



2016 Interim Results

A photograph of a white sailboat on a blue ocean under a clear sky, with a bright reflection on the water's surface.

China Telecom Corporation Limited
23 Aug 2016 | 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. Yang Xiaowei

President & COO

Mr. Ke Ruiwen

Executive Vice President

Mr. Gao Tongqing

Executive Vice President



Overview



Business Review



Financial Performance



Highlights

▲
1

Scale development of 4G and fibre broadband driving stable service revenue growth

▲
2

Network quality enhancement and “New Convergence” strengthening competitiveness

▲
3

Open cooperation and resource sharing enhancing return

▲
4

Strategic transformation in place for market changes

Solid Fundamentals

	1H2015	1H2016	Change
Operating Revenue (RMB Mil)	164,953	176,828	7.2%
Service Revenue (RMB Mil)	147,022	155,222	5.6%
EBITDA (RMB Mil)	50,739	50,555	-0.4%
EBITDA Margin	34.5%	32.6%	-1.9pp
Net Profit (RMB Mil)	10,980	11,673	6.3%
EPS (RMB)	0.136	0.144	6.3%

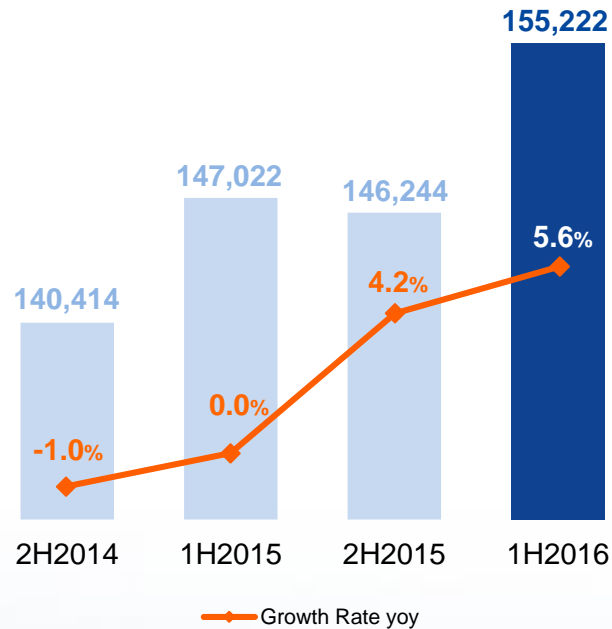
Notes: Unless otherwise stated in this presentation

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (1H2015: RMB15,961 mil; 1H2016: RMB18,966 mil) – Sales of Wireline Equipment (1H2015: RMB1,567 mil; 1H2016: RMB1,710 mil) – Other Non-service Revenue (1H2015: RMB403 mil; 1H2016: RMB930 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

Emerging Business Driving Stable Service Revenue Growth

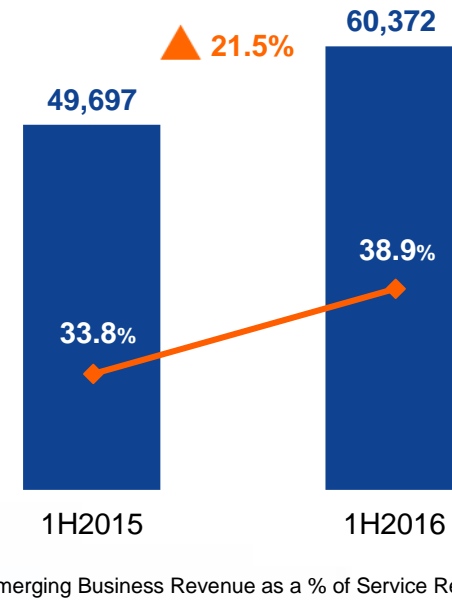
Service Revenue

RMB Mil



Emerging Business Revenue

RMB Mil



Notes: 1. "VAT Reform" commenced in Jun 2014 impacted the yoy service revenue growth in 2H2014
 2. "1-month unused handset data carried forward" implemented in Oct 2015 impacted the service revenue in 2H2015

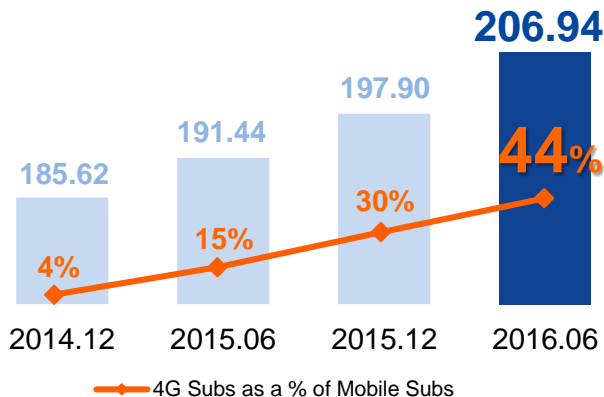
Note: Emerging business included Data Traffic Operation, ICT and Internet Applications

