



2017 Annual Results

China Telecom Corporation Limited
28 March 2018 | 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.

Presented by



Mr. Yang Jie

Chairman & CEO

Mr. Liu Aili

President & COO

Mr. Gao Tongqing

Executive Vice President



| Overview

- | Business Review
- | Financial Performance

Highlights

- 1 Revenue growth continued; profitability enhanced further
- 2 Innovative convergence achieved prominent results; business scale expanded rapidly
- 3 Step-up transformation accelerated; core corporate competitiveness bolstered
- 4 Deepened reform and accelerated transformation; enhancing operating efficiency
- 5 CAPEX further declines with structure optimized continuously
- 6 Raise dividend to reward shareholders

Solid Results

	2016	2017	Change
Operating Revenue (RMB Mil)	352,534	366,229	3.9%
Service Revenue (RMB Mil)	309,812	331,044	6.9%
EBITDA (RMB Mil)	95,162	102,171	7.4%
EBITDA Margin	30.7%	30.9%	0.2pp
Net Profit (RMB Mil)	18,018	18,617	3.3%
EPS (RMB)	0.223	0.230	3.3%

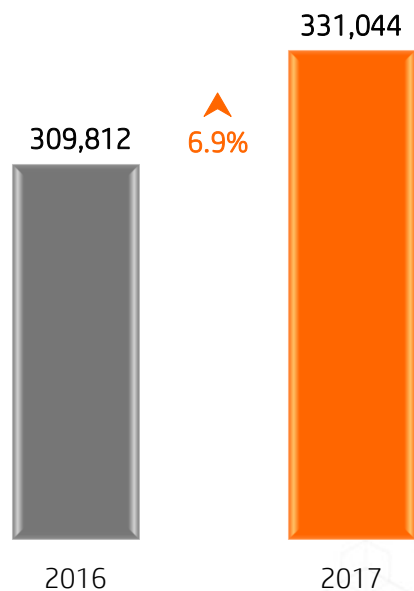
Notes: Unless otherwise stated in this presentation

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (2016: RMB34,612 mil; 2017: RMB26,759 mil) – Sales of Wireline Equipment (2016: RMB5,902 mil; 2017: RMB6,446mil) – Other Non-service Revenue (2016: RMB2,208 mil; 2017: RMB1,980 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
4. 2016 financial data were restated to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited

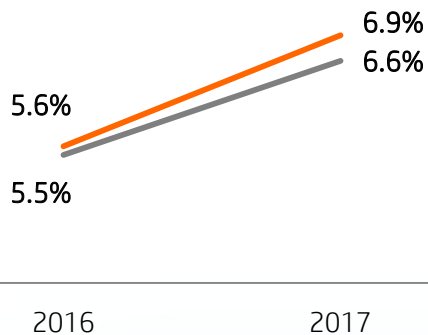
Revenue Growth Accelerated and FCF Improved

Service Revenue Grew Rapidly

RMB Mil



Accelerated Service Revenue Growth Surpassed Industry

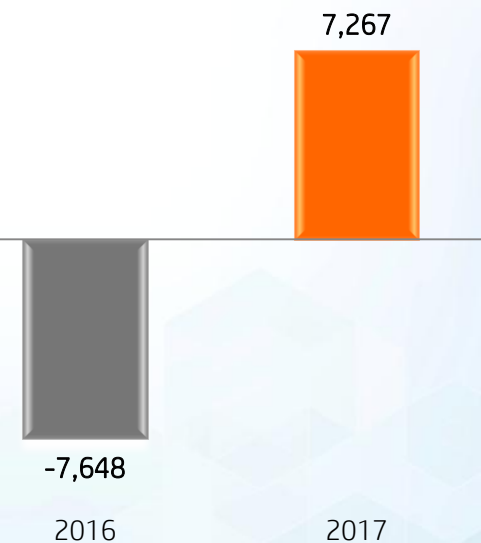


— Industry — China Telecom

Source: Industry growth is calculated based on figures reported by the three listed Chinese telcos

FCF Turned Positive

RMB Mil



Note: FCF = Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses

Rapid Expansion of Five Ecospheres

Intelligent Connections



Mobile subs	4G subs	Wireline Broadband subs	FTTH subs
249.96Mil (▲16.3% yoy)	182.04Mil (▲49.4% yoy)	133.53Mil (▲8.5% yoy)	126.17Mil (▲19.0% yoy)

Revenue
▲4.7% yoy

Smart Family



Revenue
RMB 6.8Bil
(▲42.2% yoy)

New ICT Application



Revenue
RMB 40.5Bil
(▲19.9% yoy)

Revenue
▲21.4% yoy

Internet Finance



Monthly Active Users (MAU)
33.00Mil
(▲104% yoy)

