



# 2017 Interim Results



China Telecom Corporation Limited  
23 August 2017 | [www.chinatelecom-h.com](http://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. Ke Ruiwen

*Executive Vice President*

Mr. Gao Tongqing

*Executive Vice President*

Mr. Chen Zhongyue

*Executive Vice President*



## Overview

Business Review &  
Financial Performance

# Highlights

- 1 Continuous growth in service revenue and net profit**  
...with service revenue growth surpassing industry average
- 2 Strategic transformation achieves prominent results**  
...with innovative convergence promotes development
- 3 Strong mobile momentum**  
...with breakthrough in scale
- 4 Superior network capability further strengthened**  
...building a solid ecosystem foundation
- 5 Deepen reform to invigorate vitality**  
...with operation intellectualization enhancing capabilities
- 6 Strong execution of step-up transformation strategy**  
...for value enhancement

# Enhancing Business Fundamentals

	1H2016	1H2017	Change
Operating Revenue (RMB Mil)	176,828	184,118	4.1%
Service Revenue (RMB Mil)	155,222	165,847	6.8%
EBITDA (RMB Mil)	50,555	52,414	3.7%
EBITDA Margin	32.6%	31.6%	-1.0pp
Net Profit (RMB Mil)	11,673	12,537	7.4%
EPS (RMB)	0.144	0.155	7.4%

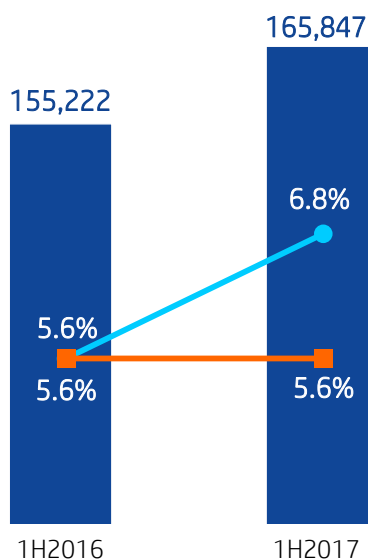
Notes: Unless otherwise stated in this presentation

1. Service Revenue = Operating Revenue – Sales of Mobile Terminals (1H2016: RMB18,966 mil; 1H2017: RMB15,951 mil) – Sales of Wireline Equipment (1H2016: RMB1,710 mil; 1H2017: RMB1,842 mil) – Other Non-service Revenue (1H2016: RMB930 mil; 1H2017: RMB478 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

# Service Revenue and Net Profit Achieving Solid Growth

## Healthy Service Revenue Growth

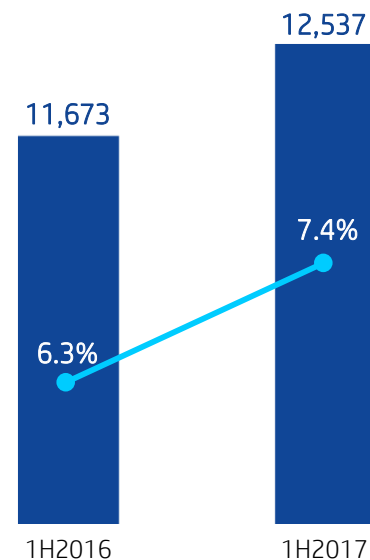
RMB Mil



● China Telecom Service Revenue Growth yoy  
 ■ Telecom Industry Revenue Growth yoy (Source: MIIT Website)

## Stable Net Profit Growth

RMB Mil



● Net Profit Growth yoy

Strong development momentum supporting solid growth of business fundamentals

# Service Ecologicalization: Driving Scale Development

**Smart Family**

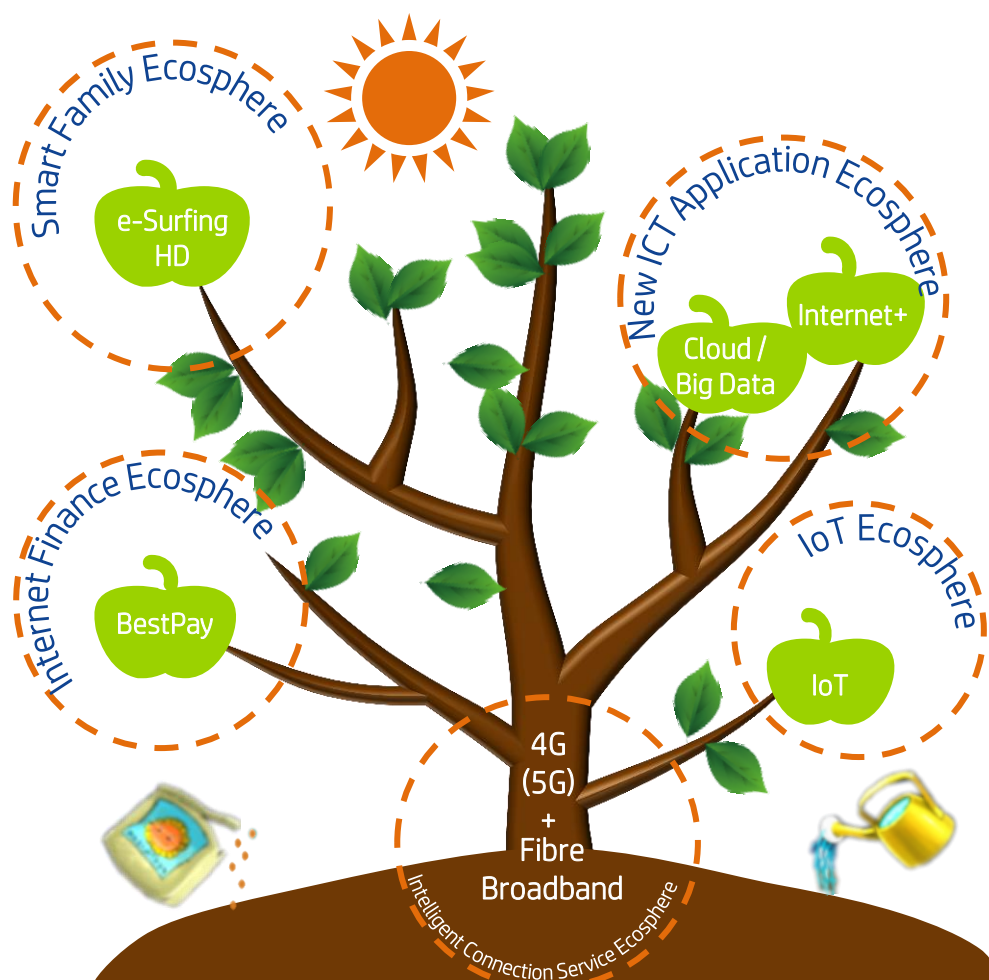
Subs  
**75 Mil**

Revenue Growth  
**33% yoy**

**Internet Finance**

MAU  
**28.14 Mil**  
(▲2.5x yoy)

