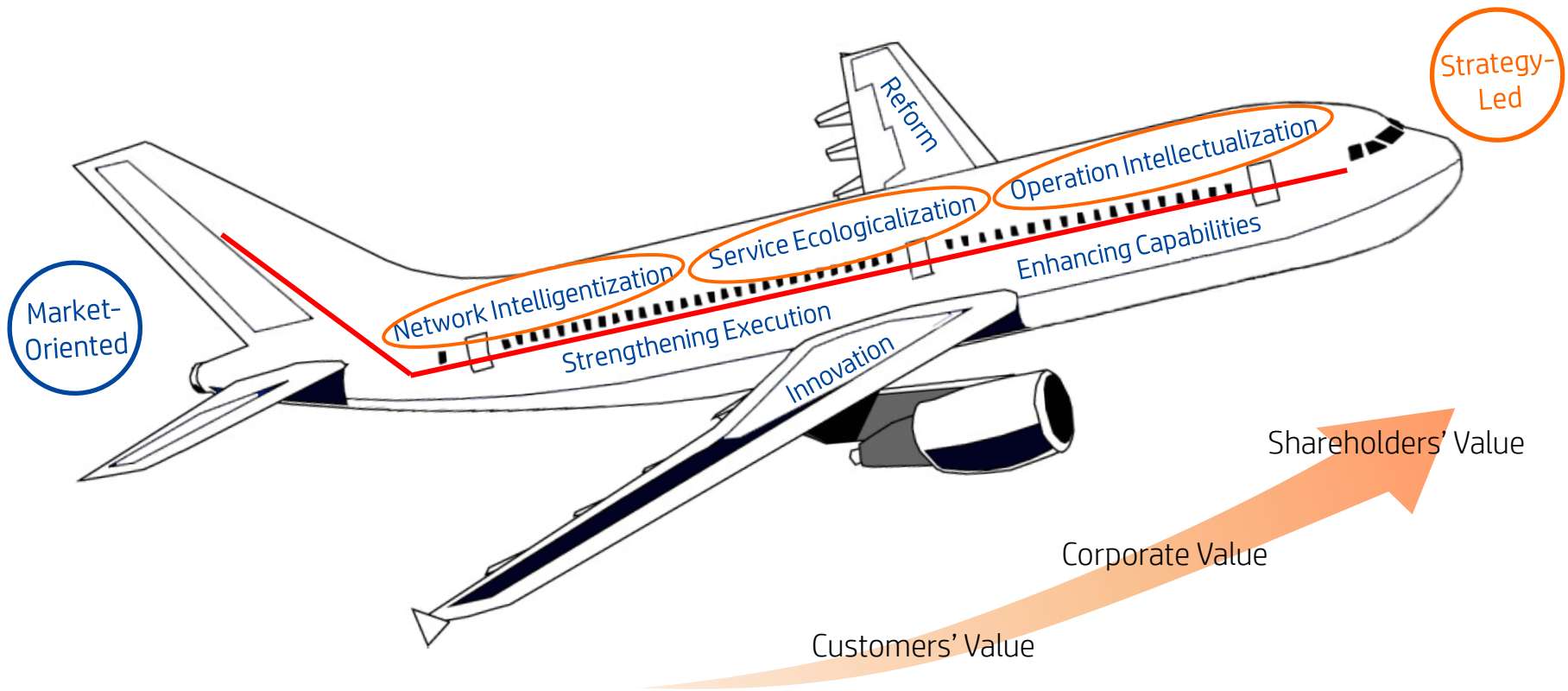


- Notes:
1. “SEE 2020” stands for Surfing Enterprise Ecosystem 2020
 2. “2+5” refers to two fundamental businesses, namely 4G and fibre broadband, plus five emerging areas, namely e-Surfing HD, BestPay, Internet of Things (IoT), cloud and Big Data and “Internet+”

Strategy-led to Enhance Development Quality and Return

Opportunities

Supply-side Structural Reform “Cyberpower” Strategy “Internet+” Strategy
 “Made-in-China 2025” “Big Data” Strategy Industrial Internet, Sharing Economy
 Cyber Information Security Innovation-driven 5G SDN / NFV Deployment VR / AR ...





