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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 2019**

The unaudited financial data of the Group for the first three quarters of 2019

- Operating revenues were RMB282,826 million, of which service revenues were RMB271,484 million, representing an increase of 2.5% over the same period of last year
- EBITDA was RMB91,973 million, representing an increase of 13.8% over the same period of last year
- Profit attributable to equity holders of the Company was RMB18,389 million, representing a decrease of 3.4% over the same period of last year and an increase of 2.5% over the same period of last year excluding a one-off gain from China Tower's listing in the third quarter of 2018

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 2019.

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

	For the period from 1 January 2019 to 30 September 2019 (RMB million)	For the period from 1 January 2018 to 30 September 2018 (RMB million)	Increase / (Decrease)
<b>Operating revenues</b>	282,826	284,971	(0.8%)
<b>of which: Service revenues<sup>1</sup></b>	271,484	264,934	2.5%
<b>Operating expenses</b>			
Depreciation and amortisation	(65,276)	(55,459)	17.7%
Network operations and support	(76,240)	(81,800)	(6.8%)
Selling, general and administrative	(43,036)	(43,128)	(0.2%)
Personnel expenses	(51,319)	(49,788)	3.1%
Other operating expenses	(20,258)	(29,436)	(31.2%)
<b>Total operating expenses</b>	<u>(256,129)</u>	<u>(259,611)</u>	(1.3%)
<b>Operating profit</b>	26,697	25,360	5.3%
Net finance costs	(2,929)	(2,107)	39.0%
Investment income and income from investments in associates	964	1,923	(49.9%)
<b>Profit before taxation</b>	24,732	25,176	(1.8%)
Income tax	(6,150)	(6,045)	1.7%
<b>Profit for the first three quarters</b>	<u>18,582</u>	<u>19,131</u>	(2.9%)
<b>Profit attributable to:</b>			
Equity holders of the Company	18,389	19,034	(3.4%)
Non-controlling interests	193	97	99.0%
	As at 30 September 2019 (RMB million)	As at 31 December 2018 (RMB million)	
<b>Total Assets</b>	711,151	663,382	7.2%
<b>Total Liabilities</b>	<u>(358,040)</u>	<u>(319,283)</u>	12.1%
<b>Total Equity</b>	<u>353,111</u>	<u>344,099</u>	2.6%

1. Service revenues were calculated based on operating revenues minus sales of mobile terminals (first three quarters of 2019: RMB7,258 million; first three quarters of 2018: RMB15,380 million), sales of wireline equipment and other non-service revenues (first three quarters of 2019: total RMB4,084 million; first three quarters of 2018: total RMB4,657 million).

## Business Data

	As at 30 September 2019/ For the period from 1 January 2019 to 30 September 2019	As at 30 September 2018/ For the period from 1 January 2018 to 30 September 2018
Mobile Subscribers (Million)	330.43	294.03
of which 4G Users (Million)	275.37	230.45
Net Add of Mobile Subscribers (Million)	27.43	44.07
of which Net Add of 4G Users (Million)	32.94	48.41
Handset Data Traffic (kTB) <sup>2</sup>	17,368.9	9,414.8
Mobile Voice Usage (Billion Minutes)	618.57	617.73
Wireline Broadband Subscribers (Million)	152.66	143.84
Net Add of Wireline Broadband Subscribers (Million)	6.87	10.31
Access Lines in Service (Million)	112.24	118.27
Net Increase/(Decrease) of Access Lines in Service (Million)	(4.24)	(3.53)
Wireline Local Voice Usage (Billion Pulses)	42.90	46.19
Wireline Long Distance Usage (Billion Minutes)	8.01	10.11

For the first three quarters of 2019, the Group actively capitalised on the opportunities arising from the upgrade of information consumption and adhered to new development principles. With customer-oriented focus coupled with reinforcement of value-driven approach and deepened reform and innovation, the Group expedited the promotion of 5G scale commercialisation, effectively responding to the challenges of saturated traditional businesses and intensified diverse competition in emerging areas to persistently promote high-quality scale development. As of the end of September, the number of mobile subscribers reached 330 million, representing a net addition of 27.43 million, of which the number of 4G users reached 275 million, representing a net addition of 32.94 million. The handset data traffic<sup>2</sup> increased by 84.5% over the same period of last year. The monthly average DOU per 4G user reached 7.6GB and maintained rapid growth while the reduction of the average mobile service revenue per user per month (ARPU) was narrowed compared with that of the first half of this year. Wireline broadband subscribers reached approximately 153 million, representing a net addition of 6.87 million. The decline of the broadband access revenue slightly slowed down compared with that of the first half of this year. Smart Family products service portfolio was gradually built, which formed a continuous driving force of the broadband blended ARPU<sup>3</sup>. The Group comprehensively promoted “Cloudification”<sup>4</sup> and deeply developed customers’ new informatisation demand with cloud-network integration and IoT-cloud integration. Cloud services maintained rapid growth which led the vigorous development of DICT<sup>5</sup> and IoT businesses.