Two Fundamental Businesses Supporting Scale Development

4G and FTTH subscriber penetration increased rapidly

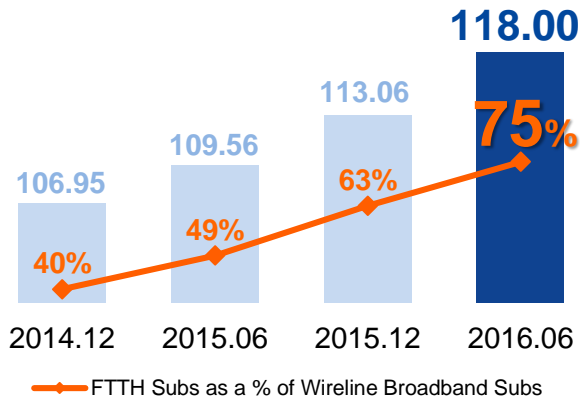
Mobile Subscribers

Mil



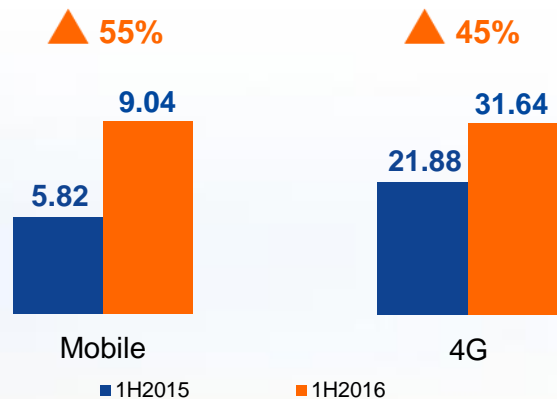
Wireline Broadband Subscribers

Mil



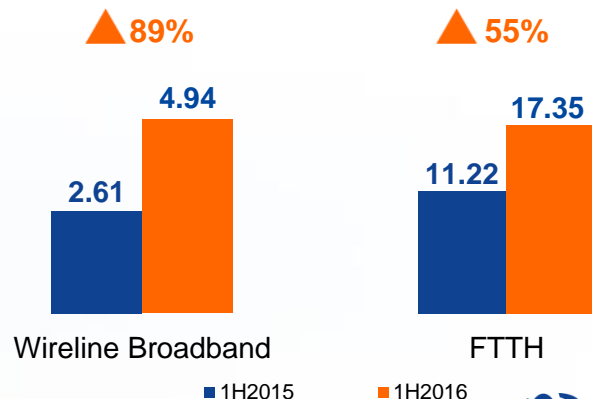
Mobile Subs Net Add

Mil



Wireline Broadband Subs Net Add

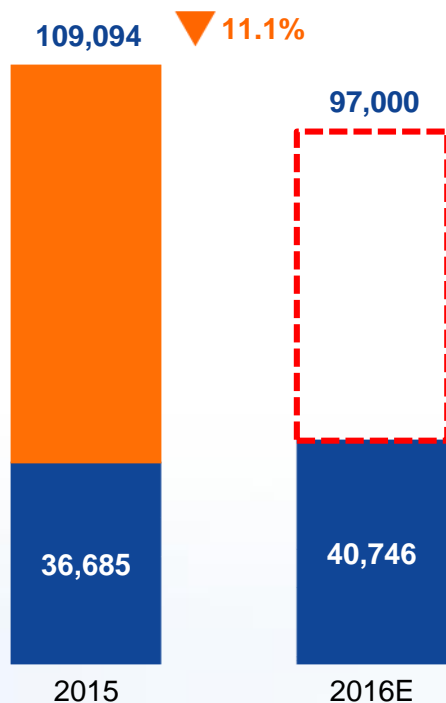
Mil



Speedy Enhancing 4G Coverage Continuously Strengthening Fibre Edges

CAPEX

RMB Mil



■ 1H CAPEX

800MHz Refarm Enhances Investment Return

2016E

4G BTS Target

850k ▲ **340k** (Extra **50k** vs original plan)

Network Planning

Mobile 4G

- 2H2016E: commence 800MHz refarm in rural areas
2017: 800MHz refarm for entire network
- 2H2016E: commence VoLTE deployment
2017E: conduct commercial trial

800MHz refarm concurrently lays a good network foundation for VoLTE and NB-IoT

Fibre Network

- Accelerate fibre network deployment and promote end-to-end speed upgrade
- Basic full coverage in cities

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



“New Convergence” Shapes New Edges Driving Data and Revenue Growth

Quality-driven to enhance satisfaction

Network enhancement effectively supports bandwidth upgrade to drive data traffic growth

Superior content to enhance value

“4G + fibre broadband + e-Surfing HD” bundle plans drive mutual growth of data and content for scale development

Handset Internet Access

Data Traffic

▲ **135%**

Revenue

▲ **42.0%**

Mobile Bundling Rate

53%

▲ **4.0pp**

Wireline Broadband

Average Access Bandwidth

37Mbps

▲ 106% yoy

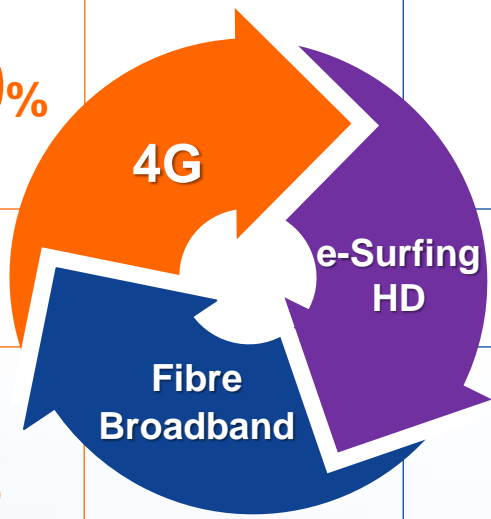
Revenue

▲ **3.3%**

e-Surfing HD Subs as a % of Wireline Broadband Subs

43%

▲ **10.1pp**



Note: Mobile Bundling Rate = Bundled Subs / Mobile Subs

Open Cooperation Achieving Win-win

Tower: Resource Sharing

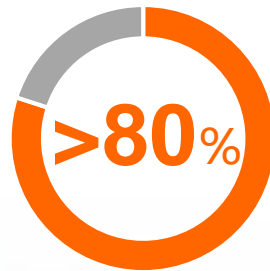
No. of Towers Leased as at 2016.06

~550k

Sharing Ratio
(overall)



Sharing Ratio
(newly leased)



- Rapid and efficient 4G network roll-out
- Enhance time-to-market and CAPEX savings

China Unicom: Co-build & Sharing

4G BTS

60k

Transmission
Fibre Network

14,500km

(vs. 20-30k est. earlier)

- Market-driven cooperation with complementary edges
- Accelerate network construction and save CAPEX and costs

Multi-sectors: Cooperation

- Accelerate development in various sectors such as education, healthcare and government administration, aligning "Internet+"
- Proactively commence strategic cooperation with local governments and leading corporations in information service co-development