| Overview

| **Business Review**

| Financial Performance

Revenue Breakdown

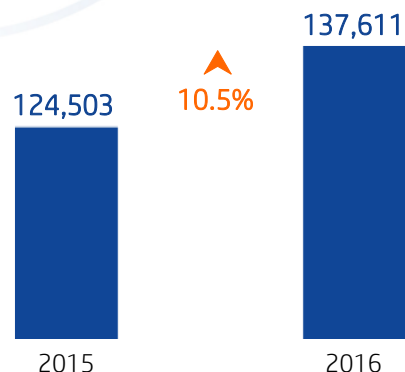
RMB Mil	2015	2016	Change
Mobile	156,529	172,223	10.0%
Service Revenue	124,503	137,611	10.5%
<i>Incl.: Voice</i>	48,983	44,133	-9.9%
<i>Data</i>	75,424	93,363	23.8%
<i>Incl.: Handset Internet Access</i>	47,770	68,263	42.9%
Sales of Terminals	32,026	34,612	8.1%
Wireline	174,673	180,062	3.1%
Service Revenue	168,763	172,033	1.9%
Voice	29,610	25,987	-12.2%
Data	135,100	141,653	4.9%
<i>Incl.: Broadband</i>	74,285	76,766	3.3%
<i>Information & Application Services</i>	42,035	44,335	5.5%
Others	4,053	4,393	8.4%
Sales of Equipment & Other Non-service Revenue	5,910	8,029	35.9%
Total	331,202	352,285	6.4%

Note: Mobile service revenue included revenues from voice, data and MVNOS

4G Scale Expansion Driving Mobile Revenue Growth

Mobile Service Revenue

RMB Mil

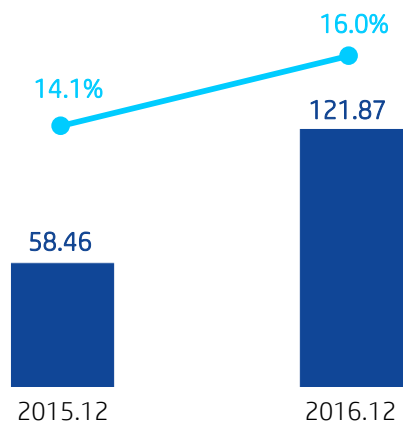


ARPU (RMB)

Category	ARPU (RMB)	2015 (RMB)
Mobile	55.5	54.1
4G	72.8	78.0

4G Subscribers

Mil



● 4G Subs Market Share

Enhancing Service & Handset

Service Capability

- Domestic**
 - Mobile online service app users: 110mil
 - Average monthly service volume: 1.4bil
 - No.1 customer satisfaction in mobile Internet access in industry in 2016 (Source: MIIT)
- Overseas**
 - 4G international roaming in 124 countries & regions serving 95% of customers' overseas travels with high speed service

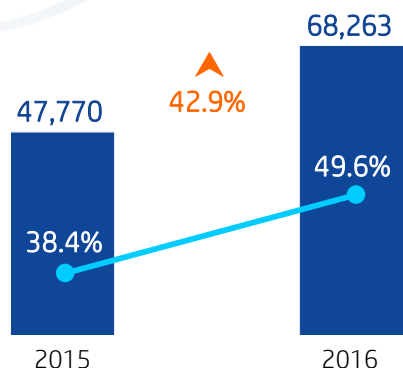
Handset Sales

- 6-mode**
 - As national standard, mainstream handset, declining bill of materials
 - No. of models: **>370**
 - Sales vol. **>80mil** (~80% of 4G terminal sales)
 - 800MHz LTE handsets: ~100 models (incl. local and foreign brands)
 - 200** models by end-2017

4G Promoting Prominent Data Volume & Revenue Growth

Handset Internet Access Revenue

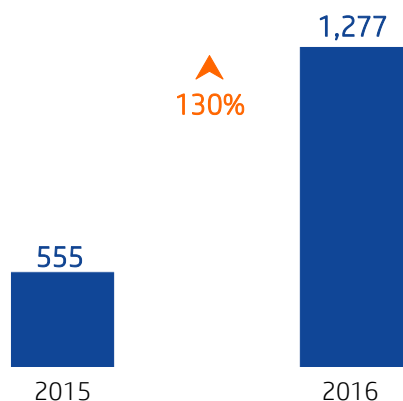
RMB Mil



As a % of Mobile Service Revenue

Handset Data Traffic

KTB



4G DOU

1,029MB

(2015: 751MB)

▲37%

4G Data Traffic as a % of Handset Data Traffic

83%

(2015: 51%)