Actively Participating Merchants  
**400k**  
(▲2.3x yoy)



**New ICT Application**

Revenue (RMB)  
**20,902 Mil**

Revenue Growth  
**20% yoy**

**Internet of Things**

Connected Device Net Add  
**13.79 Mil**  
(▲3.1x yoy)

Note: MAU denoted Monthly Active Users

Mobile Subs	4G Subs	Wireline Broadband Subs	FTTH Subs
<b>229.85 Mil</b> (▲11.1% yoy)	<b>152.02 Mil</b> (▲68.7% yoy)	<b>128.10 Mil</b> (▲8.6% yoy)	<b>117.23 Mil</b> (▲32.7% yoy)



# Innovative Convergence Promotes Development

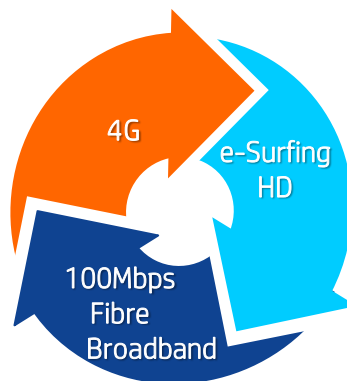
## Prominent Results on Convergence

# 53%

**Mobile Bundling Rate**  
(i.e. Bundled Subs / Mobile Subs)

# 46%

**Triple-play penetration**  
(i.e. Wireline Broadband Subs subscribing mobile and IPTV services at the same time)



# 77%

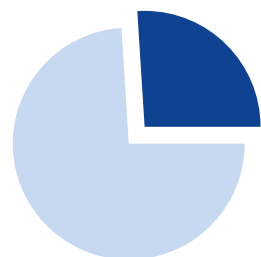
**Dual-play penetration**  
(i.e. Wireline Broadband Subs subscribing mobile and/or IPTV services at the same time)

**▲ 43.8% yoy**  
e-Surfing HD (IPTV) Subs

Deepening convergence to promote the scale development of  
“4G + 100Mbps Fibre Broadband + Smart Family” offering

# Strong Mobile Momentum

Handset Internet Access Revenue Became the Largest Revenue Contributor



26.0%  $\uparrow$ 5.5pp yoy

Handset Internet Access Revenue  
as a % of Service Revenue



$\uparrow$ 12.2% yoy

Mobile Service Revenue

45.7%  $\uparrow$ 2.2pp yoy

Mobile Service Revenue  
as a % of Service Revenue



14.85 Mil

$\uparrow$ 64.3% yoy

Mobile Subs Net Add

16.8%

$\uparrow$ 0.9pp yoy

Mobile Subs Market Share

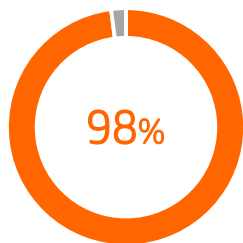
Proactively leveraging edges in network, handsets, distribution channels and applications  
for further mobile scale development

# Network Intelligentization: Strengthening Ecosystem Foundation

Basically Completed Construction of Three Superior Networks  
 Progressive Implementation of Network Reconstitution

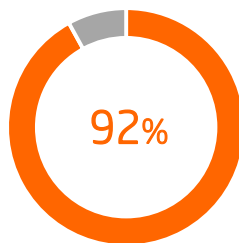
## 4G Mobile Network

- Completed **800MHz reform**
- 4G BTS  
**1.05 Mil** ▲ **160 k**  
 (vs. 2016.12)
- Population coverage



## Fibre Network

- FTTH ports  
**230 Mil** ▲ **24 Mil**  
 (vs. 2016.12)
- FTTH Home Pass Coverage in cities and towns



## IoT Network

- World's first** in the release of corporate NB-IoT standard and scale deployment
- Achieve basic full coverage of NB-IoT network by seamless upgrade of **310k** base stations leveraging 800MHz low frequency advantage

## SDN

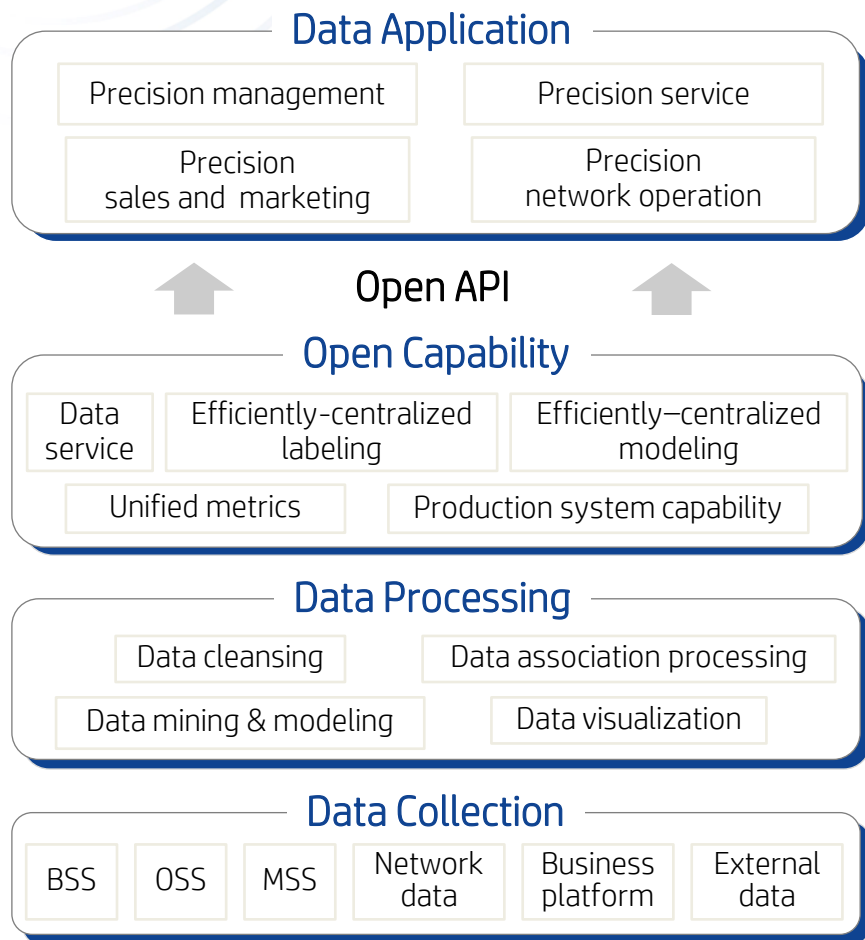
- Deploy commercial trial in key cloud resources pool and IP backbone network
- Commence commercial trial in on-demand network system for SMEs