Step Up Transformation to Embrace Intelligence Era

New Trends Drive New Demand New Technology Leads Breakthroughs

Industry Trends

Service Trend

Value chain model ⇨
Ecosystem
Cooperation is key

Network Trend

Software-based
Cloud-based
Intelligence-based

Operation Trend

Insight from Big Data
Self-operated



3C+D=I

Connection **C**omputing **C**onversation

Flexible Cognitive Natural
Connection Computing Conversation

Evolution breakthrough in computation
Reform and innovation in methodology

+

Data

Intelligent Data

Smart processing of data

=

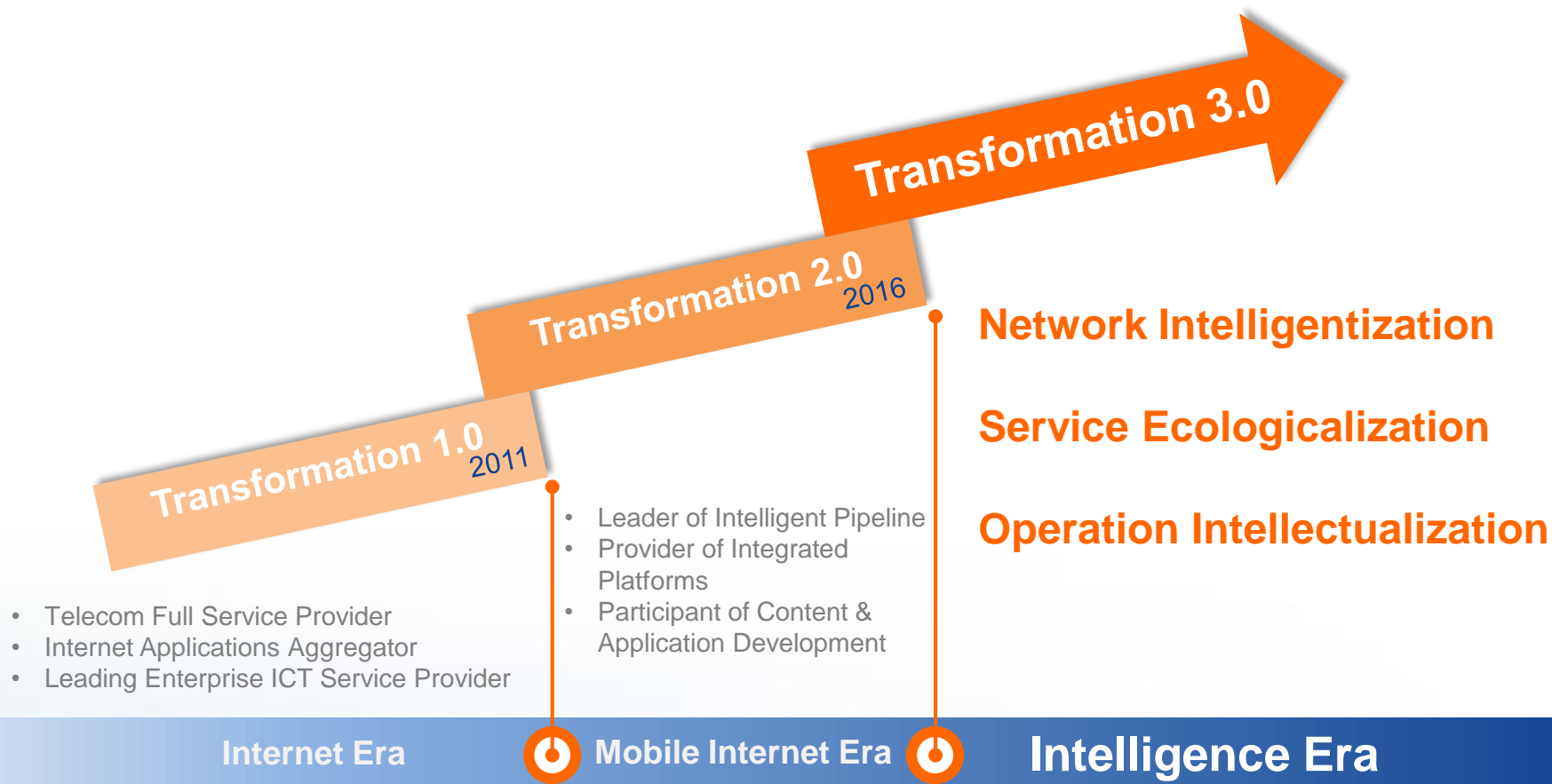
