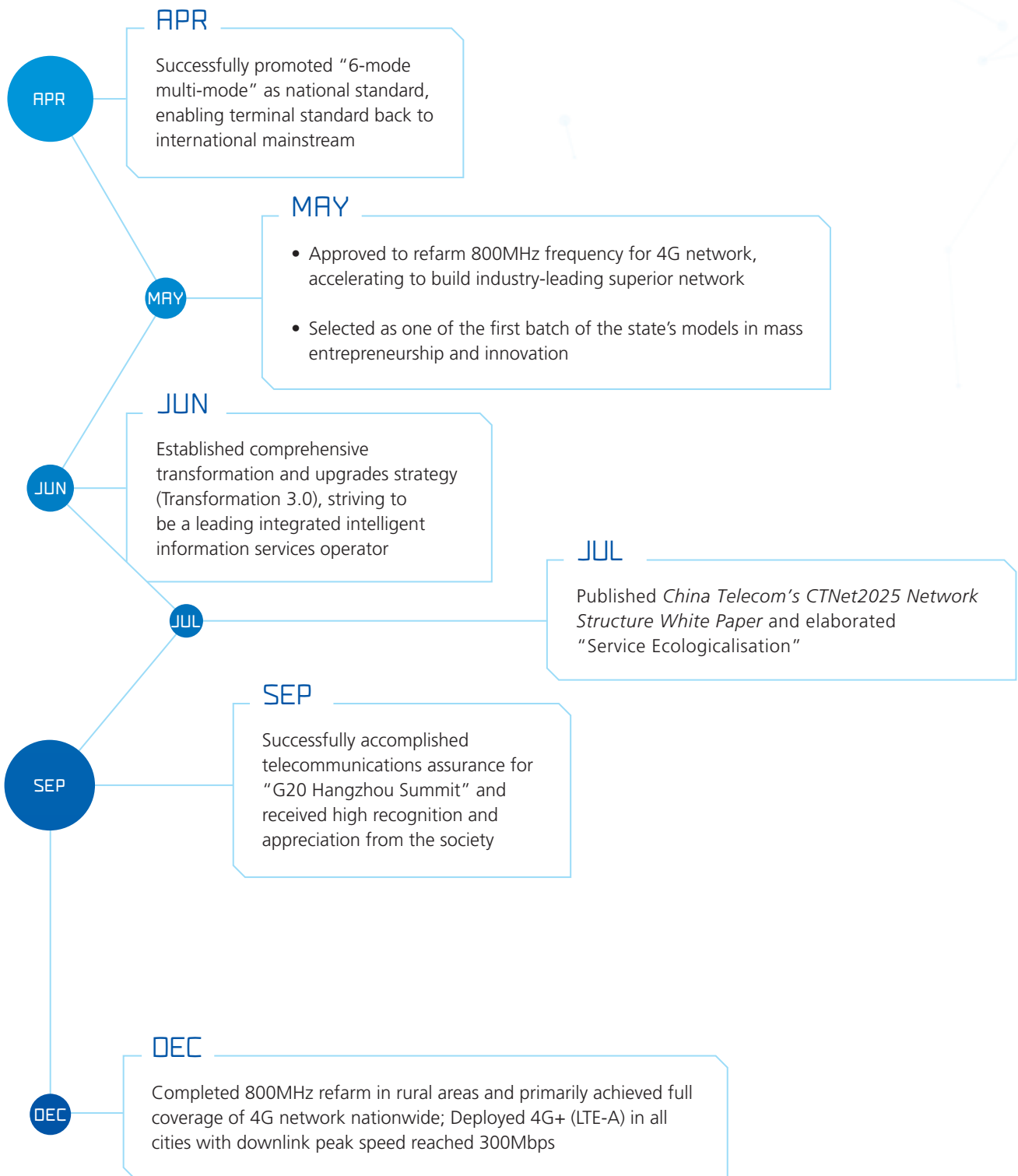


## About China Telecom

China Telecom Corporation Limited (“China Telecom” or the “Company”, together with its subsidiaries, collectively the “Group”) is a large-scale and leading integrated information service operator in the world, providing wireline & mobile telecommunications services, Internet access services, information services and other value-added telecommunications services primarily in the PRC. As at the end of 2016, the Company had mobile subscribers of about 215 million, wireline broadband subscribers of about 123 million and access lines in service of about 127 million. The Company’s H shares and American Depositary Shares (“ADSs”) are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the New York Stock Exchange respectively.