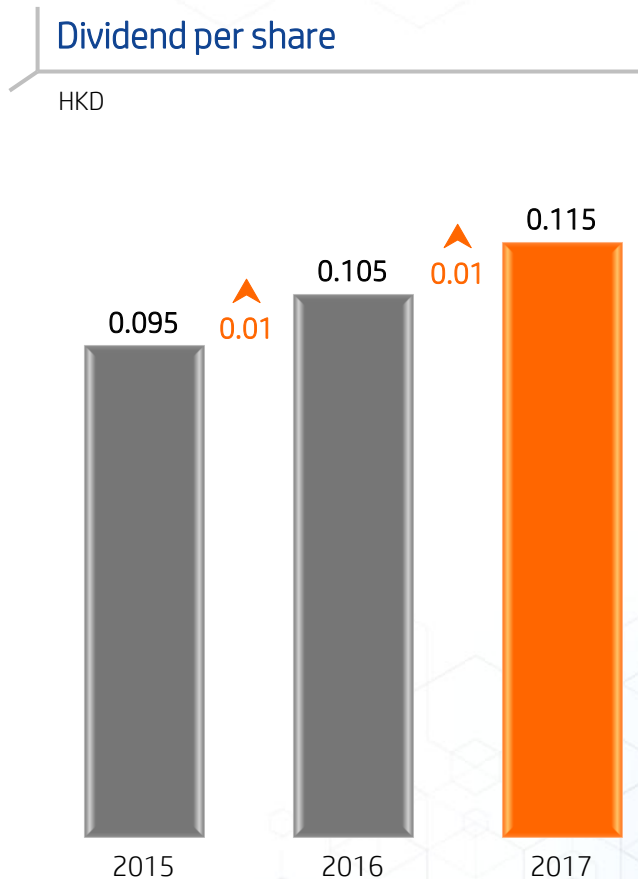
Internet of Things (IoT)



Connected devices
44.30Mil
(▲212% yoy)

As a % of Service Revenue
▲1.8pp

Raise Dividend to Reward Shareholders



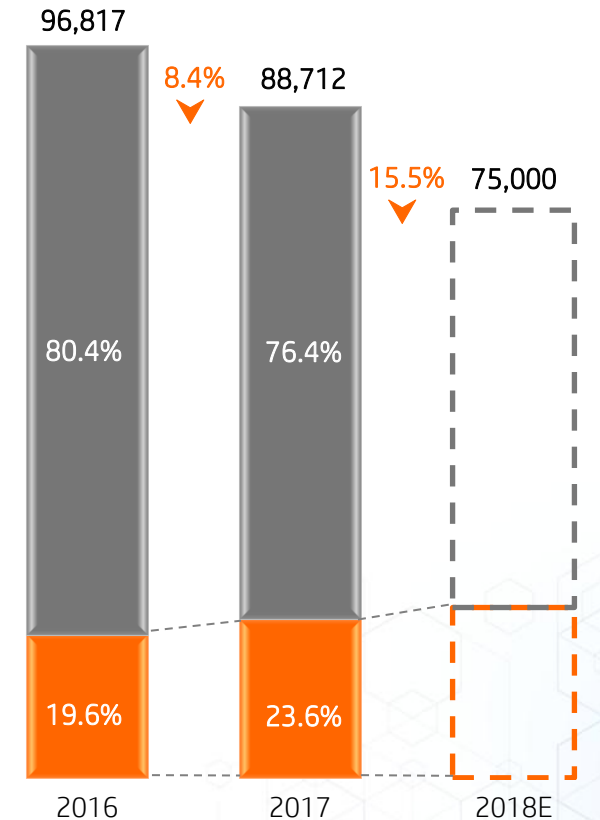
The Board of Directors recommends to the shareholders a final dividend of **HK\$0.115 per share for 2017**

- Proactively addressing shareholders' demand for cash returns and with due regards to short term capital need, the Board of Directors recommends an increase in dividend of HK\$0.01 to **HK\$0.115** per share for 2017, bringing higher returns for shareholders
- The Company will determine dividend proposals depending on various situations and circumstances in future; strive to enhance profit while creating shareholders' value continuously

Declining CAPEX with Structure Optimized Continuously

CAPEX

RMB Mil



- 4G Network, Broadband & Internet
- Information & Application Services, IT Support, Infrastructure & Others

2017 CAPEX Structure

4G Network	40.6%	▼1.9pp
Broadband & Internet	35.8%	▼2.1pp
Information & Application Services	9.6%	▲2.1pp
IT Support	4.0%	▼0.1pp
Infrastructure & Others	10.0%	▲2.0pp
	100.0%	

2018 Focus

4G

- To add targeted 200k BTS to improve quality, capacity and user experience, for large data traffic service and VoLTE commercialization

Fibre Broadband

- To enhance access network edge by 1) expanding fibre broadband into new urban and rural areas, and government/corporate access, and 2) deploying Gbps broadband on demand
- To strengthen end-to-end quality edge by cloud-network coordination

Emerging Business

- To increase investment with efficiently-centralized deployment of emerging business platforms of cloud/IDC, CDN, Big Data, IoT, etc. by network-wide coordination and planning

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

Responding to New “Speed Upgrade and Tariff Reduction”

The Company will mitigate the impact with its own effort by accelerating step-up transformation, driving the convergence of information technology and government services, social administration, livelihood assurance and other areas, boosting growth of Smart Family, IoT, IDC, cloud and other innovative businesses to create new growth drivers and models, and persisting in cost reduction and efficiency enhancement

Further Promoting Information Consumption

- ✓ Ceased charging handset domestic long distance and roaming fees on 1 Sep 2017, one month ahead of schedule
- ✓ Commenced dedicated projects and launched dedicated line products for enterprises; tariff of Internet dedicated line access for SMEs substantially decreased
- ✓ Fees of international long-distance calls significantly reduced

