



Press Release
22 August 2012
For immediate release

China Telecom Announces Mobile Network Acquisition and 2012 Interim Results

- Timely seizing the opportunity to acquire mobile network for corporate value enhancement
- Robust full services development optimising business structure & driving revenue growth above industry average
- 3G traction fostering mobile scale development with industry-leading mobile revenue growth
- Accelerating fibre deployment to boost broadband development and strengthen high bandwidth & high quality edges, significantly enhancing competitiveness
- Leveraging the iPhone launch, an appropriate increase in marketing initiatives to promote further breakthrough in high-end market and enhance revenue growth. Despite the short-term pressure on profitability, it is expected to enhance long-term sustainable growth & value

(RMB Millions)	1H2011 (restated¹)	1H2012	Change
Operating Revenues	120,222	138,021	14.8%
of which: Mobile Revenue	37,786	54,128	43.2%
Wireline Revenue	82,436	83,893	1.8%
Operating Revenues (Ex. Mobile Terminals Sales)	113,838	126,580	11.2%
EBITDA ²	48,599	48,760	0.3%
Net Profit ³	9,616	8,814	-8.3%
EPS (RMB)	0.119	0.109	-8.3%

Note:

- 1 1H2011 data were restated mainly to include the retrospective impact of adopting IFRS 1 amendment
- 2 For convenience of the investors' analysis, EBITDA was calculated before the CDMA network capacity lease fee
- 3 Net profit represents the profit attributable to equity holders of the Company

Hong Kong, 22 August 2012 — 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 plan to acquire mobile network and 2012 interim results today in Hong Kong.

ACQUIRE MOBILE NETWORK TO DRIVE CORPORATE VALUE ENHANCEMENT

China Telecom is pleased to announce that on 22 August 2012, the Company entered into the agreement with China Telecommunications Corporation to purchase certain assets and associated liabilities relating to the CDMA network (“the Acquisition Target”) held by China Telecommunications Corporation located in 30 provinces, municipalities and autonomous regions in the PRC (which do not include Xizang Autonomous Region). The initial consideration for the acquisition is RMB84,595,410,000, and is subject to the price adjustment in accordance with the mechanism described in the agreement to arrive at the final consideration. The amount of the price adjustment will not be more than RMB3 billion. The acquisition is expected to be completed on 31 December 2012.

The Company believes that the acquisition has the following benefits:

- Save the rapidly rising lease fee to significantly improve EBITDA (post lease fee) and enhance company and shareholders’ value;
- Remove the risk of potential increase in mobile network capacity lease fee rate upon renewal of the Telecom CDMA Lease;
- Gain direct control over future CDMA network investment decisions;
- Better integrate the mobile network and service offerings to improve operating efficiency of mobile service; and
- Enhance transparency of the mobile service operation and development, and significantly reduce the transaction amount of continuing connected transactions in future

As at 31 March 2012, the book value of the assets in the Acquisition Target was RMB111,206 million and the associated liabilities amounted to RMB30,032 million.

The final consideration will be payable in cash by the Company to China Telecommunications Corporation as follows: (i) RMB25,500 million will be payable within five business days of the completion date and (ii) the balance of the final consideration will be payable on or before the fifth anniversary of the completion date. The payment will be funded from the Company’s internal resources and relevant debt financing sources.

The acquisition agreement will become effective when certain conditions are fulfilled, including all required regulatory approvals in connection with the acquisition and the approval for the acquisition by the independent shareholders of the Company having been obtained.

OPERATING RESULTS

In the first half of 2012, the Company achieved record revenue growth. The operating revenues amounted to RMB138,021 million, representing an increase of 14.8% over the same period last year. Excluding mobile terminals sales, the operating revenues were RMB126,580 million, representing an increase of 11.2% over the same period last year. Revenues growth rate surpassed the industry average. With the continued optimisation of the business structure, the proportion of revenues from the growth businesses increased to 83.9%. The risk of traditional business was further alleviated with wireline voice revenue as a proportion to total revenues decreased to 16.1%. EBITDA was RMB48,760 million, representing an increase of 0.3% over the same period last year while EBITDA margin¹ was 38.5%. The profit attributable to equity holders of the Company was RMB8,814 million, decreasing by 8.3% from the same period last year. The Company believes that the launch of the iPhone to expand the high-end market would require an appropriate increase in marketing initiatives which would create short-term pressure on profitability, however, it would enhance long-term sustainable growth and value creation for the Company. Basic earnings per share of the Company was RMB0.11. Capital expenditure was RMB25,647 million, accounted for 18.6% of the total revenues. Taking into consideration the cash flow of the Company and the capital required for the forthcoming acquisition of mobile network assets from its parent company, the Board of Directors has decided not to pay any interim dividend this year in order to maintain adequate funding flexibility.

In the first half of this year, the accelerated migration trend from 2G to 3G in China's mobile communications market is becoming more noticeable. In view of such a momentous development opportunity, the Company proactively allocated resources and adopted effective measures to achieve scale breakthrough in mobile services. In the first half of the year, mobile service revenue showed a strong and industry leading growth momentum with an increase of 36.7% over the same period last year, reaching RMB42,556 million. The net addition of mobile subscribers was 17.71 million, reaching a total number of 144 million. The mobile subscriber market share increased to 13.8%, of which the net addition of 3G subscribers was 14.67 million, reaching a total number of 50.96 million. The Company seized the opportunities arising from broadband development as a national strategy. It accelerated the penetration of "fibre broadband" to build a superior network with good customer perception. The Company proactively enriched the content applications, further extracted broadband development potential and strengthened its leading position in the market. In the first half of the year, wireline broadband revenue was RMB33,369 million, representing an increase of 12.1% over the same period last year. The net addition of broadband subscribers was 6.89 million and the total number of broadband subscribers reached 83.70 million, maintaining its broadband's leading position in subscriber market share.

OUTLOOK

Chairman Wang Xiaochu expressed that at present, in respect of the changes of China's mobile telecommunications market, the trend of migration from 2G to 3G services has emerged. Approximately 900 million 2G service users nationwide are potential 3G service users of the Company. The development of broadband service still has great prospects while the demand for social informatisation is ever increasing. However, the Company is also facing new challenges brought by intensifying market competition and cannibalisation of traditional services by advanced technologies. Aiming to achieve a breakthrough of its full services development, the Company will grasp the opportunities and cope with the challenges. In the second half of the year, the Company will adhere to its strategy of advancing its dual leadership in innovation and service quality. The Company will

¹ EBITDA margin was calculated based on EBITDA divided by operating revenues excluding mobile terminals sales.

exert efforts in accelerating the scale development of its three major services, including 3G service, broadband service and informatisation applications, to increase revenue market share of its full services. Furthermore, the Company will endeavour to enhance its management to strengthen four major capabilities, including innovation, services, efficient centralisation and operation. The Company will also consolidate its differentiated competitive edges of its products, services, networks and terminals to enhance both customer value and corporate value.

For further information, please browse the Company's website at: www.chinatelecom-h.com.

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.

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