Intelligence

To provide consumers with
intelligence service and experience

**Intelligent Service market in China:
2020E: RMB6.40 trillion, CAGR >25%**

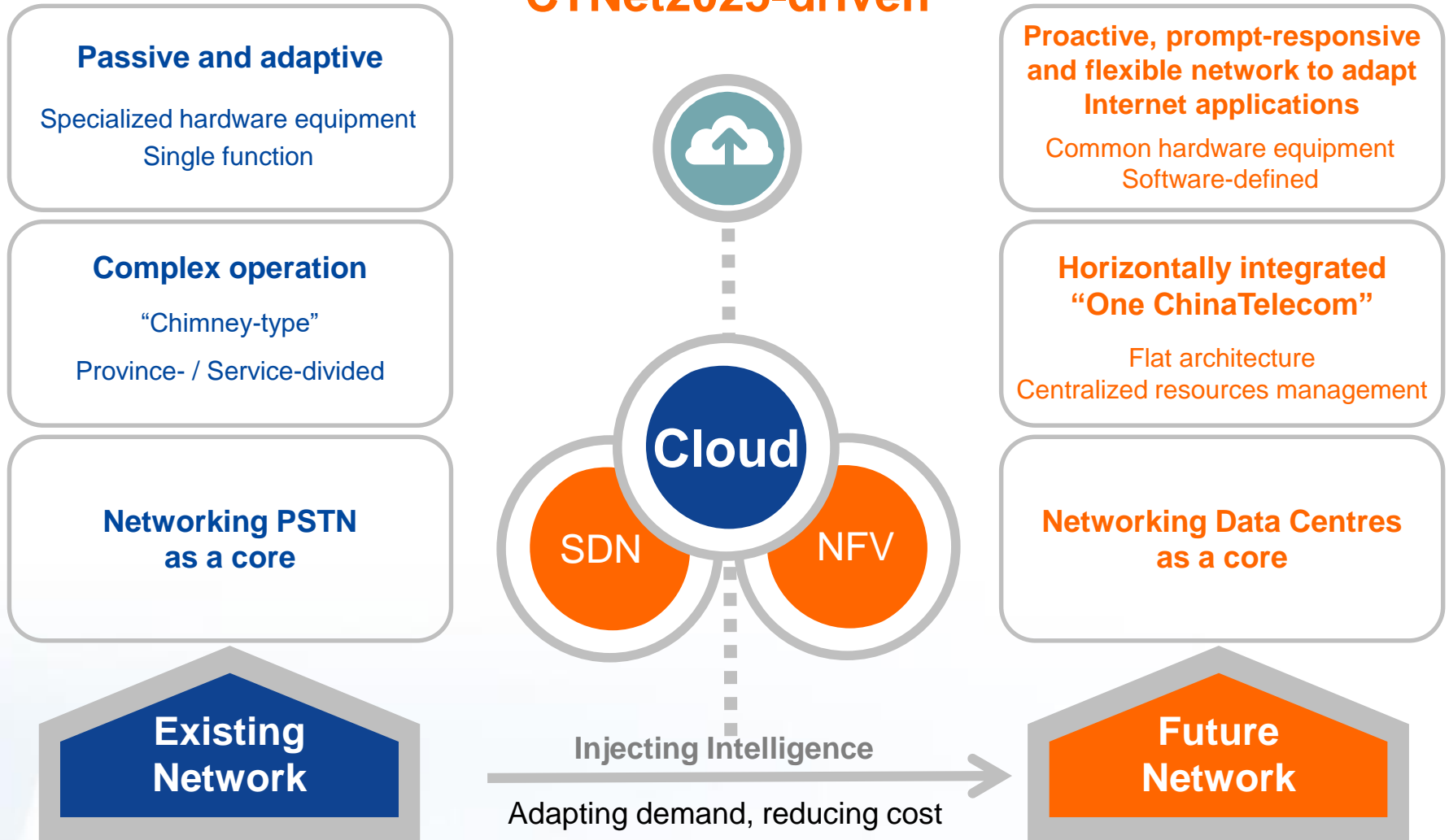
A New Leap A New Goal

To be a Leading Integrated Intelligent Information Service Provider

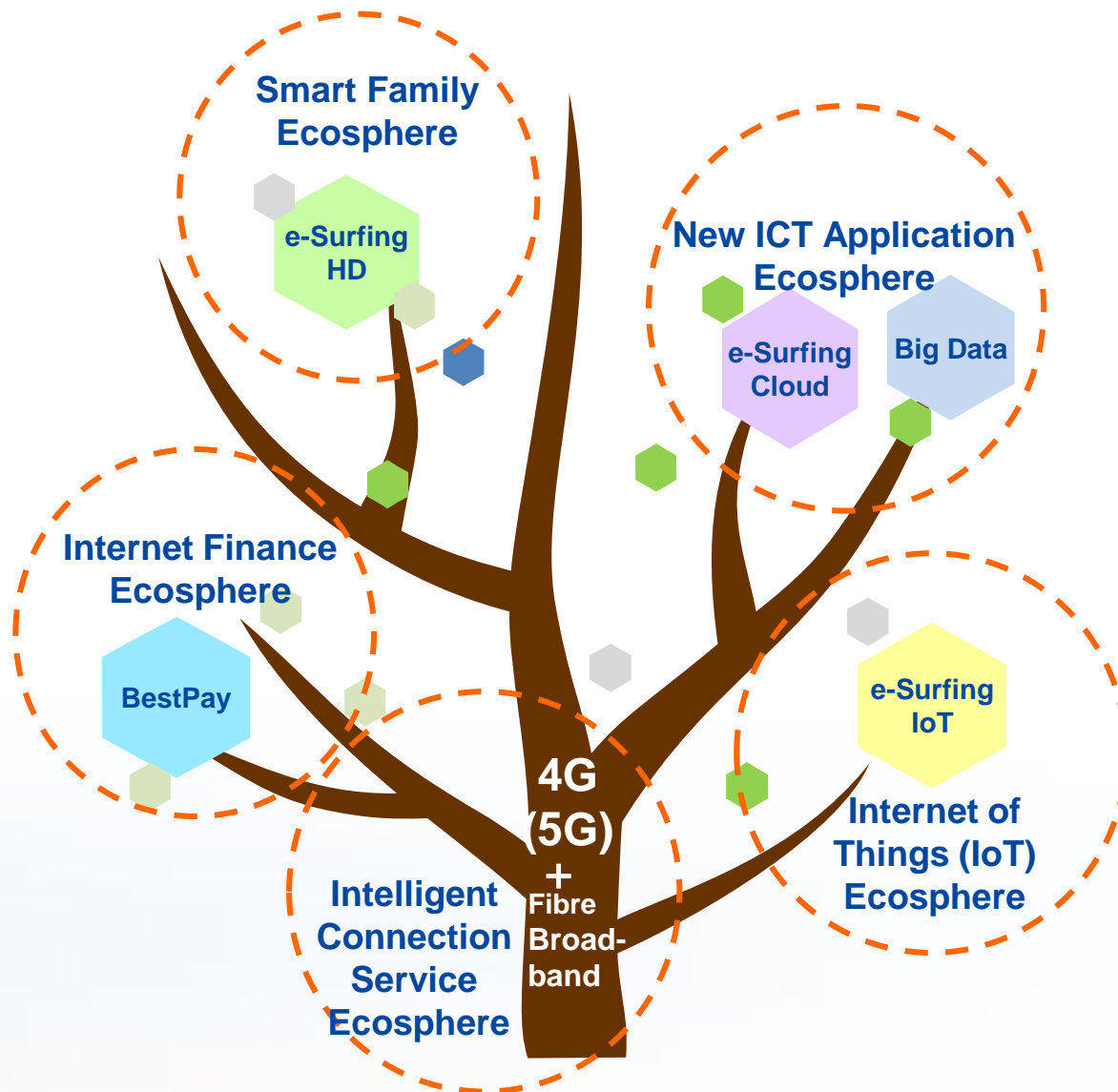


Network Intelligentization: CTNet2025 Promotes Network Reconstitution

CTNet2025-driven



Service Ecologicalization: “2+5” Promotes Service Reconstitution



Operation Intellectualization: “6” Core Capabilities Promote Operation & Management Reconstitution