Handset Data
Unit Price

▼ 53%

Wireline
Broadband
Unit Price

▼ 37%

4G
DOU

▲ 96%

Subs Average
Access
Bandwidth

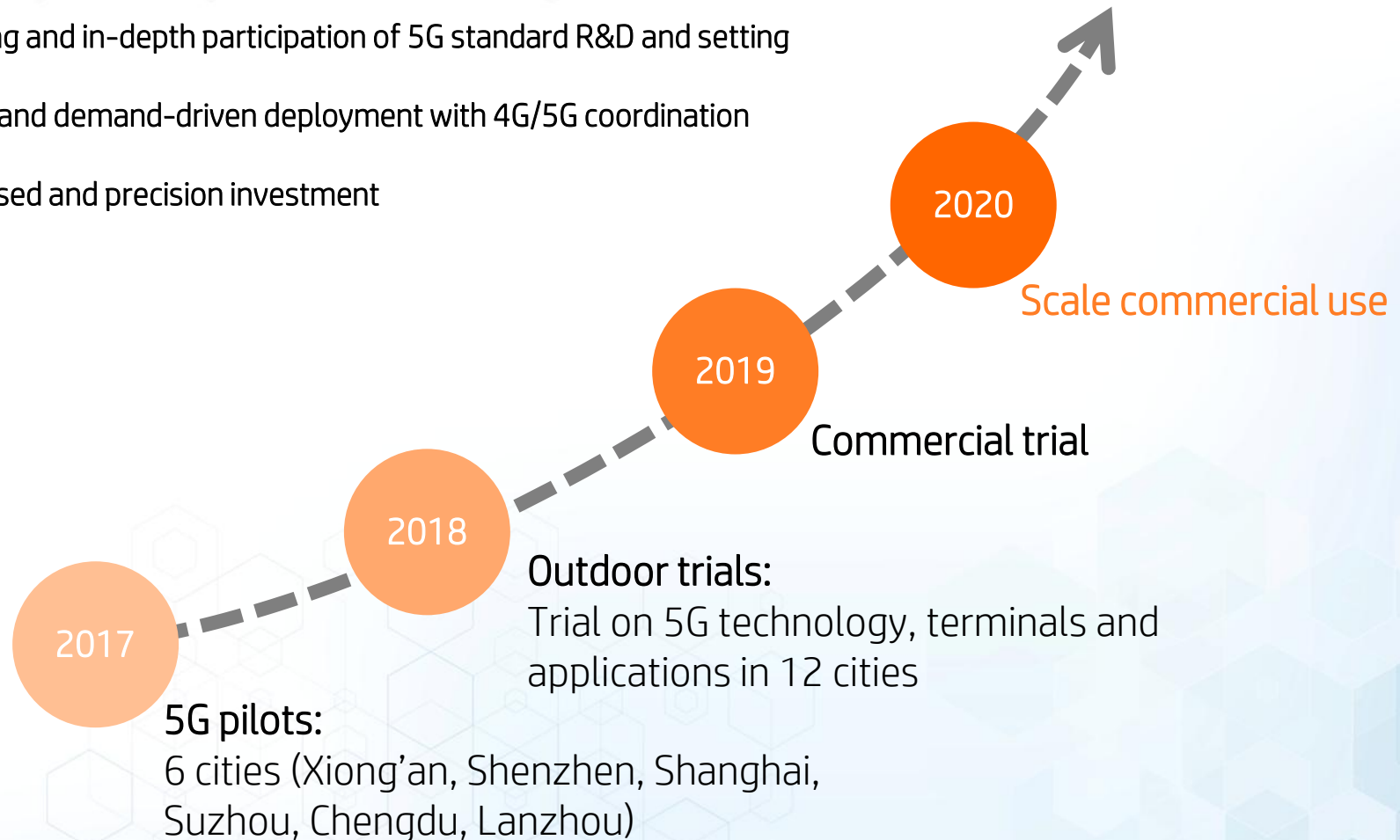
▲ 46%

2018:
Continue
to push
forward

2017:
Proactive
implementation

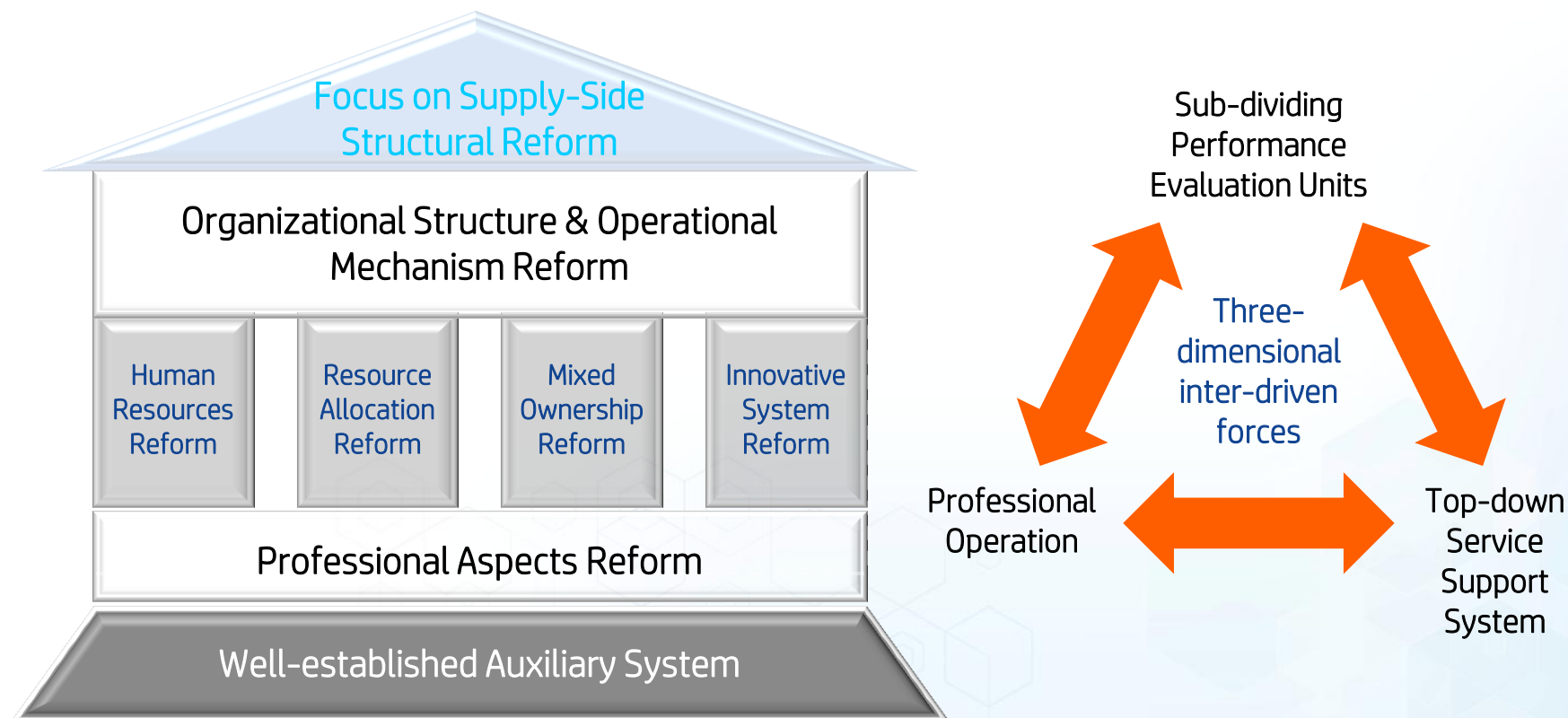
5G: Planning Ahead

- Proactive exploration of business models led by application
- Close tracking and in-depth participation of 5G standard R&D and setting
- Progressive and demand-driven deployment with 4G/5G coordination
- Return-focused and precision investment



Deepening Reform: Full Steam Ahead

Break bottlenecks in systems & mechanisms • Innovate operational management model
Fully activate all factors • Facilitate corporate step-up transformation



Step-up Transformation Enhancing Competitiveness

Opportunities

- Supply-Side Structural Reform
- Cyberpower
- Digital China
- Smart Society
- Technological advancement:

- AI
- Blockchain
- Cloud
- Big Data
- Edge Computing
- Smart Home
- Internet of Things
- 5G
- ⋮

Building Cyberpower

Building first-class enterprise

Building better lives

Innovation Harmonization Green Openness Sharing

Strengthen Information Infrastructure

Deepen Application Convergence