## NFV

- Deploy the world's largest two-layer decoupling of vIMS
- Commence trial of vBAS in existing network

# Operation Intellectualization: Enhancing Operation Capability

## “Corporate Core” Framework Initialized



### Four types of Big Data Applications

- **Human resources management:** talent selection, education and retention to stimulate vitality
- **Wireless access investment:** scientific site selection, on-demand capacity expansion
- **Fibre access investment:** investment decisions for new construction and capacity expansion
- **Customer Operation:** precision sales and marketing to lower cost and increase efficiency
- Business/asset valuation, credit reference, audit...

### Open Capability

- Open API 300+
- Daily access: 50 million

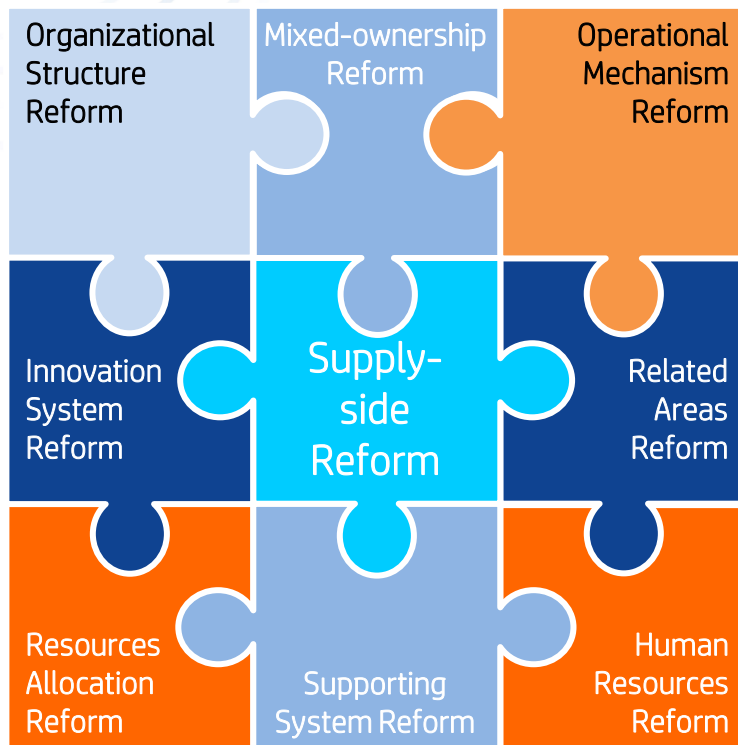
### Infrastructure

- 3,000 servers
- 20PB+ of data

Leveraging big data platform construction, open capability & big data application to promote operation intellectualization for efficiency and return enhancement

# Deepening Reform to Stimulate Vitality

## Nine Key Reform Missions

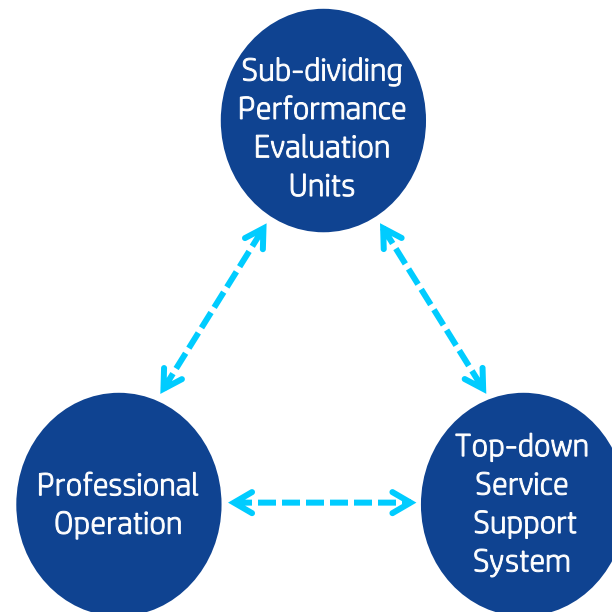


### Key Achievements

- Enhanced channel sales capability among physical outlets, direct sales force and e-channels
- Maintained high level of network quality and user experience in both mobile and wireline broadband networks
- Ranked No.1 in customer satisfaction among handset and wireline Internet access users in industry
- Provided training for all managerial staffs and on-the-job training for talents for transformation

## Market-oriented Reform to Stimulate Vitality

Sub-dividing operation units to establish and expand the performance-linked incentive scheme