# 2016 Milestones



# Corporate Information

## Board of Directors

### Executive Directors

Yang Jie (Chairman)  
Yang Xiaowei  
Ke Ruiwen  
Sun Kangmin

### Independent Non-Executive Directors

Tse Hau Yin, Aloysius  
Cha May Lung, Laura  
Xu Erming  
Wang Hsuehming

## Audit Committee

Tse Hau Yin, Aloysius (Chairman)  
Xu Erming  
Wang Hsuehming

## Remuneration Committee

Xu Erming (Chairman)  
Tse Hau Yin, Aloysius  
Wang Hsuehming

## Nomination Committee

Cha May Lung, Laura (Chairlady)  
Tse Hau Yin, Aloysius  
Xu Erming

## Supervisory Committee

Sui Yixun (Chairman)  
Tang Qi (Employee Representative)  
Zhang Jianbin (Employee Representative)  
Hu Jing  
Ye Zhong

## Legal Representative

Yang Jie

## Joint Company Secretaries

Ke Ruiwen  
Wong Yuk Har

## International Auditor

Deloitte Touche Tohmatsu

## Legal Advisers

Haiwen & Partners  
Freshfields Bruckhaus Deringer  
Sullivan & Cromwell LLP

## Stock Code

HKEx: 728  
NYSE: CHA

## Company Website

[www.chinatelecom-h.com](http://www.chinatelecom-h.com)

# Chairman's Statement



## Yang Jie

Chairman and Chief Executive Officer

Intelligent service era is coming soon! As a leading telecommunications service provider, we take the lead to step up in transformation and upgrades introduced by intelligence. We shall seize the opportunities brought about by the new era. We shall build a flexible and simplified intelligent network, nurture service ecology satisfying different customer needs, and at the same time inject intelligence into operation & management, to enhance efficiency and return. We shall dedicate to innovation and advance ourselves timely for creation of more shareholders' value!

In 2016, with a coherent goal to step forward with keen determination, the Company strived to devote all efforts to firmly seize the favorable opportunity of information consumption upgrade and proactively responded to the complicated environments and circumstances, effectively tackling various pressures and challenges and successfully embarking on a new stage of corporate development. Adhering to explore for new development with cohesive efforts, scale and effectiveness were remarkably enhanced while development capabilities were continuously accumulated. With our unwavering perseverance in promoting reforms, the vitality of our employees was comprehensively exploded and intrinsic momentum was consistently reinforced. With detailed analysis in strategies planning for future vision, the Company promptly deployed the new direction to become the pioneer and embraced the new intellectual era in full strengths.

## Overall results

In 2016, the Company achieved impressive results. Operating revenues amounted to RMB352.3 billion, representing an increase of 6.4% over last year. Service revenues<sup>1</sup> amounted to RMB309.6 billion, representing an increase of 5.6% over last year, achieving continuous improvement in growth rate. Emerging businesses accounted for 40% of service revenues, representing an increase of over 5 percentage points over last year with continual rapid optimisation in business structure. EBITDA<sup>2</sup> was RMB95.1 billion while EBITDA margin<sup>2</sup> was 30.7%. Net profit<sup>3</sup> was RMB18.0 billion, representing an increase of 11.7% as compared to the net profit<sup>3</sup> for the year 2015 excluding the one-off gain from the disposal of tower assets. Basic earnings per share were RMB0.22. Capital expenditure was RMB96.8 billion, representing a decrease of 11.3% over last year while free cash flow<sup>4</sup> was -RMB7.7 billion with remarkable improvement over last year.

Taking into consideration the return to shareholders, the Company's profitability, cash flow level and capital requirements for its future development, the Board of Directors has decided to recommend at the forthcoming shareholders' meeting to appropriately increase the dividend level, that a dividend equivalent to HK\$0.105 per share for the year 2016 to be declared.

Raise  
OPS   
by  
**10.5%**  
to  
HK\$ **0.105**

<sup>1</sup> Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

<sup>2</sup> EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation while EBITDA margin was calculated based on EBITDA divided by service revenues.

<sup>3</sup> Net profit refers to the profit attributable to equity holders of the Company. Excluding the one-off gain from the disposal of tower assets amounted to approximately RMB3.9 billion, the net profit for the year 2015 was RMB16.1 billion.

<sup>4</sup> Free cash flow was calculated based on EBITDA minus capital expenditure and income tax.

### Rising to the challenges, operational development leaped forward to a new landmark

In 2016, facing intensified market competition, the Company adopted a proactive marketing strategy and placed emphasis on two fundamental businesses namely 4G and fibre broadband as well as five emerging areas namely e-Surfing HD, BestPay, Internet of Things, cloud and Big Data and "Internet+" ("2+5"). With perseverance in integration and innovation as well as comprehensive products upgrade, we maintained our leading position in services and accelerated scale breakthrough. Operational development leaped forward to a new landmark.