Enhance Total Factor Productivity

Step-up Transformation

Network
Intelligentization

Service
Ecologicalization

Operation
Intellectualization



Excellence in Corporate Governance Well-Recognized



*"No. 1
Best Managed Company
in Asia"*



*"Platinum Award –
Excellence in
Environmental,
Social and
Corporate Governance"*



*"Asia's
Most Honored Company"*



*"The Best of Asia –
Icon on
Corporate Governance"*

We are grateful for the long-time support from capital market and investors



| Overview

| **Business Review**

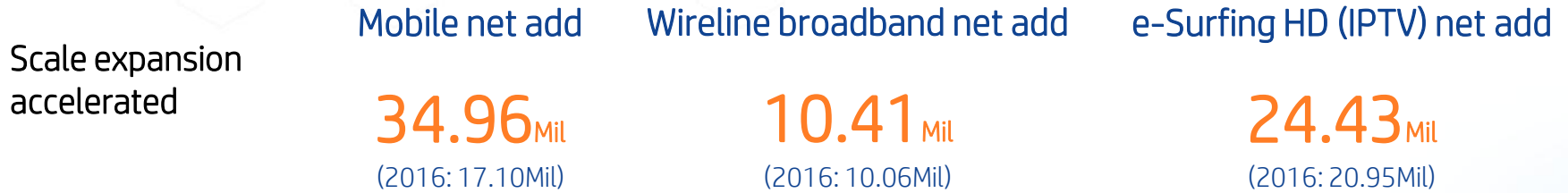
| Financial Performance

Revenue Breakdown

RMB Mil	2016	2017	Change
Mobile	172,298	180,535	4.8%
Service Revenue	137,686	153,776	11.7%
<i>Incl.: Voice</i>	44,197	39,415	-10.8%
<i>Data</i>	93,374	114,258	22.4%
<i>Incl.: Handset Internet Access</i>	68,263	90,865	33.1%
Sales of Terminals	34,612	26,759	-22.7%
Wireline	180,236	185,694	3.0%
Service Revenue	172,126	177,268	3.0%
Voice	25,988	22,263	-14.3%
Data	141,737	150,465	6.2%
<i>Incl.: Broadband</i>	76,805	76,744	-0.1%
<i>Information & Application Services</i>	44,369	52,037	17.3%
Others	4,401	4,540	3.2%
Sales of Equipment & Other Non-service Revenue	8,110	8,426	3.9%
Total	352,534	366,229	3.9%

