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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 2015**

The Company's operation was on track as planned for the first three quarters of 2015. Despite the challenges brought by the regulatory policies such as the value-added tax reform and "speed upgrade & tariff reduction", the Group still managed to achieve a stable growth in revenues and profit.

The unaudited financial data of the Group for the first three quarters of 2015

- Operating revenues were RMB246,317 million, representing an increase of 1.1% over the corresponding period of last year
- Service revenues were RMB221,067 million, representing an increase of 1.9% over the corresponding period of last year
- EBITDA was RMB76,513 million, representing an increase of 2.3% over the corresponding period of last year
- Profit attributable to equity holders of the Company was RMB16,361 million, representing an increase of 1.2% over the corresponding period of last year

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 2015.

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

	For the period from 1 January 2015 to 30 September 2015 (RMB million)	For the period from 1 January 2014 to 30 September 2014 (RMB million)	Increase/ (Decrease)
<b>Operating revenues</b>	246,317	243,608	1.1%
<b>of which: Service revenues (note 1)</b>	221,067	217,025	1.9%
<b>Operating expenses</b>			
Depreciation and amortisation	(50,825)	(49,403)	2.9%
Network operations and support	(55,841)	(45,913)	21.6%
Selling, general and administrative	(38,081)	(48,595)	(21.6%)
Personnel expenses	(42,144)	(39,220)	7.5%
Other operating expenses	(33,738)	(35,087)	(3.8%)
<b>Total operating expenses</b>	<u>(220,629)</u>	<u>(218,218)</u>	1.1%
<b>Operating profit</b>	25,688	25,390	1.2%
Net finance costs	(3,178)	(3,996)	(20.5%)
Investment income and share of (losses)/profits of associates	(833)	24	N/A
<b>Profit before taxation</b>	21,677	21,418	1.2%
Income tax	<u>(5,270)</u>	<u>(5,202)</u>	1.3%
<b>Profit for the first three quarters</b>	16,407	16,216	1.2%
<b>Profit attributable to:</b>			
Equity holders of the Company	16,361	16,169	1.2%
Non-controlling interests	46	47	(2.1%)
	As at 30 September 2015 (RMB million)	As at 31 December 2014 (RMB million)	
<b>Total Assets</b>	607,129	561,274	8.2%
<b>Total Liabilities</b>	<u>(306,070)</u>	<u>(271,166)</u>	12.9%
<b>Total Equity</b>	301,059	290,108	3.8%

Note 1: Service revenues were calculated based on operating revenues minus sales of mobile terminals (first three quarters of 2015: RMB21,823 million; first three quarters of 2014: RMB23,316 million), sales of wireline equipment and other non-service revenues (first three quarters of 2015: total RMB3,427 million; first three quarters of 2014: total RMB3,267 million)

## Business Data

	As at 30 September 2015/ For the period from 1 January 2015 to 30 September 2015	As at 30 September 2014/ For the period from 1 January 2014 to 30 September 2014
Mobile Subscribers (Million)	194.34	181.57
of which 3G/4G subscribers (Million)	136.81	112.51
Net Add/(Decrease) of Mobile Subscribers (Million)	8.72	(4.01)
of which Net Add of 3G/4G subscribers (Million)	18.18	9.40
3G/4G Handset Data Traffic (KTB)	366.4	188.7
Mobile Voice Usage (Billion Minutes)	496.8	489.1
Wireline Broadband Subscribers (Million)	111.09	105.71
Net Add of Wireline Broadband Subscribers (Million)	4.14	5.61
Local Access Lines in Service (Million)	136.89	146.31
including: Household (Million)	85.84	92.65
Government & Enterprise (Million)	40.97	40.71
Public Telephone (Million)	10.08	11.59
Wireless Local Access (Million)	-	1.36
Net Decrease of Local Access Lines in Service (Million)	(6.67)	(9.49)
Wireline Local Voice Usage (Billion Pulses)	84.4	99.1
Wireline Long Distance Usage (Billion Minutes)	20.2	22.5

For the first three quarters of 2015, the number of mobile subscribers of the Group reached approximately 194 million, representing a cumulative net increase of 8.72 million. Of which the number of 3G /4G subscribers reached approximately 137 million, representing a cumulative net addition of 18.18 million. The number of 4G terminal users for the first three quarters reached 43.73 million, representing a cumulative net addition of 36.65 million. The Group was granted the permit to operate the LTE/4G digital cellular mobile service (LTE FDD) in February this year. The Group firmly seizes the 4G development opportunities, striving to promote the robust development of 4G mobile subscribers and mobile business. The mobile services revenues in the first three quarters maintained sustained growth. The average mobile service revenue per user per month (ARPU) was RMB 55.5, which was stable with slight increase as compared to that for the full year of last year. Facing the challenges from the new Internet technology and the intensified mobile substitution, the number of local access lines in service of the Group declined by 6.67 million in the first three quarters. Services like Internet access and data services continued its robust growth momentum, which effectively offset the impact of decline in the wireline voice services. The wireline broadband subscribers reached 111 million, representing a net addition of 4.14 million. The fundamentals of the overall wireline services continued to remain robust and the revenues from wireline services remained stable.