Operation Reconstitution

Introduces big data applications and intensive support services to build a user-oriented integrated smart operation system

Intelligent Operation (Big Data)

Management Reconstitution

Independent contracting and platform-powered internal support, building an efficient, collaborative, and adaptive ecosystem



Network Fundamental Capabilities

All-optical network (AON), and 4G excellent network



Network Operation Capabilities

High-quality and efficient automatic responses



Data Operation Capabilities

Requirements handling and cognitive computing



Channel Sales Capabilities

Seamless, consistent, cross-industry cooperation



Customer Service Capabilities

On-demand, active assistance and efficient information delivery



Talent Development Capabilities

Organizational restructuring and competence building



Overview



Business Review



Financial Performance



Revenue Breakdown

RMB Mil	1H2015	1H2016	Change
Mobile	78,307	86,482	10.4%
Service Revenue	62,346	67,516	8.3%
<i>Incl.: Voice</i>	24,889	22,839	-8.2%
<i>Data</i>	37,410	44,622	19.3%
Sales of Terminals	15,961	18,966	18.8%
Wireline	86,646	90,346	4.3%
Service Revenue	84,676	87,706	3.6%
Voice	15,268	13,580	-11.1%
Data	67,625	72,149	6.7%
Internet Access	38,222	39,835	4.2%
VAS & Integrated Information Services	20,923	23,471	12.2%
Lease of Telecommunications Network Resources	8,480	8,843	4.3%
Others	1,783	1,977	10.9%
Sales of Equipment & Other Non-service Revenue	1,970	2,640	34.0%
Total	164,953	176,828	7.2%

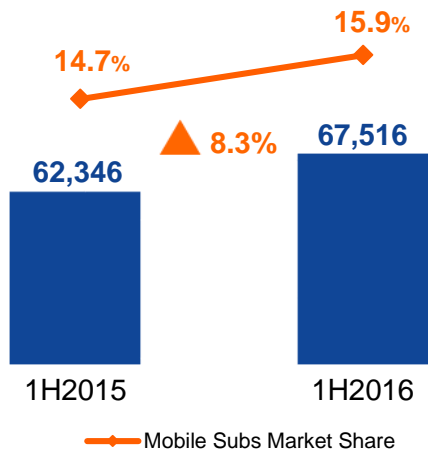
Notes: 1. Mobile service revenue included revenues from voice, data and MVNOs

2. 1H2016 Wireline Internet Access Revenue included wireline broadband revenue of RMB38,783 mil (1H2015: RMB37,561 mil)

4G Driving Mobile Subscriber Scale and Quality

Mobile Service Revenue

RMB Mil



ARPU (RMB)

Mobile

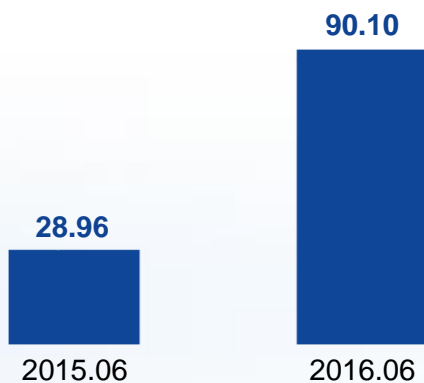
55.6
(2015: 54.1)

4G

75.5
(2015: 78.0)

4G Subscribers

Mil



Note: 4G subscribers referred to 4G terminal users

Continue promoting 3G to 4G migration

Network

All cities nationwide covered with 4G+ (LTE-A) network; leading customer satisfaction in handset Internet access (Source: MIIT)

Handset

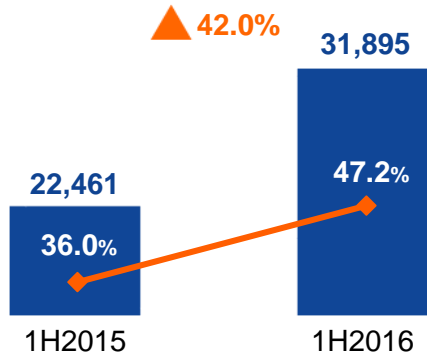
4G No. of models **>400**
Sales vol. **>44mil**, accounted for **87%** of total terminal sales (**↑ 17pp**)

of which: No. of models **~200**
6-mode Sales vol. **>28mil**

Prominent Data Operation

Handset Internet Access Revenue

RMB Mil



— as a % of Mobile Service Revenue

4G Data Traffic as a % of Handset Data Traffic

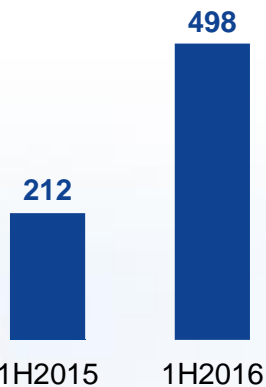
76%

Handset Data Traffic Growth (yoy)

135%

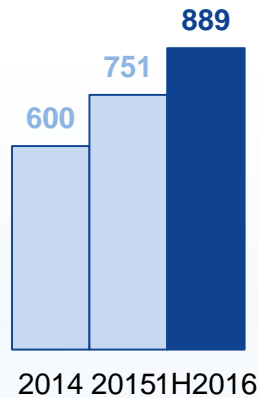
Handset Data Traffic

kTB



4G DOU

MB



Driving mutual development of convergence edge & content

Convergence

- Mix-and-match of the three competitive services (4G, fibre broadband and e-Surfing HD (IPTV)) driving mutual development
- Pioneer in launching innovative “All-charge-as-data” billing model

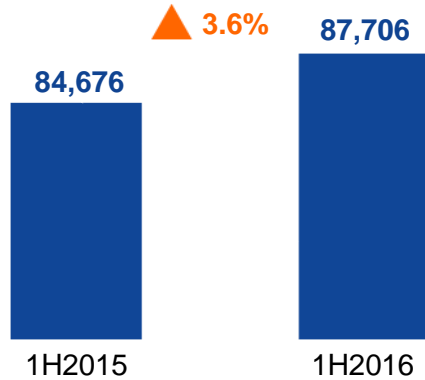
Application

- Launch innovative data products, e.g. aMovie, new e-Surfing Video
- Strengthen cooperation with mainstream video content partners to promote dedicated data products