### Strong growth in 4G business to enhance the strengths of mobile business

Persevering with optimisation of existing customers, the Company comprehensively accelerated the users to upgrade their service from 3G to 4G. Through proactive expansion of customer acquisition, we strengthened integration to explore new markets. Aiming at all-round reinforcing business capabilities, we firmly seized the terminal benefits from "multi-mode" handsets, enhanced the sales capabilities of the entire channel and optimised the data traffic operation strategies. As a result, mobile business achieved rapid upgrade while scale and values were remarkably enhanced. The net increase of mobile subscribers for the year was 17.10 million, reaching a total of 215 million and accounting for 16.2% market share, representing an increase of 0.7 percentage points from the end of last year. The total number of 4G users doubled and reached a total of 122 million while the penetration rate reached 57%, accounting for 16.0% market share and representing

an increase of 1.9 percentage points from the end of last year. The sales volume of 4G handsets for the year exceeded 100 million, of which more than 80% represented sales of "multi-mode" handsets. The aggregate handset Internet data traffic for the year increased by 130% over last year, of which the aggregate 4G handset Internet data traffic increased nearly 3 times. The monthly average data traffic per 4G user entered a GB era. The mobile handset Internet access revenues for the year increased by 43% over last year, promoting steady improvement in mobile ARPU while the mobile service revenues increased by 10.5% over last year, outperforming the industry growth.

### Accelerated penetration of fibre broadband to promote intelligent upgrade in broadband

The Company persisted to adhere to differentiated competitive strategies. Driven by Hundred-Mbps products with trial run of Gbps products, the Company accelerated the transformation of network edges into market competitive capabilities. Through persistent promotion of end-to-end bandwidth upgrade and provision of premier service throughout the entire services process, we established high-quality brand image of broadband services. With deepened integration of Fibre-to-the-Home (FTTH) and "Smart Family" products, we offered all-in-one home entertainment and intelligent applications services to enhance the overall business values. The subscribers scale achieved rapid breakthrough for the year and the Company continued to maintain a leading position in the market. The net increase of wireline broadband subscribers was 10.06 million, reaching a total of 123 million. Of which the total number of FTTH subscribers was 106 million, representing a net increase of 35 million and the penetration rate reached 86%. The wireline broadband access revenues for the year increased by 3.3% over last year with good momentum in business development.

### Rapid development in emerging businesses to construct future growth engines

With persistent and unwavering determination in innovation and integration and leveraging the advantages of its own strengths and resources endowment, the Company internally strengthened efficiently-centralised integration while externally expanded open cooperation, resulting in accelerated expansion in growth potential of new emerging businesses. With rapid breakthrough in the scale of e-Surfing HD, the revenues for the year increased by 24% over last year. The net increase of e-Surfing HD subscribers was 20.95 million, reaching a total of 61.33 million. The number of average monthly active users of "BestPay" increased more than 3 times over last year. The gross merchandise value of "BestPay" for the year increased by approximately 30% over last year, exceeding RMB1 trillion. Internet of Things (IoT) business was rapidly developed, achieving efficient centralisation for the entire network. The net increase of IoT connected devices for the year was 13.21 million. Cloud and Big Data business maintained rapid development momentum. The revenues of cloud and Big Data business for the year increased by 55% over last year. The "Internet+" business achieved scale expansion with remarkable strengthening of the influences in the areas including government administration, education, health and medical care and industrial Internet.

### Continual deepening in reforms and innovation to stimulate corporate intrinsic momentum

Promoting comprehensive innovation is the assurance to accomplish corporate everlasting vibrant fundamentals. The Company insisted on market-oriented focus as the core to intensify efforts in resources allocation tilted frontline and authority delegation as well as optimisation of "top down" service support system. With in-depth promotion of sub-division of performance evaluation units, the frontline vitality was fully stimulated and operational efficiency was remarkably improved. The Company proactively responded to the theme of "entrepreneurship and innovation by the general public" and was selected as one of the first batch of the state's models in mass entrepreneurship and innovation, creating an innovative atmosphere for our employees. Through promoting the enhancement of quality and efficiency, optimisation of financial management mechanism and reinforcement in precision management, we successfully enhanced the capabilities of values management and risk management. With concurrent promotion of co-building and co-sharing of networks as well as strengthening in centralised procurement, we effectively reduced our investment costs and enhanced the efficiency of resources utilisation. We increased our efforts in new talents introduction programme, optimised the structure of talents team, focused on practical nurture of new talents team and established internal co-sharing mechanism for talents. Corporate vitality and efficiency were persistently improved.