Note: Mobile Service Revenue included revenues from voice, data and MVNOs

Enriching Convergence Offerings to Accelerate Scale Expansion



Increasing convergence rate

Flexible convergence for targeted markets

Triple-play penetration

52%

(▲6 pp vs 2017.6)

Mobile Bundling Rate

56%

(▲3 pp vs 2017.6)

天翼高清

e-Surfing HD

天翼高清 4K
surfing HDR

4K HD



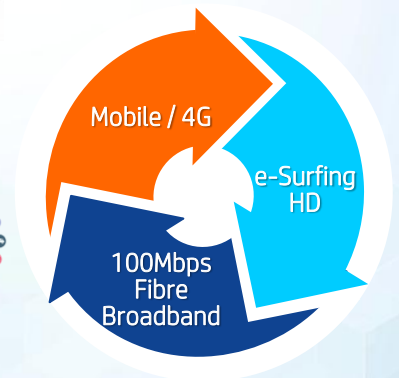
Premium broadband



Large Data traffic



Smart Family

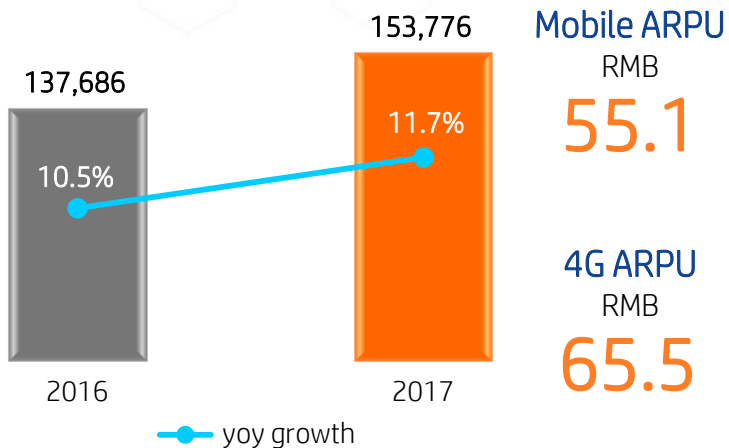


Note: Triple-play penetration = Wireline Broadband Subs subscribing mobile and IPTV services at the same time
Mobile Bundling Rate = Bundled Subs / Mobile Subs

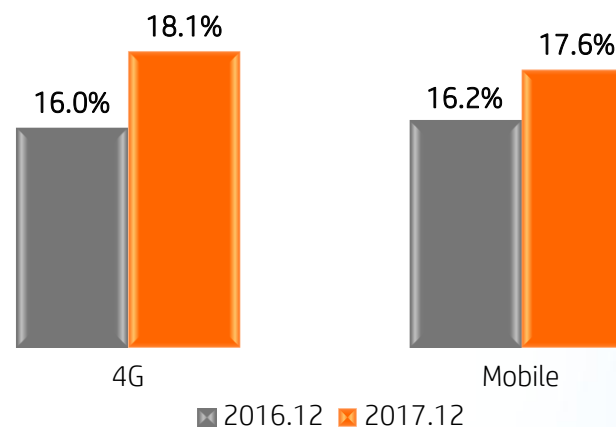
Accelerating Mobile Scale Expansion

Mobile Service Revenue

RMB Mil



Subs Market Share



Handset Internet Access Revenue

RMB Mil



Strengthening content integration to further drive application demand

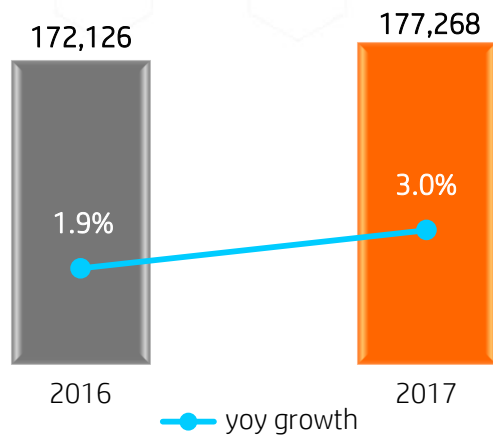
Live broadcasting, games, mobile payment, reading, music, etc.



Fibre Edge Expediting Wireline Growth

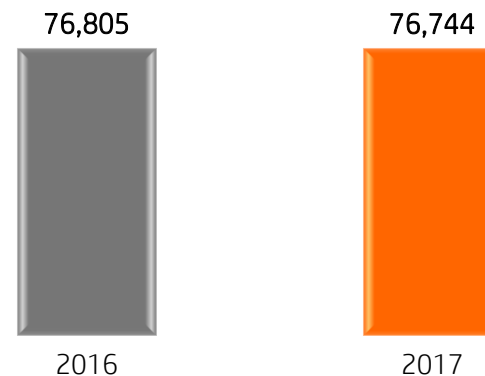
Wireline Service Revenue

RMB Mil



Wireline Broadband Access Revenue

RMB Mil



Wireline
Broadband
ARPU
RMB
49.8

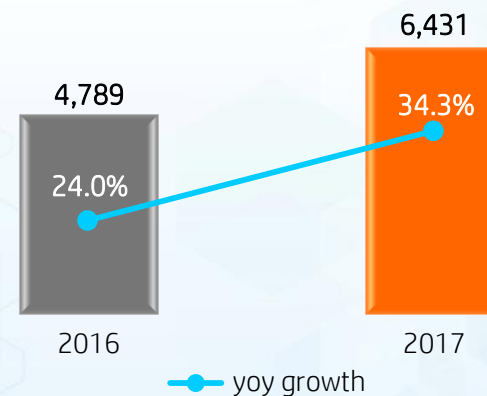
Subs Bandwidth

% of >100Mbps subs **49.2%**

Average Access Bandwidth **73 Mbps**

e-Surfing HD (IPTV) Revenue

RMB Mil



Emerging Business Growing Rapidly



Family Cloud subs

>10Mil

(1st year of debut)

Flourishing product portfolio

Smart Home Networking, Family Cloud, Webcam Surveillance, Smart Set-top Box / Smart Speaker...