▲32pp

Deepening Data Traffic Operation

Handset Upgrade

- Promote precision handset upgrade, accelerate subscribers from 3G to 4G migration, leveraging big data and intellectual operation
- Increasing share of mid-to-high-end handset sales
- Proportion of >RMB1,000 handset sales >70%

Application Aggregation

- Strengthen self-developed application, such as e-Surfing Video, and enhance cooperation with content providers
- Leverage “Website Membership + Dedicated Data” bundling to accelerate content introduction and product upgrade

Stable Wireline Revenue Growth

Wireline Service Revenue Growth Accelerated

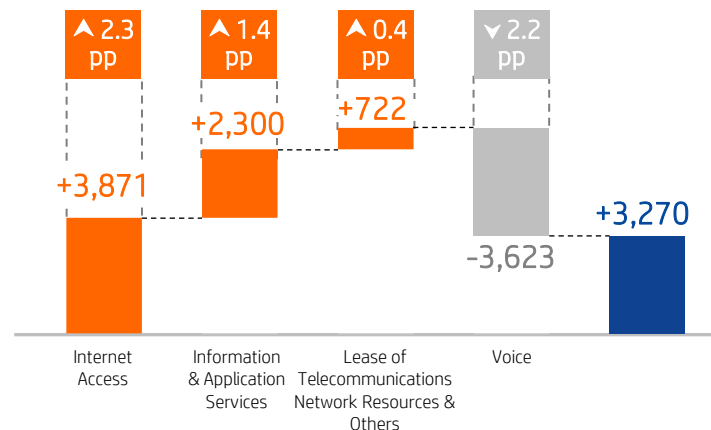
RMB Mil



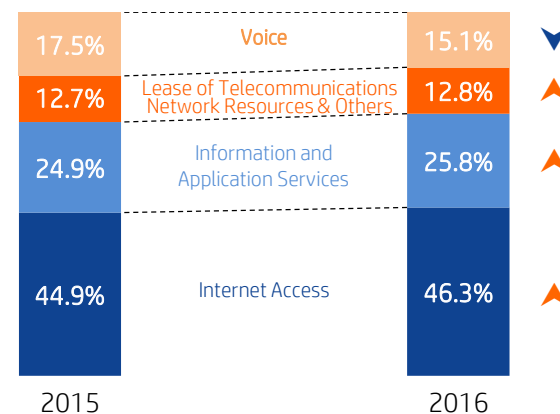
—●— Growth Rate yoy

Wireline Internet Access Revenue as Main Driver

RMB Mil



Non-voice Revenue Portion Increased

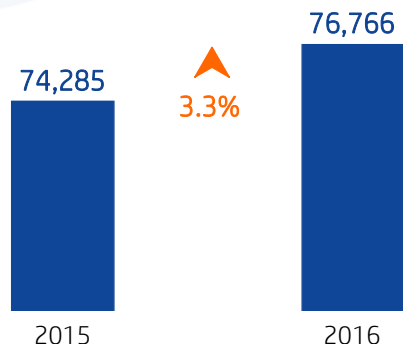


Note: As a % of Wireline Service Revenue

Increasing High Bandwidth Subs Supporting Convergence Development

Wireline Broadband Revenue

RMB Mil



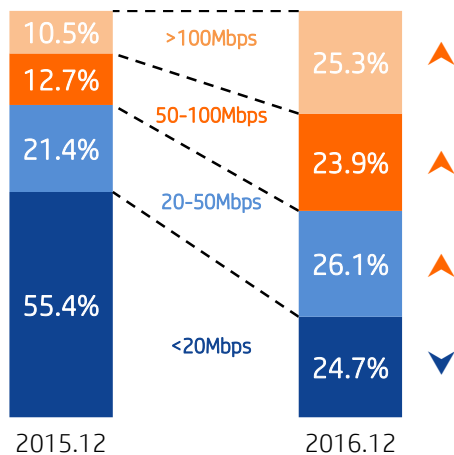
Average Access Bandwidth

>50Mbps
 (2015: 29Mbps)

Wireline Broadband ARPU (RMB)

54.2
 (2015: 56.3)