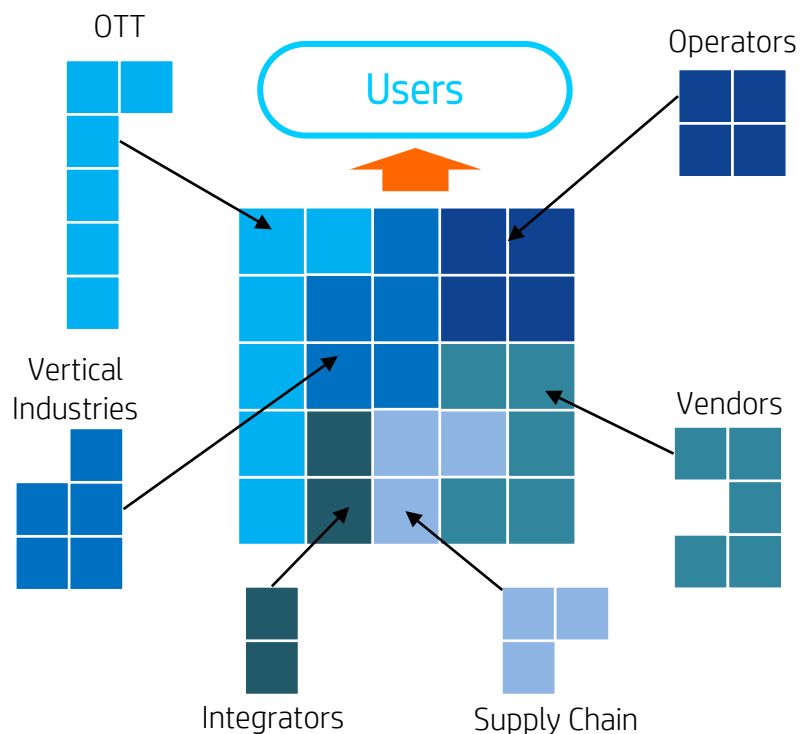


Enhance the professionalism of efficiently-centralized capability to align interests of vertical parties

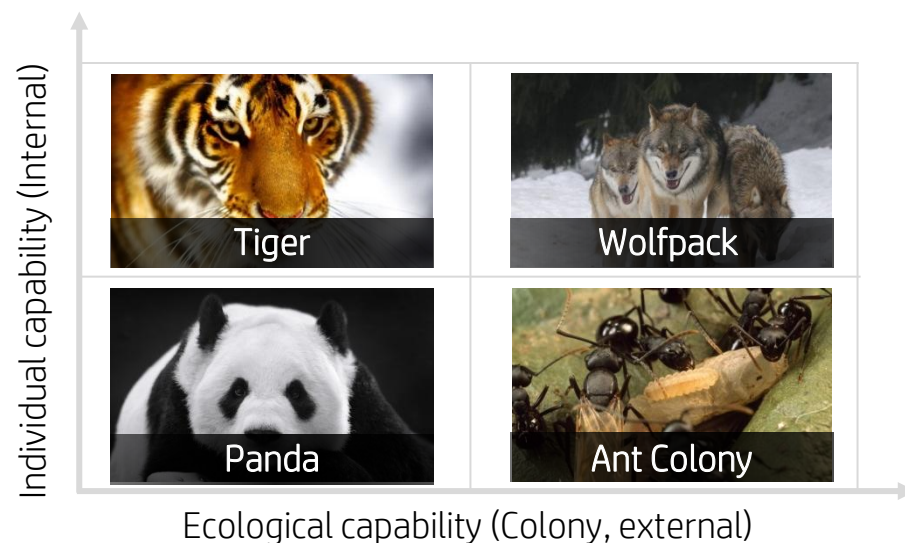
Improve platform to enhance efficiency and drive operation intellectualization with big data application

# Co-building Ecosystem-Tetris to Promote Win-Win

## Ecosystem-Tetris



## Ecosystem-Matrix



Source: Harvard Business Review, LIAO Jianwen, CUI Zhiyu, 2016

Open cooperation to integrate own individual edges with ecosystem synergy  
for the creation of ecosystem edges and new value

# Proactive Network Deployment Sustaining Leading Edges

## Actively developing 5G

### Progressive development

Research on 4G to 5G network migration

2017-18: **Outdoor trial**  
2019: **Commercial trial**

### Application Driven

2020: **Scale commercial use**

### Ecosystem Cooperation

Industry participants cooperation  
+  
capital operation

## Full range of IoT

### NB-IoT

**Scale commercial use** with innovative business models  
Flexible user/subscriber/account combination

### CAT-1

**Commercialized**

### eMTC

2017: **Validation trial**  
2018: **Commercial deployment**

## Enhancing cloud-network capabilities

### Full fibre network coverage

**240 Mil** FTTH ports by end-2017 to achieve full fibre network coverage in cities, towns & villages

Support convergence development of fibre broadband, video streaming and mobile

### Promote cloud-network coordinated development

- Refine 2+31+x IDC deployment
- Cloud resource pool planning
- Build IDC clusters

Achieve highly efficient and coordinated cloud & network

# Seizing Opportunities for Value Creation

## Macro / Industry Opportunities

National strategy	Supply-side reform	The Belt and Road Initiative	Internet+	Information consumption	
Five industry trends	Mobile Internet	Industrial Internet	Internet of Everything	Intelligent applications	Demand creation

Grasp trends and seize blue ocean opportunities

Uplift **Vitality**  
 Stimulate **Capabilities**  
 Strengthen **Execution**

Enhance  
**Shareholders' Value**  
**Corporate Value**  
**Customers' Value**

## “Speed Upgrade and Tariff Reduction” opens new room of development

Measures in 2017:

- To cease charging handset domestic long distance and roaming fees on 1 September, benefitting 80 mil mobile subs
- Tariffs of international long-distance call significantly reduced
- Reduction of tariffs of Internet dedicated line access for SMEs fully implemented

“Speed Upgrade and Tariff Reduction” promotes step-up transformation of network and service, encourages intelligent information consumption and brings opportunities for cloud-network integrated development, and fosters development of smart family and cloud businesses to enhance competitiveness





Overview

# Business Review & Financial Performance

# Revenue Breakdown

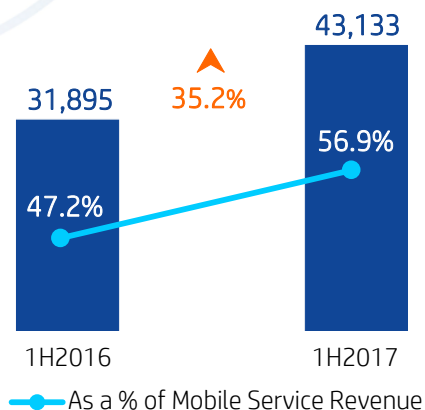
RMB Mil	1H2016	1H2017	Change
<b>Mobile</b>	86,482	91,693	6.0%
Service Revenue	67,516	75,742	12.2%
<i>Incl.: Voice</i>	22,839	20,396	-10.7%
<i>Data</i>	44,622	55,292	23.9%
<i>Incl.: Handset Internet Access</i>	31,895	43,133	35.2%
Sales of Terminals	18,966	15,951	-15.9%
<b>Wireline</b>	90,346	92,425	2.3%
Service Revenue	87,706	90,105	2.7%
Voice	13,580	11,437	-15.8%
Data	72,149	76,525	6.1%
<i>Incl.: Broadband</i>	38,783	39,217	1.1%
<i>Information &amp; Application Services</i>	23,471	26,571	13.2%
Others	1,977	2,143	8.4%
Sales of Equipment & Other Non-service Revenue	2,640	2,320	-12.1%
<b>Total</b>	<b>176,828</b>	<b>184,118</b>	<b>4.1%</b>