Revenue

▲ 20% yoy

IDC revenue

▲ 19.9% yoy

Cloud revenue

▲ 61.5% yoy

Big Data revenue

▲ 87.6% yoy

Actively developing DICT

Focus on developing converged smart application service integrating three technologies, namely communications technology, information technology and Big Data technology



BestPay GMV

RMB 1,560Bil

(▲53.4% yoy)

Driving mobile subs development

Lower churn and customer acquisition costs

Note: GMV = Gross Merchandise Value



Revenue

▲ 2x yoy

Appropriately advanced in network development

Commence strategic deployment and commercialization of CAT-1, NB-IoT and eMTC technologies

Superior Networks Forging Core Competitive Edge

The world's largest FTTH network



- Basic full coverage in residential areas in cities, towns and villages; FTTH home pass coverage 96%
- >150 cities Gbps-ready

The first nationwide full coverage LTE-FDD 4G network



- Basically completed 800MHz reform
- 4G BTS reached 1.17 mil
- Population coverage >98%

The world's first full coverage NB-IoT network



- ~300k base stations in operation leveraging 800MHz network
- Commercialized in all 31 provinces

Basically completed construction of network-wide unified cloud infrastructure



- No. of IDC cabinets: 260k
- CDN concurrency capacity nearly 100TB
- % of cloud-based business platform: 82%

Well-defined Initiatives for Further Scale Development



Mobile / 4G

- Further promote large data traffic package plans
- Strengthen cooperation on Internet app dedicated packages
- Promote 6-mode handsets and seize 2nd SIM opportunities
- Strive for VoLTE full commercialization

Wireline Broadband

- Focus on quality, 200/100 Mbps fibre broadband as core service; launch 1Gbps service
- Promote convergence packages featuring large data traffic package, fibre broadband, 4K TV
- Enhance “Same-day installation and maintenance service guarantee and compensation for service delay”
- Enhance end-to-end user experience



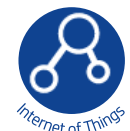
Continue to expand IPTV scale and promote content to add value; actively promote family cloud and smart home networking products



Focus on government, education & healthcare application; forge differentiated positioning as “Secured Cloud”; differentiated development by cloud-network & IoT-cloud integration



Continue to enrich service content and extension; achieve bilateral differentiation edges by “mobile + payment”



Optimize product portfolio; boost value chain ecosystem; promote ICT + IoT convergence development; expand commercialization scale

Expand into satellite communications and forge new competitive edge with satellite mobile telecommunications, marine broadband, inflight Internet access, satellite IoT & other differentiated services

2018 Key Targets

Subs scale

	Mobile	40 _{Mil}		
Net add targets	Wireline broadband	10 _{Mil}	4G	60 _{Mil}
	IoT connected devices	60 _{Mil}	e-Surfing HD	20 _{Mil}

Value Growth

Service revenue to maintain healthy growth

Revenue contribution of Smart Family, New ICT Application, Internet Finance, IoT ecospheres continue to rise



- | Overview
- | Business Review
- | **Financial Performance**

Key Financial Information

RMB Mil	2016	2017	Change
Operating Revenue	352,534	366,229	3.9%
Operating Expenses	325,314	339,009	4.2%
Depreciation & Amortization	67,942	74,951	10.3%
Network Operations & Support	94,156	103,969	10.4%
Personnel	54,504	56,043	2.8%
SG&A	56,426	58,434	3.6%
<i>Incl.: Mobile Handset Subsidies</i>	9,370	4,707	-49.8%
<i>General & Administration</i>	8,602	8,089	-6.0%
Interconnection & Others	52,286	45,612	-12.8%
<i>Incl.: Interconnection</i>	11,822	12,223	3.4%
<i>Cost of Terminals & Equipment Sold</i>	38,705	31,712	-18.1%
Operating Profit	27,220	27,220	0.0%
Net Profit	18,018	18,617	3.3%
Free Cash Flow	(7,648)	7,267	N/A