Subscribers Bandwidth Structure



Leveraging Intelligent Fibre Network Advantage

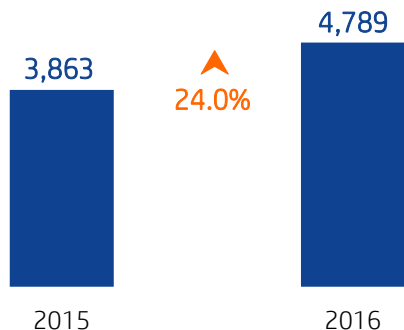
- Hundred-Mbps as mainstream and Gbps as lead products: pioneer in promoting Hundred-Mbps smart fibre broadband product and plan to build Gbps demo in 100 cities to forge differentiation edges
- Introduce four core applications, including e-Surfing HD, VPN, family cloud and video call, by means of smart home gateway and 4K TV set-top box via fibre broadband to uplift high bandwidth threshold and extract broadband value

e-Surfing HD, BestPay and IoT: New Breakthroughs

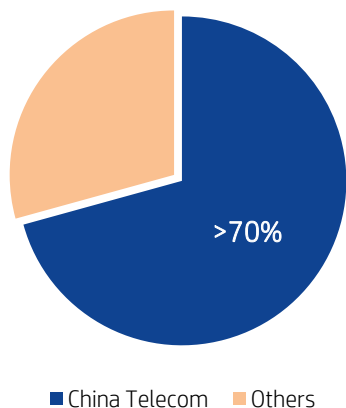
e-Surfing HD (IPTV)

Revenue

RMB Mil



IPTV Subs Market Share in China



Source: MIIT, as at end-2016

BestPay

Ave. Monthly Active Users

>16Mil

Actively Participating Merchants

300k

- GMV >RMB1,000Bil
- Smart convergence of “Mobile + Payment” and differentiated development to accelerate the building of Internet Finance Ecosphere

Internet of Things (IoT)

Connected Device Net Add

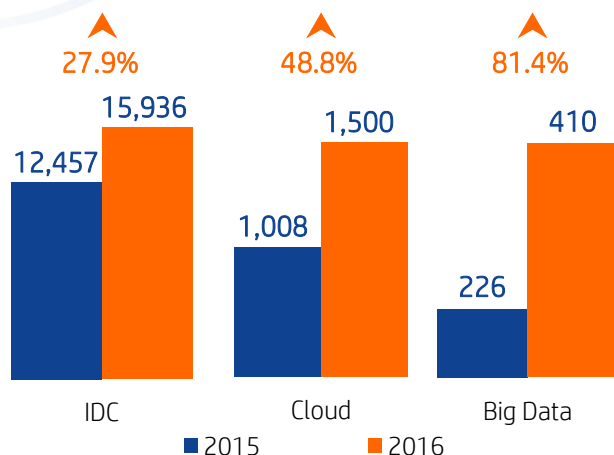
>13Mil

- Leverage multi technologies and multi layer network edge to build up **core capability for platform**, laying foundation for expansion to data and application services

Cloud / Big Data and Internet+: Rapid Growth

IDC / Cloud / Big Data Revenue

RMB Mil



Cloud / Big Data

IDC

	No. of IDCs	Cabinets	No. of IDCs
Domestic	400	>200k	Overseas 15
Overseas			

Data centres are interconnected nationwide

Across 8 cities in 6 countries & regions

- Cloud**
- Launched e-Surfing Cloud 3.0 service
 - Cloud-network integration & efficiently-centralized managed, enhancing customization via resource strength

- Big Data**
- Promote IDC / Cloud / Industry applications integrated solution focusing on government administration, finance and etc.

No. of "Internet+" Projects

>2,500 ▲2.4x

Projects with revenue >RMB1Mil p.a.

Internet+

- Leveraged cloud computing & big data capabilities, accelerated development focusing on **government administration, education, healthcare** and etc.
- Launched "Internet+" open platform as one of the "Internet+" key projects by NDRC
- Published "Internet+" Action White Paper 2016 to promote Top 10 actions in 2016
- Commenced "Internet+" strategic cooperation by signing agreements with 14 provincial government and 2 sub-provincial cities

Gov't. Admin. Cloud

>100 Cities

Education Cloud

>200 Projects

Medication Image Cloud

>500 Hospitals

Open Cooperation for Win-win

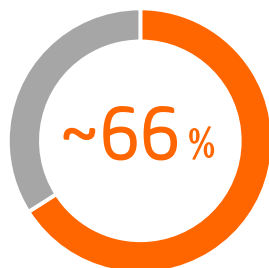
Tower Company

No. of Towers Leased

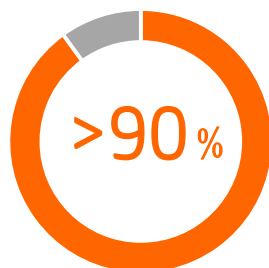
~610k
2016.12

▲110k

Sharing Ratio
(overall)