Broadband Upgrade Strengthening Competitiveness

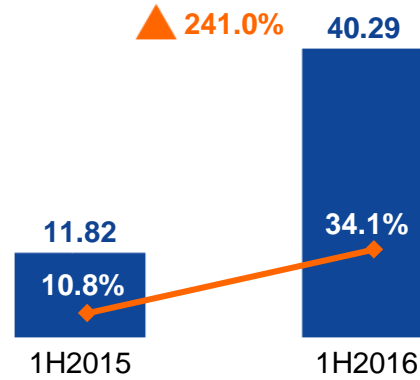
Wireline Service Revenue

RMB Mil



Hundred-Mbps Subscribers

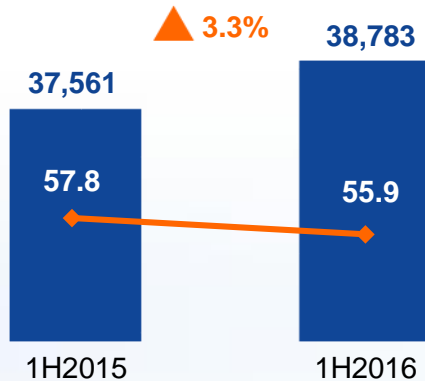
Mil



— Hundred-Mbps Subs as a % of Wireline Broadband Subs

Wireline Broadband Revenue

RMB Mil



— Wireline Broadband ARPU (RMB)

Enhancing first-mover advantage in fibre

- Maintain competitive edges via speed upgrade and convergence service
- Superior network quality and industry-leading user experience with Gbps as demo and Hundred-Mbps as mainstream
- Promote e-Surfing HD (IPTV) to enhance customer satisfaction, loyalty and broadband value

Accelerating Development of Five Emerging Areas

e-Surfing HD (IPTV) / Smart Family

Subscribers

50.16Mil

2016.06

Subs Net Add

9.78Mil

▲129% yoy

- Accelerate deployment of core applications of family cloud and multi-screen interactive

BestPay

Transaction Amount (RMB)

380Bil

1H2016

Ranking among mobile payment apps in terms of active user base

No.2

Source: Statistics from *Analysys.cn*

IDC/Cloud/Big Data

No. of IDCs

~400

- Strengthen dedicated IDC network operation, coordinate and optimize resource deployment, construct two cloud bases in Inner Mongolia and Guizhou
- Develop comprehensive cloud product portfolio with industry-specific, enterprise and family cloud

IoT

No. of IoT Subs

▲303%

- Nationwide centralized and dedicated operation; commencement in April 2016
- Breakthrough in key industries, e.g. surveillance and security, public affairs and smart transport

Internet+

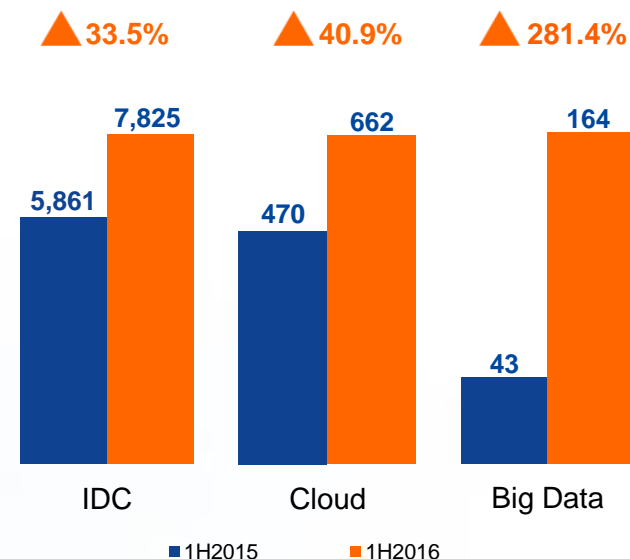
Nationwide Projects

>100

- Industry benchmarking, driven by applications
- Focused development and efficiently-centralized promotion in three key sectors: government administration, healthcare and education

IDC, Cloud & Big Data Revenue

RMB Mil



Comprehensive and In-depth Innovations in Structure and Mechanism

Improve “top-down” service support system and enforce market-oriented resource allocation

Deepen “sub-dividing” performance evaluation units to arouse enthusiasm

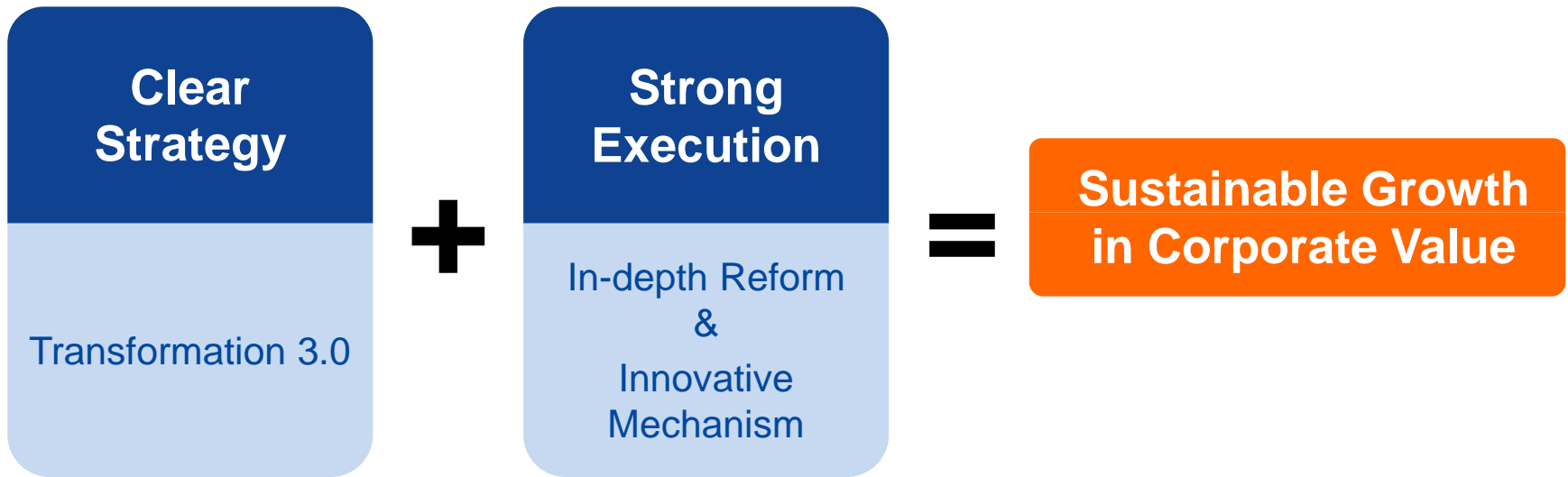
Promote enhancement of management system and procedures with reverse evaluation