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

3. Broadband blended ARPU was calculated based on the sum of monthly average revenues from Smart Family and broadband access divided by the number of average broadband subscribers.

4. Cloudification refers to the comprehensive upgrade of service and network to cloud in terms of infrastructure, products service capabilities and sales mode, with a focus on cloud computing.

5. DICT is the converged smart application service integrating three technologies, namely communications technology, information technology and cloud & Big Data technology.

In accordance with the requirements of International Financial Reporting Standards (“IFRSs”), the Group has implemented IFRS 16, “Leases” (“New Lease Standard”) since 1 January 2019. The Group has selected the modified retrospective approach for the application of the New Lease Standard and recognised the cumulative effect of initial application to opening reserves without restating comparative information. The adoption of the New Lease Standard caused certain arrangements originally regarded as operating leases to be recognised in the consolidated statement of financial position, which correspondingly increased the assets and liabilities of the Group and the asset-to-liability ratio. Meanwhile, the cost structure has undergone relatively large changes. Certain expenditures originally recorded as lease charges were classified into depreciation and amortisation expenses of the right-of-use assets and finance costs. The implementation of the New Lease Standard has certain impact on the Group’s profit in the early stage, but the total profit throughout the entire lease period remains unchanged.

For the first three quarters of 2019, the operating results of the Group maintained steady growth. The operating revenues were RMB282,826 million, of which the service revenues were RMB271,484 million, representing an increase of 2.5% over the same period of last year. The operating expenses decreased by 1.3% over the same period of last year, of which the depreciation and amortisation expenses increased by 17.7% over the same period of last year. If excluding the impact of the New Lease Standard, the growth rate in depreciation and amortisation expenses was in line with the growth rate in service revenues. The network operations and support expenses decreased by 6.8% over the same period of last year. If excluding the impact of the New Lease Standard, the network operations and support expenses increased while the growth rate decreased compared to the same period of last year. The selling, general and administrative expenses decreased by 0.2% over the same period of last year which was mainly due to the Group’s continuous optimisation in sales and marketing management to enhance the efficiency of sales initiatives and resources. The personnel expenses increased by 3.1% over the same period of last year which was mainly attributable to the increased incentives tilted towards frontline employees and emerging businesses and technical talents. Other operating expenses decreased by 31.2% over the same period of last year which was mainly due to the increase in mobile terminals sold through open channels. During the period, the net finance costs increased by 39.0% over the same period of last year. If excluding the impact of the New Lease Standard, the net finance costs reduced compared to the same period of last year. The investment income and income from investments in associates decreased by 49.9% over the same period of last year as a one-off share dilution gain from the listing of China Tower Corporation Limited (“China Tower”) was included in last year’s comparable period. The profit attributable to equity holders of the Company was RMB18,389 million, representing a decrease of 3.4% over the same period of last year. If excluding the one-off gain from China Tower’s listing in the third quarter of 2018, the profit attributable to equity holders of the Company increased by 2.5% over the same period of last year. EBITDA<sup>6</sup> was RMB91,973 million, representing an increase of 13.8% over the same period of last year. EBITDA margin<sup>7</sup> was 33.9%.

6. EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

7. EBITDA margin was calculated based on EBITDA divided by service revenues.

The Company is now commencing the cooperation on 5G network co-build and co-share with China United Network Communications Corporation Limited. The Company believes that the cooperation is beneficial to the efficient construction of 5G network and to reduce network construction and maintenance costs while enhancing efficiency in network and assets operation, which enables us to rapidly create 5G service capability and strengthen network quality and business experience so as to achieve a win-win situation for both parties. The Company will continue to adhere to the open cooperative approach and launch 5G service as soon as practicable, endeavouring to promote high-quality scale development with high-quality 5G as the driving force and continuously create new value for shareholders.

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**  
**Ke Ruiwen**

*Chairman, Chief Executive Officer, President and Chief Operating Officer*

Beijing, China, 28 October 2019

#### **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. Ke Ruiwen (as the chairman, chief executive officer, president and chief operating officer); Mr. Gao Tongqing, Mr. Chen Zhongyue, Mr. Liu Guiqing, Madam Zhu Min (as the chief financial officer) and Mr. Wang Guoquan (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).