Sharing Ratio
(newly leased)



China Unicom

Jointly Promoted Value Chain Cooperation for Industry Ecology Development

- Jointly promoted 6-mode all frequencies compatible handsets (800MHz LTE incl.) to become national standard
- Jointly announced “Broadband Services White Paper” and “4K TV Smart Set-top Box (STB) White Paper” to standardize service quality and STB specifications

Network Co-build & Sharing

~70k
4G BTS

~16,000km
Transmission Fibre Network

Multi Sectors Cooperation

- IoT Open Laboratory

- e-Surfing IoT Industry Alliance

Pioneer in Initiating Step-up Transformation

To be a Leading Integrated Intelligent Information Service Provider

Network Intelligentization

CTNet2025
promotes
Network Reconstitution

Widely deploy SDN to achieve intelligent network data traffic load balancing, construct an intelligent, efficiently-centralized and open on-demand network; Actively participate in the formulation of 5G standard and deploy outdoor trial

Service Ecologicalization

"SEE 2020"
promotes
Service Reconstitution

Inject capabilities, intelligence & strengths to grasp the five ecospheres development patterns, coordinate internal resources and strengthen external cooperation to develop industry ecology

Operation Intellectualization

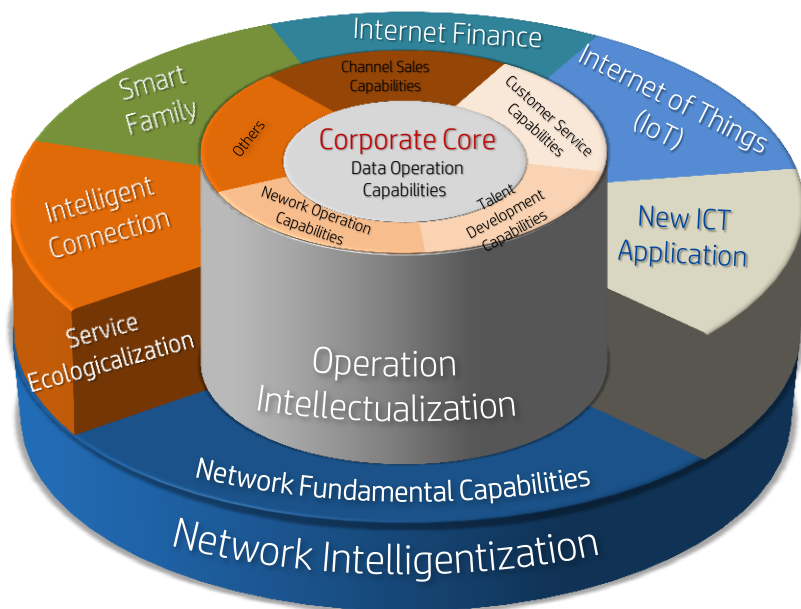
Corporate Core
promotes
Operation & Management Reconstitutions

Adopt Big Data application to drive operational capabilities enhancement, achieve precision in management, marketing, services and network operations to inject "intelligence" into ecosphere

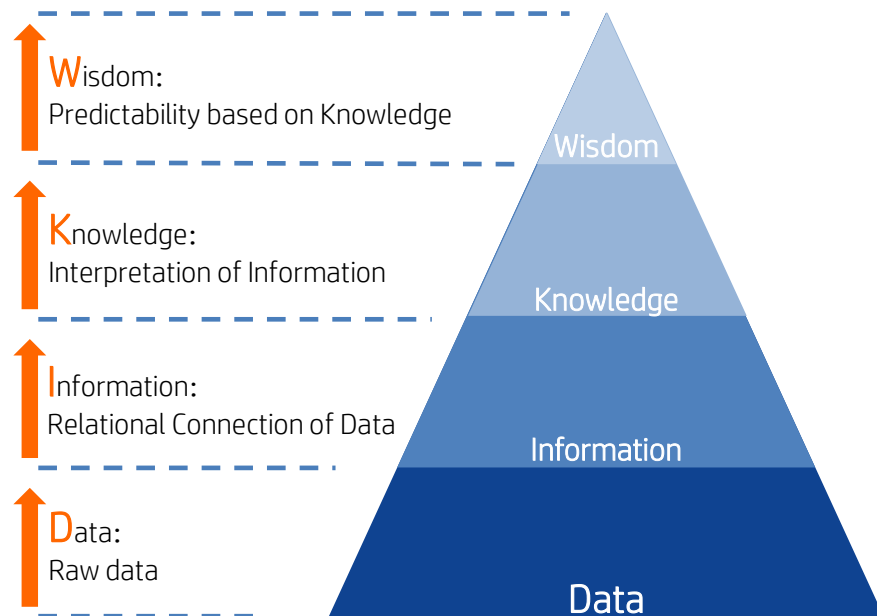
- Optimizing network structure, business system and management platform to promote development of service ecospheres
- Constructing operation management system leveraging big data to enhance efficiency