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

# 4G Driving Mutual Growth in Data Traffic and Revenue

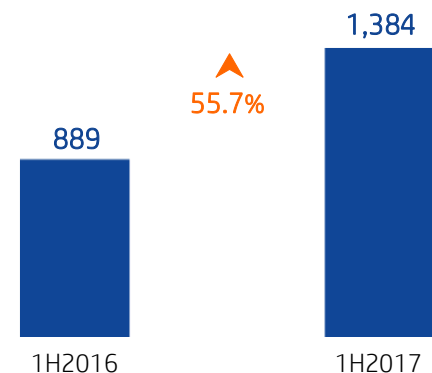
## Handset Internet Access Revenue

RMB Mil



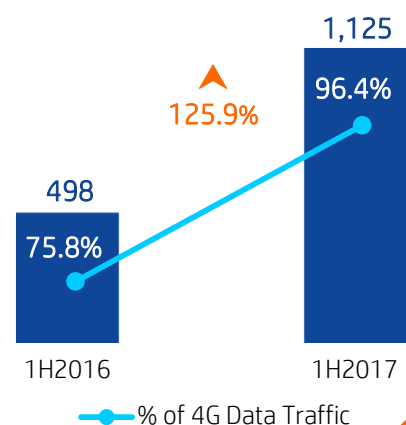
## 4G DOU

MB

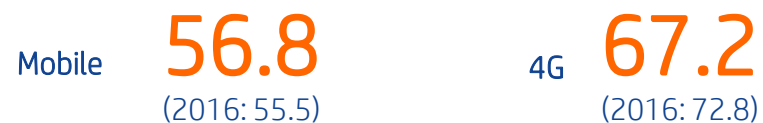


## Handset Data Traffic

kTB



## ARPU (RMB)



## 4G Subs



# Promoting Mobile in Full Swing

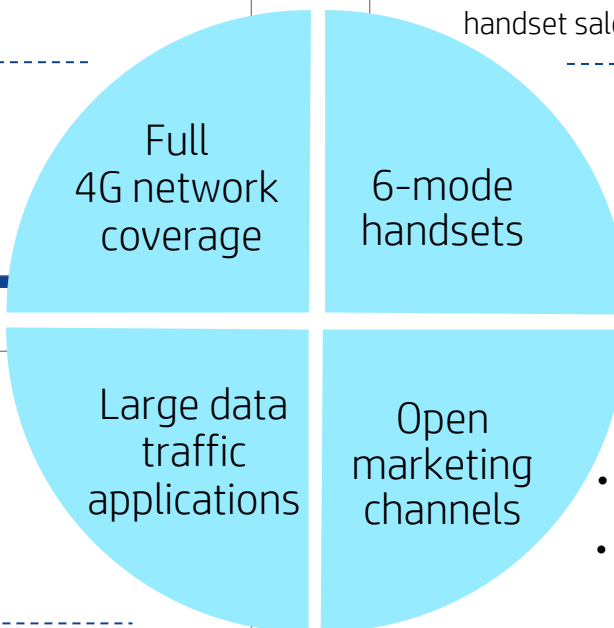
- High & low frequencies (800MHz / 1.8GHz / 2.1GHz) coordinated 4G network with appropriately allocated & adequate capacity
- Carrier Aggregation in >300 cities

No. of 4G BTS

▲72% yoy

- e-Surfing Large Data Traffic Plans
- Dedicated Data Traffic Packages
- Video-streaming Data Traffic Cards

- Monthly Large Data Traffic Plan subs new add of >4 Mil
- Extensive cooperation with Internet application companies to launch 8 data traffic+ content cards



- Becomes **international standard** and mainstream handsets; accounting for 73% of overall handset sales in China
- **Dual-SIM** slots open up subscriber growth potential
- **6-mode handsets** accounted for 90% of CT's total handset sales

Handset Sales

Total 69 Mil ▲35% yoy

6-mode 62 Mil

Efficiently coordinated channel sales :

- **Physical outlets:** 6-mode handset popularity brings in sales opportunities
- **Direct sales force:** enhance sales and marketing capability by forming sales teams with sales, support and service integration
- **E-channels:** strengthen sales coordination with other channels

China Telecom's market share in open channels

~40%

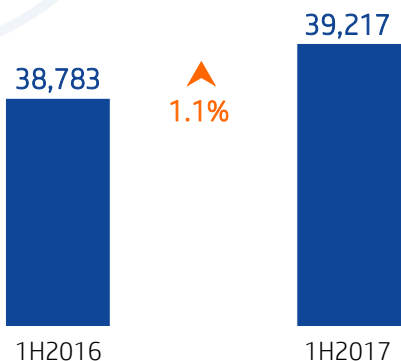
Source: Sino Market Research



# Enhancing Differentiation to Strengthen Fibre Edges

## Wireline Broadband Revenue

RMB Mil



## Average Access Bandwidth

62Mbps

(2016: 50Mbps)

## Wireline Broadband ARPU (RMB)

52.0

(2016: 54.2)

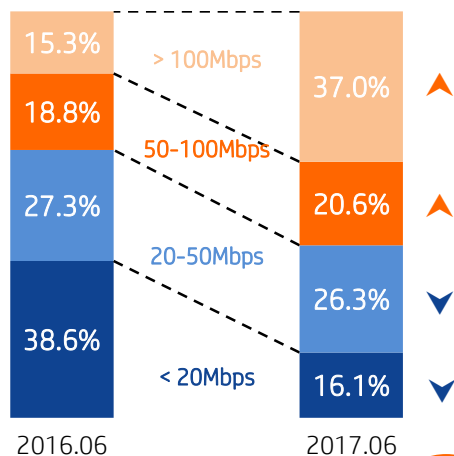
## FTTH Subs

Net Add **11.24 Mil**

Penetration Rate **92%**

(▲17pp yoy)