The Company's operation was on track as planned for the first three quarters of 2015. The pilot programme of replacing business tax with value-added tax ("VAT Reform") was extended to cover the telecommunications industry since 1 June 2014, leading to negative impact on the Group's revenues and profit for the first three quarters of 2015 to a certain extent, especially the additional five-month year over year impact as compared with the corresponding period of last year. In order to implement the government's relevant policy requirements, the Company has launched various measures on network speed upgrade and tariff reduction since May this year. Despite the challenges brought by the regulatory policies such as the VAT Reform and "speed upgrade & tariff reduction", the Group still managed to achieve a stable growth in revenues and profit. For the first three quarters of 2015, the

operating revenues of the Group were RMB246,317 million, representing an increase of 1.1% over the corresponding period of last year. Of which the service revenues were RMB221,067 million, an increase of 1.9% over the corresponding period of last year. During the period, the Group appropriately strengthened the initiatives in network operation so as to create the competitive edges for the synergistic development of wireline broadband and wireless broadband. In addition, operating rentals had increased. As a result, the network operations and support expenses for the first three quarters of 2015 increased by 21.6% over the corresponding period of last year. In the first three quarters of 2015, the selling, general and administrative expenses of the Group significantly reduced by 21.6% over the same period of last year mainly benefitting from the optimisation in the Group's development and marketing models to further reinforce the control over marketing initiatives and enhance the efficiency of resources utilisation. The personnel expenses for the first three quarters of 2015 increased by 7.5% over the corresponding period of last year mainly attributable to the increase in performance-linked remuneration for frontline employees. Meanwhile, as a result of the corresponding decrease in the costs of mobile terminals sold in line with the decrease in sales of mobile terminals during the period, other operating expenses decreased by 3.8% over the corresponding period of last year. During the period, finance costs decreased by 20.5% over the corresponding period of last year mainly due to the decrease in the interest rates from 6.25% in 2014 to 5.11% in 2015 on the outstanding amount of the deferred payment of the mobile network acquisition by the Group (the interest rate was specified in the agreement to be set at a 5 basis points premium to the yield of the 5-year super AAA rated Medium Term Notes on an annual basis). The investment income and share of losses of associates for the first three quarters mainly represented the share of losses (29.9%) of China Tower Corporation Limited ("China Tower") for the period. The profit attributable to equity holders of the Company was RMB16,361 million, representing an increase of 1.2% over the corresponding period of last year. EBITDA was RMB76,513 million, an increase of 2.3% over the same period of last year. EBITDA margin (EBITDA divided by the service revenues) was 34.6 %.

In order to further implement the policy requirements of the government regarding network speed upgrade & tariff reduction, the Company has launched the upgrade service of unused handset data traffic carried forward to the next one month from 1 October this year. The Company expects that the relevant concession measure will have adverse impact on the operating revenues and net profit of the Company to a certain extent. On 14 October 2015, the Company and China Tower entered into a transfer agreement, pursuant to which the Company will sell certain telecommunications towers and related assets and inject cash to China Tower in return for new shares issued by China Tower. The relevant disposal is expected to be able to benefit the Company on various aspects, especially to further enhance the tower sharing to be facilitated by China Tower, improve quick and effective 4G network roll-out to enhance time-to-market and capex saving by the Company. The Group will fully leverage the competitive edges in LTE hybrid network and promote the synergistic development of wireline broadband and wireless broadband in full strengths. The Company will encourage the customers to increase data usage upon speed upgrade & tariff reduction, aiming at increasing sales volume at lower unit prices so as to achieve a win-win situation and promote the profitable scale development of the business. The Group will proactively promote the comprehensive in-depth reform, accelerate the transformation of the operation and management models to further stimulate the corporate vitality. The Group will speed up the Internet-oriented transformation, fully leveraging the corporate's existing strengths and engaging in open cooperation and strengthening the competitive advantages of the ecosystem to enhance the differentiated operational capabilities. The Group will well-perform the "punches combo" of scale development, data traffic operation and Internet data analytics so as to create 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**  
**Chang Xiaobing**  
*Chairman and Chief Executive Officer*

Beijing, PRC, 28 October 2015

#### *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. Chang Xiaobing as the chairman and chief executive officer, Mr. Yang Jie as the president and chief operating officer, Mr. Zhang Jiping, Mr. Yang Xiaowei, Mr. Sun Kangmin and Mr. Ke Ruiwen as the executive vice presidents, Mr. Zhu Wei as the non-executive director and Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura, Mr. Xu Erming and Madam Wang Hsuehming as the independent non-executive directors.