Operation Intellectualization Driving Core Capability New Breakthroughs

“Corporate Core” at the centre of Operation Intellectualization



DIKW pyramid from Data to Wisdom



- Manage and develop “data” as corporate core asset to build big data capability
- Leverage big data application to enhance capability, for intellectual operation with precision in investment, management, sales & marketing, services and network operation, injecting intelligence to the ecosphere



| Overview

| Business Review

| **Financial
Performance**

Key Financial Information

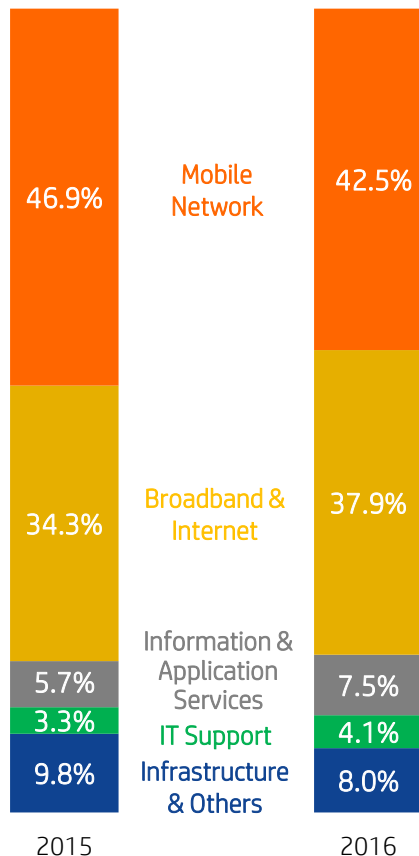
RMB Mil	2015	2016	Change
Operating Revenue	331,202	352,285	6.4%
Operating Expenses	304,760	325,084	6.7%
Depreciation & Amortization	67,664	67,938	0.4%
Network Operations & Support	81,240	94,092	15.8%
Personnel	52,541	54,460	3.7%
SG&A	54,472	56,417	3.6%
<i>Incl.: Mobile Handset Subsidies</i>	11,620	9,370	-19.4%
<i>General & Administration</i>	8,529	8,596	0.8%
Interconnection & Others	48,843	52,177	6.8%
<i>Incl.: Interconnection</i>	12,329	11,790	-4.4%
<i>Cost of Terminals & Equipment Sold</i>	34,963	38,628	10.5%
Operating Profit	26,442	27,201	2.9%
Net Profit	20,054	18,004	-10.2%
Free Cash Flow	(21,539)	(7,666)	N/A

Optimizing Resource Allocation Supporting Business Development

	2015	2016	Change	
Operating Expenses as a % of Operating Revenue	92.0%	92.3%	▲0.3pp	
Depreciation & Amortization	20.4%	19.3%	▼1.1pp	Amount flat yoy, mainly due to increase from higher CAPEX offset by decrease from tower assets disposal
Network Operations & Support	24.5%	26.7%	▲2.2pp	Mainly due to increase in tower assets lease & related fee
Personnel	15.9%	15.5%	▼0.4pp	
SG&A	16.4%	16.0%	▼0.4pp	Selling expense up 4.1%, mainly due to appropriate increase in channel sales
Interconnection	3.7%	3.3%	▼0.4pp	
Cost of Terminals Sold & Others	11.1%	11.5%	▲0.4pp	Mainly due to increase in sales of 6-mode handsets