Lift corporate vitality to unlock potential

Stimulate corporate innovative vitality and become the first batch of the State’s model in mass entrepreneurship and innovation

Formulate “Internet+” talent programme to re-nurture competency for transformation

Strengthen Execution for Strategic Transformation



**Timely react to market changes
with enhanced core competence
for solid foundation for the Intelligence Era**



Overview



Business Review



Financial Performance



Key Financial Information

RMB Mil	1H2015	1H2016	Change
Operating Revenue	164,953	176,828	7.2%
Operating Expenses	147,799	159,720	8.1%
Depreciation & Amortization	33,585	33,447	-0.4%
Network Operations & Support	37,224	43,951	18.1%
Personnel	28,079	28,909	3.0%
SG&A	25,062	27,319	9.0%
<i>Incl.: Mobile Handset Subsidies</i>	5,064	5,424	7.1%
<i>General & Administration</i>	4,152	4,090	-1.5%
Interconnection & Others	23,849	26,094	9.4%
<i>Incl.: Interconnection</i>	6,170	5,726	-7.2%
<i>Cost of Wireline Equipment Sold</i>	1,424	1,744	22.5%
<i>Cost of Mobile Terminals Sold</i>	15,448	18,072	17.0%
Operating Profit	17,154	17,108	-0.3%
Net Profit	10,980	11,673	6.3%
Free Cash Flow	10,518	6,062	-42.4%

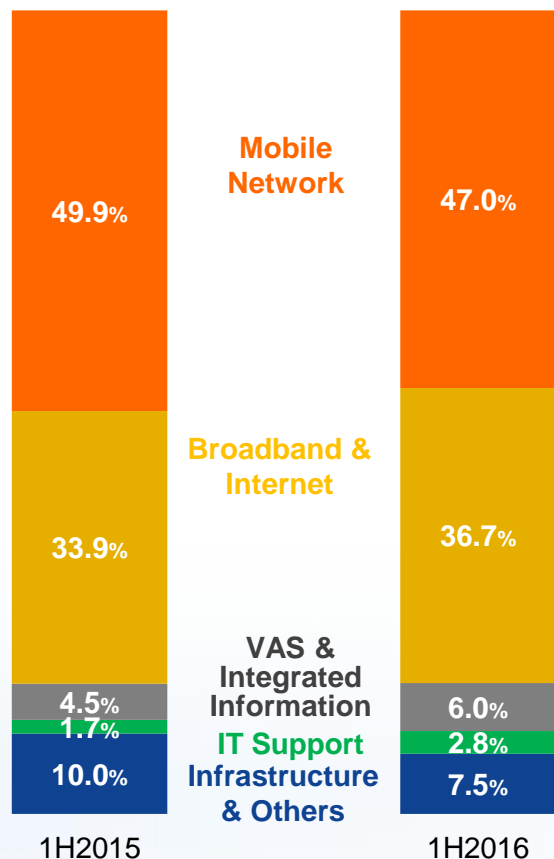
Note: Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses

Optimized Cost Structure to Support Scale Development

	1H2015	1H2016	Change	
Operating Expenses as a % of Operating Revenue	89.6%	90.3%	▲0.7pp	
Depreciation & Amortization	20.4%	18.9%	▼1.5pp	Amount decreased by 0.4%, mainly due to increase from higher CAPEX offset by decrease from tower asset disposal
Network Operations & Support	22.6%	24.9%	▲2.3pp	Mainly due to tower leasing fee
Personnel	17.0%	16.3%	▼0.7pp	
SG&A	15.2%	15.4%	▲0.2pp	Appropriate increase in sales & marketing spending to support scale development in 4G and fibre broadband, in-line with subscriber growth, and improve sales efficiency
Interconnection	3.7%	3.3%	▼0.4pp	
Cost of Terminals Sold & Others	10.7%	11.5%	▲0.8pp	Mainly due to increase in procurement and sales of handsets

Stringent CAPEX Control Tilted towards High Growth Areas

CAPEX Structure

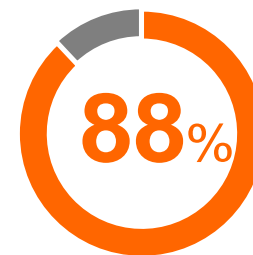


4G & Fibre Network

4G BTS

610k

FTTH Home Pass Coverage
in Cities

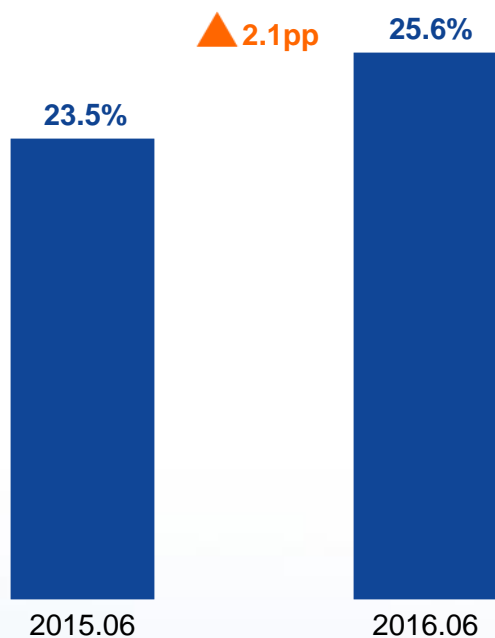


Achievements

- Basic full 4G coverage for population in cities and village/village/county/town areas
- CAPEX focused on two fundamental businesses, accounted for **>80%** of total CAPEX
- Benefitting from resource sharing, Infrastructure & Others **↓2.5pp**