## Subs Bandwidth Structure



## Enriching Differentiation

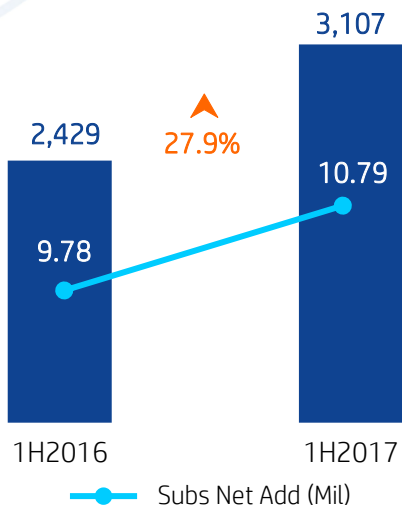
- **Upgrade Speed**: Hundred-Mbps as mainstream and Gbps as demo
- **Deepen Convergence**: Convergence plans, such as “4G + Fibre + Smart Family”, “Perfect Combo”, etc
- **Enrich Contents**: e-Surfing HD, family cloud, smart home networking, etc
- **Strengthen Services**: Same-day installation and maintenance service guarantee and compensation for service delay



# New Convergence with e-Surfing HD Increasing Customer Loyalty

## e-Surfing HD (IPTV) Revenue

RMB Mil



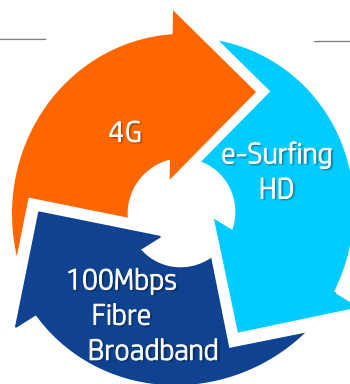
## Smart Family Key Applications

- Entertainment e-Surfing HD (IPTV)
- Connectivity e-Surfing Smart Home Networking
- Cloud Storage e-Surfing Family Cloud

## Subs Penetration

e-Surfing HD Subs as a % of Wireline Broadband Subs **56%** (▲ 13pp yoy)

Mobile Bundling Rate **53%**



## Subs Churn

Mobile Subs ▼ 0.4pp vs. FY16

Wireline Broadband Subs **Stable**

Triple-play Churn (4G+Fibre+IPTV) < Single Product Subs Churn

# Innovative Business Driving Future Growth

## Cloud & Big Data Strengthening Differentiated Edges of New ICT

1H17 Revenue (RMB)

IDC	Cloud	Big Data
9,777 Mil (▲25% yoy)	1,063 Mil (▲62% yoy)	297 Mil (▲81% yoy)

- Triple edges of **Cloud-network integration**, **secure & reliable**, **specialized customization**
- **Open Platform** for Cloud, Big Data, “Internet+”
- Optimize resource deployment, **unified planning and efficiently-centralized construction** of e-Surfing cloud resource pool & DCI network
- New industry applications focusing on **government & administration, education, healthcare** and **industrial** sectors

## Internet Finance Deepening Convergence and Expanding Scale

GMV (RMB)

568 Bil  
(▲49% yoy)

- Deepen convergence model of **“4G + Payment”** to continuously increase the influence of BestPay, forging Internet finance ecosystem

## IoT Convergence Forming Application Edges

IoT Revenue

▲3.7x yoy

- Leverage full coverage NB-IoT network edge to strengthen **convergence between IoT, Cloud, Big Data & ICT ecosphere**, forming application advantage

Note: GMV denoted Gross Merchandise Value



# Key Financial Information

RMB Mil	1H2016	1H2017	Change
<b>Operating Revenue</b>	176,828	<b>184,118</b>	4.1%
<b>Operating Expenses</b>	159,720	<b>166,136</b>	4.0%
Depreciation & Amortization	33,447	<b>34,432</b>	2.9%
Network Operations & Support	43,951	<b>48,431</b>	10.2%
Personnel	28,909	<b>30,755</b>	6.4%
SG&A	27,319	<b>28,738</b>	5.2%
<i>Incl.: Mobile Handset Subsidies</i>	5,424	<b>3,661</b>	-32.5%
<i>General &amp; Administration</i>	4,090	<b>3,440</b>	-15.9%
Interconnection & Others	26,094	<b>23,780</b>	-8.9%
<i>Incl.: Interconnection</i>	5,726	<b>5,851</b>	2.2%
<i>Cost of Terminals &amp; Equipment Sold</i>	19,816	<b>17,088</b>	-13.8%
<b>Operating Profit</b>	17,108	<b>17,982</b>	5.1%
<b>Net Profit</b>	11,673	<b>12,537</b>	7.4%
<b>Free Cash Flow</b>	6,062	<b>7,213</b>	19.0%