Precision Investment Enhancing Network Edge

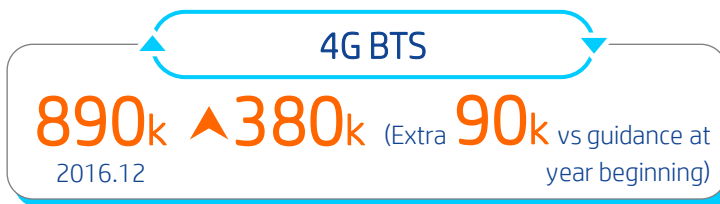
CAPEX Structure



CAPEX tilted towards rapidly expanding 4G & fibre broadband services

Optimized CAPEX Structure

Mobile Network ▼4.4pp



- 4G network covering 95% population
4G+ deployment completed in all cities nationwide
- Completed 800MHz reform in rural areas

Broadband & Internet ▲3.6pp

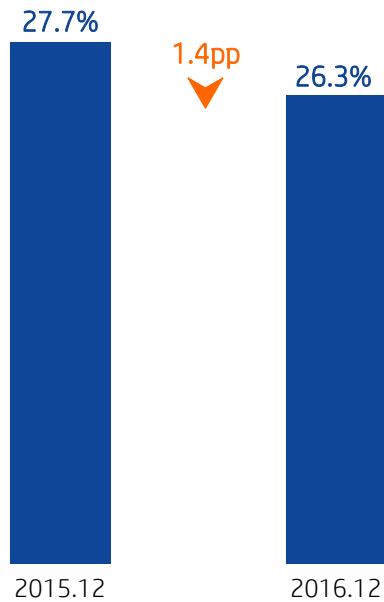
- Basic full fibre network coverage in cities
- Invested in advance in broadband network to meet strong market demand for high bandwidth access, maintaining network and service edges

Information & Application Services ▲1.8pp

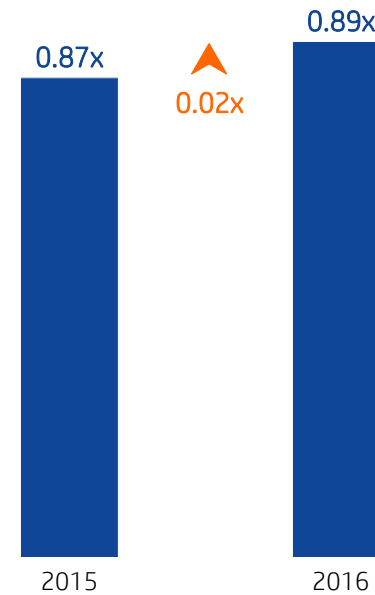
- Appropriately increased investment in five ecospheres to support and lay network foundation for future development