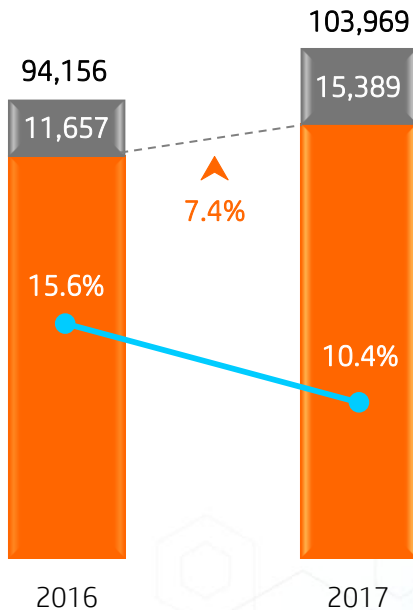
Optimizing Cost Structure

	2016	2017	Change	
Operating Expenses as a % of Operating Revenue	92.3%	92.6%	▲0.3pp	
Depreciation & Amortization	19.3%	20.5%	▲1.2pp	Mainly due to changes of the accounting depreciable lives of certain fixed assets leading to increase in depreciation expenses by RMB4 bil, and high CAPEX in recent years
Network Operations & Support	26.7%	28.4%	▲1.7pp	Mainly due to increase in tower leasing fee and maintenance costs for enhancing network capability and quality
Personnel	15.5%	15.3%	▼0.2pp	
SG&A	16.0%	16.0%	-	
Interconnection	3.3%	3.3%	-	
Cost of Terminals Sold & Others	11.5%	9.1%	▼2.4pp	Mainly due to less mobile terminals sold

Enhancing Resource Utilization for Scale Development

Network Operations & Support

RMB Mil



■ Tower leasing fee ● yoy growth

Expense growth effectively managed

Selling Expense

RMB Mil



Note: Selling expense = SG&A - G&A

Selling expense growth matched subs growth

Increasing Tower Efficiency to Strengthen Competitive Edge

No. of towers leased

660k

2017.12

(▲50k vs 2016.12)

Add 800MHz LTE equipment to fully utilize leased towers

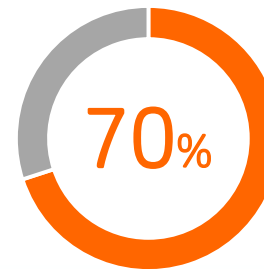
~730k

2018.12E

Precise deployment to enhance network quality and capacity, maintaining appropriately leading network edge

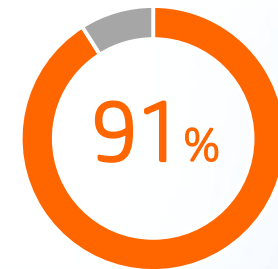
Sharing ratio

Overall



(▲4pp vs 2016.12)

Newly leased

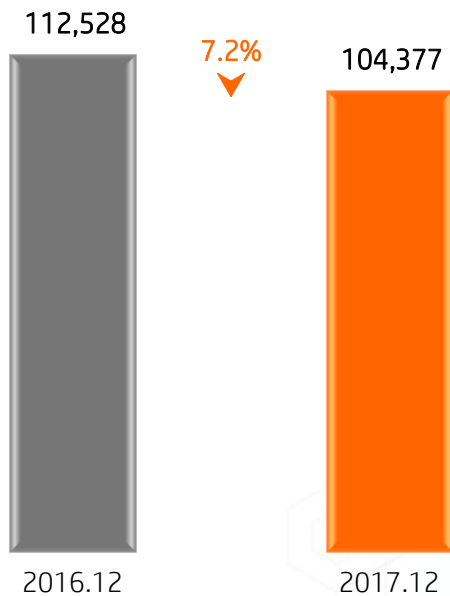


- ✓ Reasonably increasing towers leased to further strengthen network edge
- ✓ Tower leasing supplemental agreement is conducive to the Company's sustainable healthy development in future

Healthy Financial Strength

Total Debt

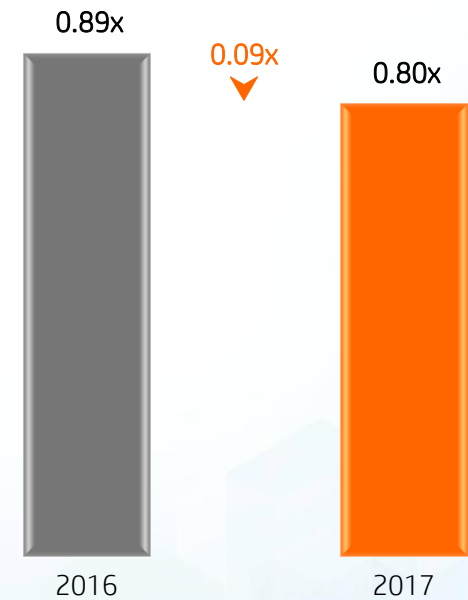
RMB Mil



Total Debt / Total Capitalization



Net Debt / EBITDA



- ✓ Efficiently-centralized capital management lowered the size of interest-bearing debt
- ✓ Healthy capital structure to support sustainable development