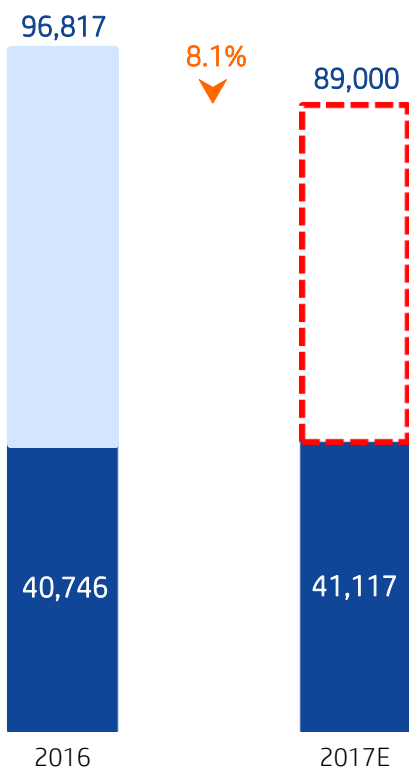


# Resource Focused Supporting Scale Development

	1H2016	1H2017	Change	
<b>Operating Expenses as a % of Operating Revenue</b>	90.3%	<b>90.2%</b>	▼0.1pp	
Depreciation & Amortization	18.9%	<b>18.7%</b>	▼0.2pp	Amount slightly increased mainly due to high CAPEX levels in recent years
Network Operations & Support	24.9%	<b>26.3%</b>	▲1.4pp	Mainly due to network quality enhancement , as well as increase in tower leasing fee (RMB7.6 billion in 1H2017 with a total of 640k towers leased as at end June)
Personnel	16.3%	<b>16.7%</b>	▲0.4pp	Mainly due to increase in performance-linked remuneration for frontline employees
SG&A	15.4%	<b>15.6%</b>	▲0.2pp	Selling expense up 8.9%, mainly due to appropriate increase in channel sales
Interconnection	3.3%	<b>3.2%</b>	▼0.1pp	
Cost of Terminals Sold & Others	11.5%	<b>9.7%</b>	▼1.8pp	Mainly due to decrease in efficiently-centralized handset sales

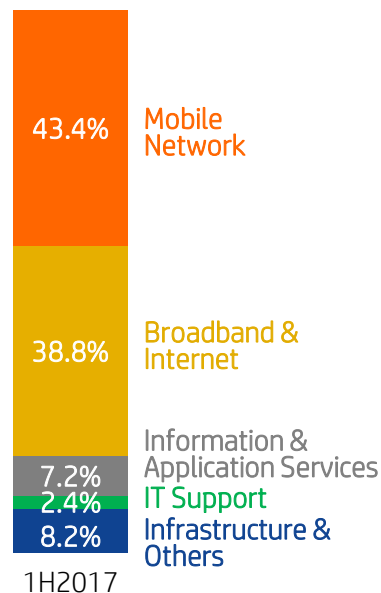
# Precision Investment Enhancing Return

CAPEX  
RMB Mil



■ 1H CAPEX

## 1H2017 CAPEX Structure

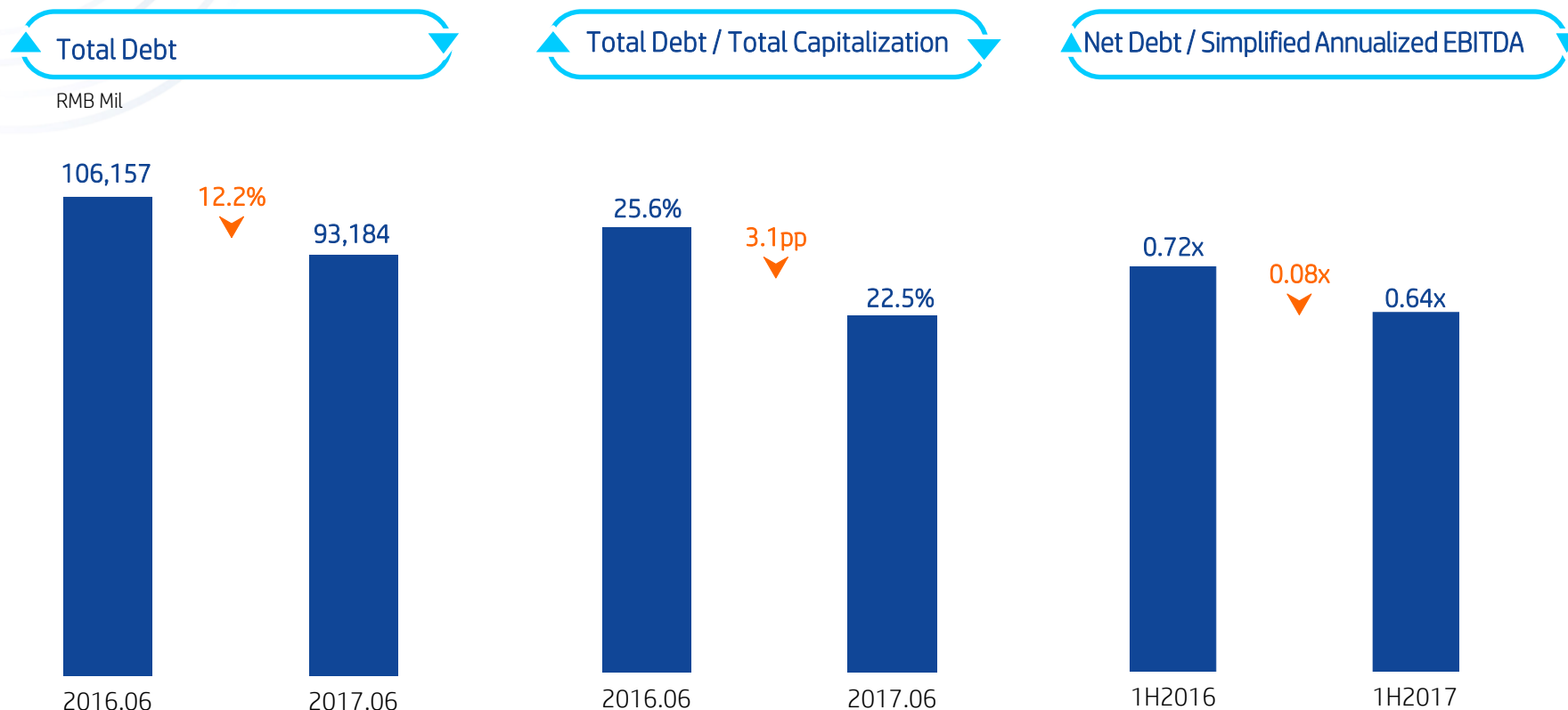


Mobile Network  
+  
Broadband &  
Internet  
▼1.5pp yoy  
Information &  
Application Services  
▲1.2pp yoy