Healthy Financial Strength

Total Debt / Total Capitalization

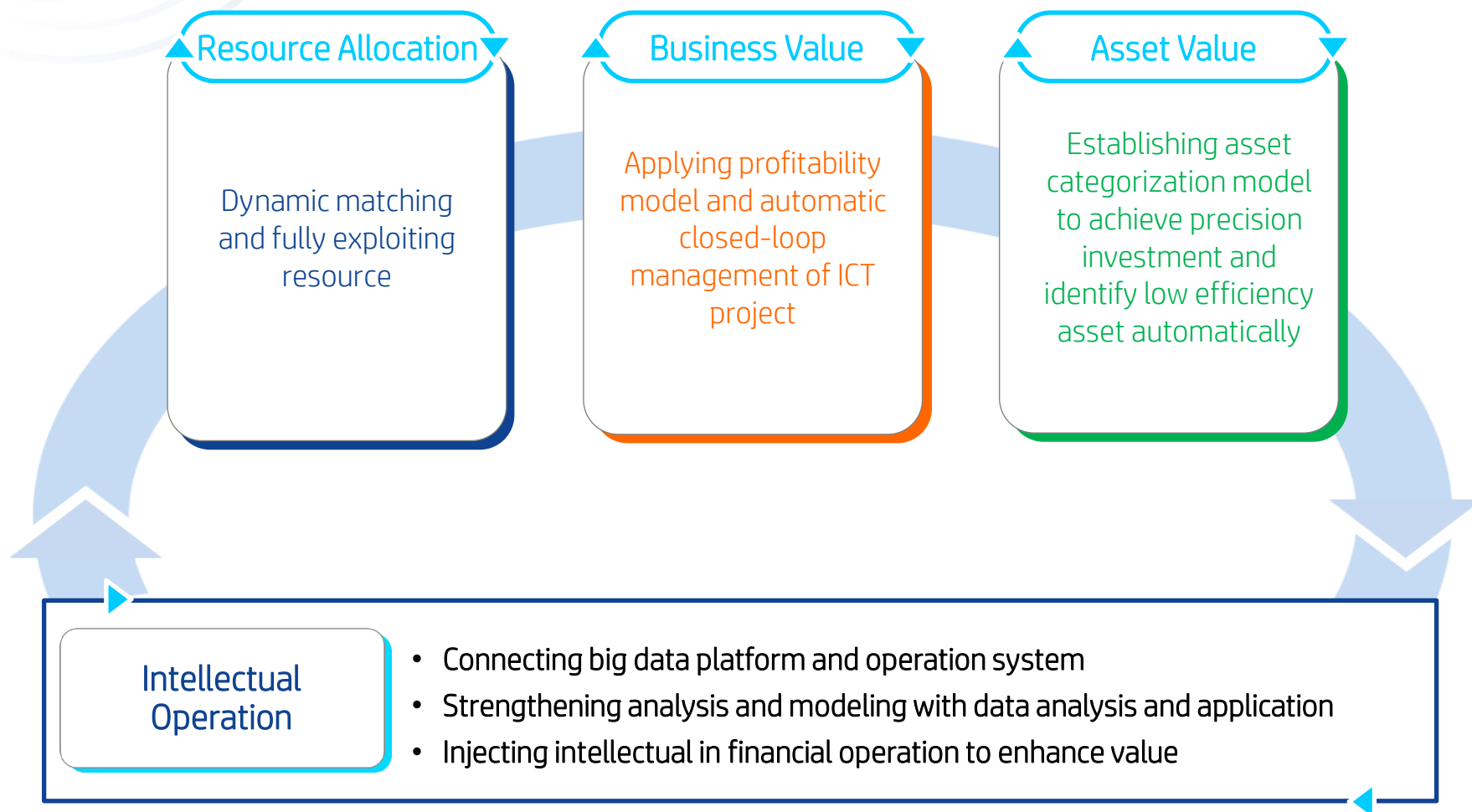


Net Debt / EBITDA



Solid capital structure to support sustainable development

Integrating Intellectual Operation in Financial Value Management



Thank You!



*“Best
Telecommunications
Company
in Asia”
Platinum Award*



*“No. 1 Best
Managed
Company
in Asia”*



*“Asia’s Most
Honored
Company”*

For further information & enquiries,
please contact our Investor Relations Department at
ir@chinatelecom-h.com or visit www.chinatelecom-h.com

Appendix 1

Extracted from Audited Consolidated Statement of Comprehensive Income for Year Ended 31 Dec 2016

RMB Mil	2015	2016
Operating Revenue	331,202	352,285
Operating Expenses	(304,760)	(325,084)
Gain from Tower Assets Disposal	5,214	-
Net Finance Costs	(4,273)	(3,235)
Investment Income, Share of (Loss) / Profit from Associates	(690)	131
Profit Before Taxation	26,693	24,097
Income Tax	(6,551)	(5,988)
Profit for the Year	20,142	18,109
Equity Holders of the Company	20,054	18,004
Non-controlling Interests	88	105

Appendix 2

Extracted from Audited Consolidated Statement of Financial Position as at 31 Dec 2016

RMB Mil	2015.12	2016.12
Current Assets	78,108	73,972
Non-current Assets	551,453	578,396
Total Assets	629,561	652,368
Current Liabilities	255,929	318,998
Non-current Liabilities	68,881	17,075
Total Liabilities	324,810	336,073
Total Equity	304,751	316,295
Equity Attributable to Equity Holders of the Company	303,784	315,324
Non-controlling Interests	967	971

Appendix 3

Selected Operating Metrics for the Year Ended 31 Dec 2016

Subscriber (Mil)	2015.12	2016.12	Change
Mobile	197.90	215.00	+17.10
Incl.: 4G	58.46	121.87	+63.41
Wireline Broadband	113.06	123.12	+10.06
Incl.: FTTH	70.99	105.99	+35.00
Access Lines in Service	134.32	126.86	-7.46
Incl.: Household	84.17	78.64	-5.53
Government & Enterprise	40.80	40.41	-0.39
Public Telephone	9.35	7.81	-1.54

	2015	2016	Change
Wireline Voice Usage			
Local Usage (Pulses Mil)	110,935	93,403	-15.8%
Long Distance Usage (Minutes Mil)	26,503	20,570	-22.4%
Mobile Voice Usage (Minutes Mil)	667,535	720,566	+7.9%