Healthy Financial Strength

Total Debt / Total Capitalization



Net Debt / Simplified Annualized EBITDA



Solid capital structure to support sustainable development

Tower Sharing to Enhance Long-term Value

Tower Leasing Fee (RMB)

1H2016

6.9Bil

2016E

<16Bil

Near-term

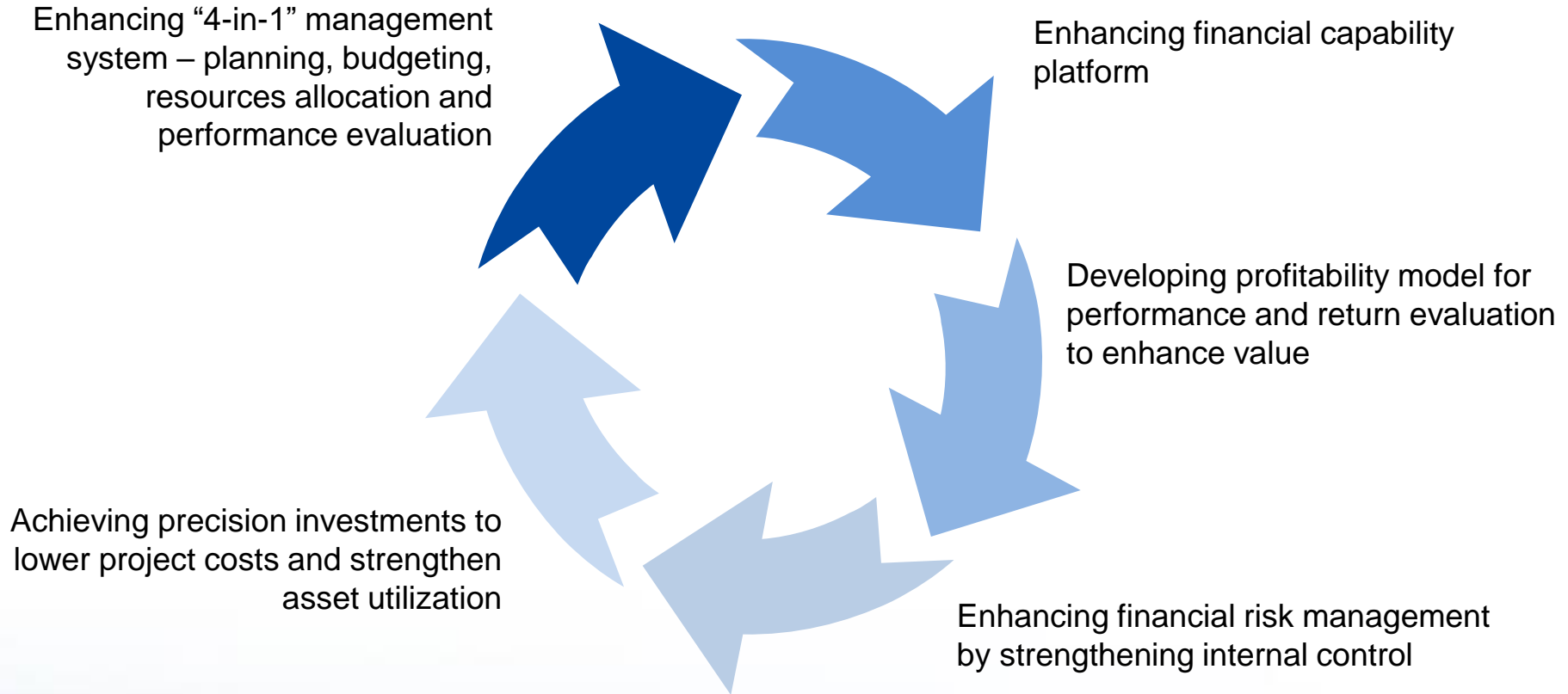
Tower leasing fee about 10% higher than cost of self-owned and operate compressing EBITDA

Long-term

Unit leasing fee to reduce as sharing ratio progressively improves

As a shareholder of TowerCo, set to benefit from TowerCo's future earnings and value enhancement

Strengthen Value Management



Support corporate strategic transformation
Promote healthy sustainable development

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 Unaudited Consolidated Statement of Comprehensive Income
for the Period Ended 30 Jun 2016*

RMB Mil	1H2015	1H2016
Operating Revenue	164,953	176,828
Operating Expenses	(147,799)	(159,720)
Net Finance Costs	(2,160)	(1,728)
Investment Income, Share of (Loss) / Profit from Associates	(450)	89
Profit Before Taxation	14,544	15,469
Income Tax	(3,536)	(3,747)
Profit for the Period	11,008	11,722
Equity Holders of the Company	10,980	11,673
Non-controlling Interests	28	49

Appendix 2

*Extracted from Unaudited Consolidated Statement of Financial Position
as at 30 Jun 2016*

RMB Mil	2015.12.31	2016.06.30
Current Assets	78,108	85,697
Non-current Assets	551,453	557,212
Total Assets	629,561	642,909
Current Liabilities	255,929	255,885
Non-current Liabilities	68,881	77,224
Total Liabilities	324,810	333,109
Total Equity	304,751	309,800
Equity Attributable to Equity Holders of the Company	303,784	308,789
Non-controlling Interests	967	1,011

Appendix 3

Selected Operating Metrics for the Period Ended 30 Jun 2016

Subscriber (Mil)	2015.12	2016.06	Change
Mobile	197.90	206.94	9.04
Incl.: 4G	58.46	90.10	31.64
Wireline Broadband	113.06	118.00	4.94
Incl.: FTTH	70.99	88.34	17.35
Access Lines in Service	134.32	130.96	-3.36
Incl.: Household	84.17	81.50	-2.67
Government & Enterprise	40.80	40.65	-0.15
Public Telephone	9.35	8.81	-0.54

	1H2015	1H2016	Change
Wireline Voice Usage			
Local Usage (Pulses Mil)	56,434	47,831	-15.2%
Long Distance Usage (Minutes Mil)	13,527	10,876	-19.6%
Mobile Voice Usage (Minutes Mil)	326,857	350,055	7.1%