## 2017E

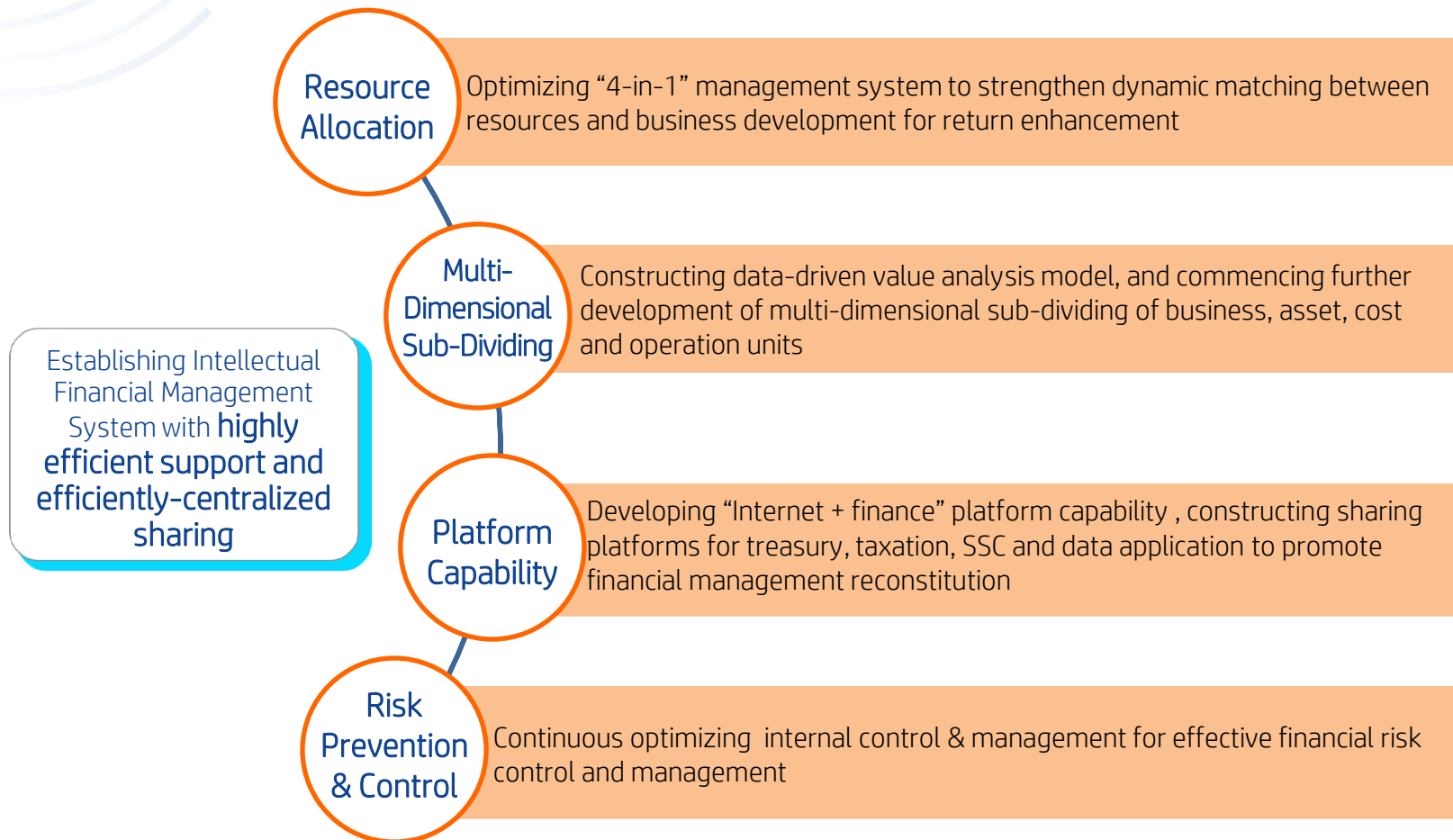
- 4G BTS target: **1.16 Mil**
- Gbps demo in hundreds of cities
- Increase CAPEX in emerging business

# Solid Financial Strength with Reducing Debt



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

# Intellectual Financial Management Enhancing Corporate Value



# Thank You!



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



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



*"Asia's Most  
Honored  
Company"*



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

For further information & enquiries,  
please contact our Investor Relations Department at  
[ir@chinatelecom-h.com](mailto:ir@chinatelecom-h.com) or visit [www.chinatelecom-h.com](http://www.chinatelecom-h.com)

# Appendix 1

*Extracted from Unaudited Consolidated Statement of Comprehensive Income for the Period Ended 30 Jun 2017*

RMB Mil	1H2016	1H2017
<b>Operating Revenue</b>	176,828	<b>184,118</b>
Operating Expenses	(159,720)	<b>(166,136)</b>
Net Finance Costs	(1,728)	<b>(1,771)</b>
Investment Income, Share of Profit of Associates	89	<b>468</b>
<b>Profit Before Taxation</b>	15,469	<b>16,679</b>
Income Tax	(3,747)	<b>(4,084)</b>
<b>Profit for the Period</b>	11,722	<b>12,595</b>
Equity Holders of the Company	11,673	<b>12,537</b>
Non-controlling Interests	49	<b>58</b>

## Appendix 2

*Extracted from Unaudited Consolidated Statement of Financial Position as at 30 Jun 2017*

RMB Mil	2016.12	2017.6
Current Assets	73,972	81,832
Non-current Assets	578,396	583,659
<b>Total Assets</b>	652,368	665,491
Current Liabilities	318,998	326,383
Non-current Liabilities	17,075	18,018
<b>Total Liabilities</b>	336,073	344,401
<b>Total Equity</b>	316,295	321,090
Equity Attributable to Equity Holders of the Company	315,324	320,061
Non-controlling Interests	971	1,029

# Appendix 3

## Selected Operating Metrics for the Period Ended 30 Jun 2017

Subscriber (Mil)	2016.12	2017.6	Change
<b>Mobile</b>	215.00	229.85	+14.85
Incl.: 4G	121.87	152.02	+30.15
<b>Wireline Broadband</b>	123.12	128.10	+4.98
Incl.: FTTH	105.99	117.23	+11.24
<b>Access Lines in Service</b>	126.86	124.32	-2.54
Incl.: Household	78.64	76.92	-1.72
Government & Enterprise	40.41	40.05	-0.36
Public Telephone	7.81	7.35	-0.46

	1H2016	1H2017	Change
<b>Wireline Voice Usage</b>			
Local Usage (Pulses Mil)	47,831	38,492	-19.5%
Long Distance Usage (Minutes Mil)	10,876	7,717	-29.0%
<b>Mobile Voice Usage (Minutes Mil)</b>	350,055	376,291	+7.5%