IFRS 15: New Revenue Accounting Standard

Effective date

1 Jan 2018

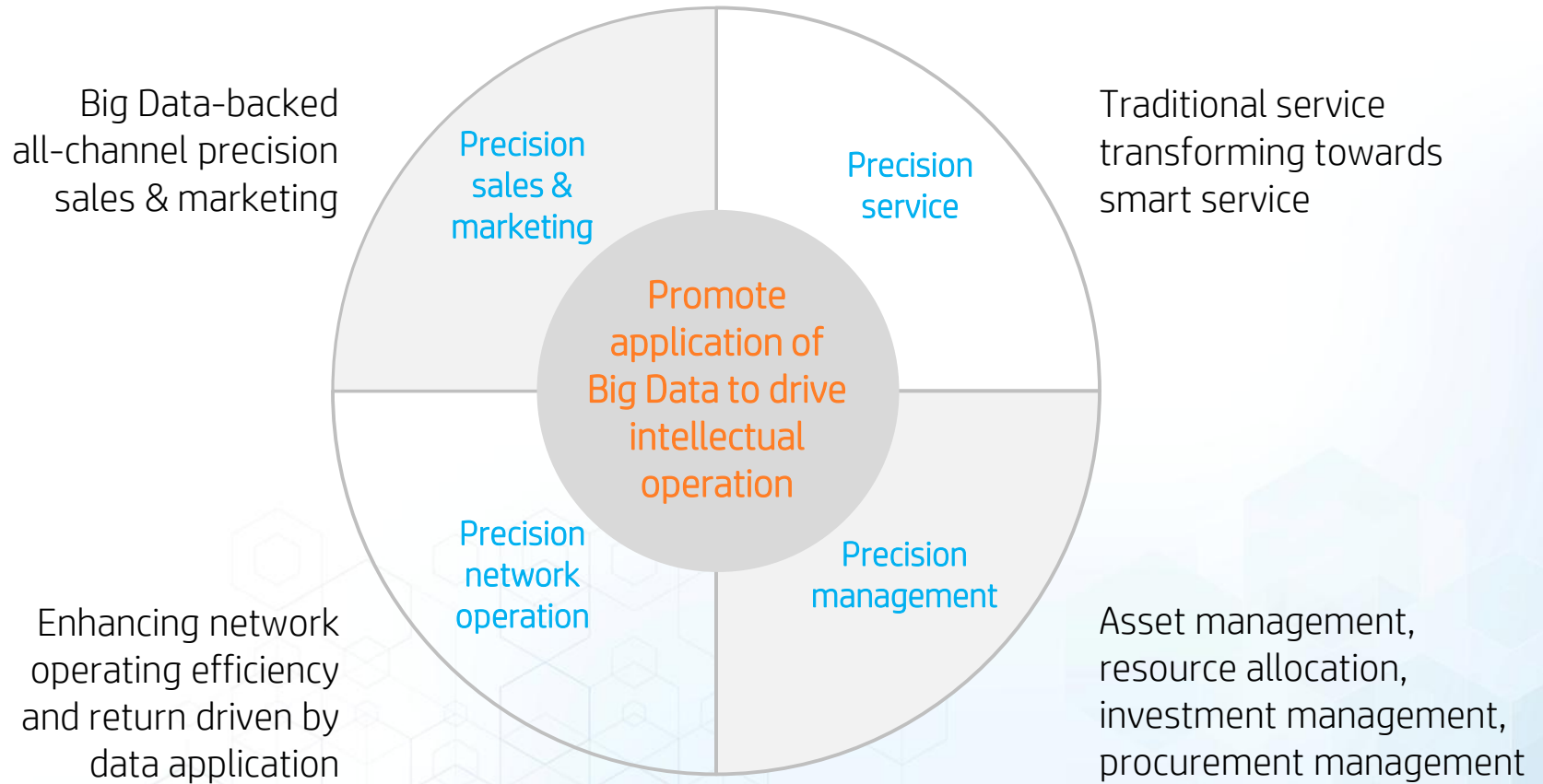
Impact

- Service revenue and handset subsidy to be reduced
 - Agency commission to be amortized

Service revenue and net profit to be impacted due to the new accounting standard

Proactively adapt to the new accounting standard by changing sales and marketing model via reducing reliance on handset subsidy, with limited impact on sustainable scale development of the Company

Refining Corporate Core to Enhance Operational Management Efficiency





Thank You!

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 the Year Ended 31 Dec 2017

RMB Mil	2016 (Restated)	2017
Operating Revenue	352,534	366,229
Operating Expenses	(325,314)	(339,009)
Net Finance Costs	(3,235)	(3,291)
Investment Income, Share of Profit of Associates	131	1,024
Profit Before Taxation	24,116	24,953
Income Tax	(5,993)	(6,192)
Profit for the Year	18,123	18,761
Equity Holders of the Company	18,018	18,617
Non-controlling Interests	105	144

Note: 2016 financial data were restated to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited

Appendix 2

Extracted from Audited Consolidated Statement of Financial Position as at 31 Dec 2017

RMB Mil	2016.12 (Restated)	2017.12
Current Assets	74,134	71,550
Non-current Assets	578,424	589,644
Total Assets	652,558	661,194
Current Liabilities	319,133	275,408
Non-current Liabilities	17,077	59,089
Total Liabilities	336,210	334,497
Total Equity	316,348	326,697
Equity Attributable to Equity Holders of the Company	315,377	325,867
Non-controlling Interests	971	830

Note: 2016 financial data were restated to include the retrospective impact of the acquisition of satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited

Appendix 3

Selected Operating Metrics for the Year Ended 31 Dec 2017

Subscriber (Mil)	2016.12	2017.12	Change
Mobile	215.00	249.96	+34.96
Incl.: 4G	121.87	182.04	+60.17
Wireline Broadband	123.12	133.53	+10.41
Incl.: FTTH	105.99	126.17	+20.18
Access Lines in Service	126.86	121.80	-5.06
e-Surfing HD	61.33	85.76	+24.43
BestPay MAU	16.21	33.00	+16.79
IoT Connected Devices	14.19	44.30	+30.11

	2016	2017	Change
Mobile ARPU	55.5	55.1	-0.7%
4G ARPU	72.8	65.5	-10.0%
4G DOU (MB / Sub / Month)	1,029	2,012	+95.5%
Handset Data Traffic (kTB)	1,277	3,597	+181.7%
Wireline Broadband ARPU	54.2	49.8	-8.1%