Revenues of Cloud and Big Data Business

 55% 



### Looking ahead into the future vision, transformation and upgrades entered into a new stage of journey

In 2016, the Company successfully grasped and embraced the intelligent trend of development era as well as comprehensively examined and assessed the industry environment and actual corporate circumstances. Meanwhile, with widespread convergence of intelligence and experience from the implementation of strategic transformation (Transformation 1.0)<sup>5</sup> and in-depth transformation (Transformation 2.0)<sup>5</sup>, the Company established a comprehensive transformation and upgrades strategy (Transformation 3.0) and strived to be a leading integrated intelligent information services operator. Surrounding the overall strategies planning, we promptly determined and established the implementation path to pragmatically promote network intelligentisation, service ecologicalisation and operation intellectualisation. Transformation and upgrades entered into a new stage of journey.

### Promotion of network intelligentisation

In 2016, the Company published the *China Telecom's CTNet2025 Network Structure White Paper* and completed the top-level design on network reconstitution, endeavouring to build an industry-leading new style network featuring intelligence, efficient centralisation and openness. On the one hand, the Company persisted in strengthening the fundamental network capabilities. With full exploitation of the strengths of international mainstream FDD technology and co-sharing of telecommunications towers resources, the Company seized favourable opportunities from the policy to reform 800MHz frequency and swiftly achieved basic full coverage of superior 4G network nationwide characterised with multi-frequency collaboration, maintaining industry-leading customers' experience. We simultaneously deployed VoLTE and NarrowBand IoT (NB-IoT) with 4G networks, laying robust network foundation for the upgrade of mobile voice and IoT business. Through comprehensive promotion of fibre broadband network upgrade, we primarily achieved all cities in service areas with fibre broadband access capability while the overall average bandwidth of wireline broadband subscribers exceeded 50Mbps.

<sup>5</sup> For the years from 2004 to 2010, we implemented strategic transformation which defined the corporate as Telecom Full Service Provider, Internet Applications Aggregator and Leading Enterprise ICT Service Provider. For the years from 2011 to 2015, we implemented in-depth transformation which adjusted the corporate's positioning as the Leader of Intelligent Pipeline, the Provider of Integrated Platforms and the Participant of Content & Application Development.



On the another hand, the Company steadily promoted the intelligent evolution of networks. By introducing new technologies such as Software-Defined Networking (SDN) and Network Functions Virtualisation (NFV), the Company established open laboratory for network reconstitution and joint open laboratory for 5G. We actively engaged in a number of major projects including the research and development of 5G, fundamental scientific research, network engineering and product research and development. In addition, we also promoted the construction of Data Centre Interconnect (DCI) and optimised the cloud resources deployment embedded with the features of super massive volume, wide areas coverage and flexible adjustment so as to enhance the synergistic capabilities of cloud and network.

### Promotion of service ecologicalisation

The Company emphasised on key businesses and implementation of service reconstitution to plan well for future development. Through proactive establishment of five key business ecosphere, namely Intelligent Connection, Smart Family, Internet Finance, IoT and new ICT applications forming a synergetic integral featuring mutual integration, mutual reliance, mutual promotion and mutual driven as a whole, we aimed to provide intelligent-connected and vertically-integrated intelligent applications services for users. As the next step, the Company will increase efforts in building an operating mechanism for unified account products and enhance Internet-oriented and professional channel capabilities, injecting capabilities for service ecologicalisation; apply Big Data

capabilities to accurately support scale development and the entire process of value operations, injecting intelligence for service ecologicalisation; facilitate convergence of external resources and devote intensified efforts in open cooperation, injecting strengths for service ecologicalisation.

### Promotion of operation intellectualisation

The Company continued to expedite the promotion of efficient centralised and Internet-oriented operations to focus on the construction of a market-driven and frontline-driven intellectual operational system. With devoted efforts in deepened precision management, enhancement of operational efficiency and improvement in customer perception, evolution of network intelligentisation and service ecologicalisation were assisted and supported. We explicitly defined the key value of data in corporate's perspective and focused on Big Data applications, striving to create a "corporate core" with data-driven focus as the core. The Company commenced to implement various key measures including construction of corporate-level Big Data platform, enhancement of database management, reinforcement of IT system support and improvement of data applications capabilities. Core data convergence of the entire-network was basically completed. The end-to-end perception system covering the entire-network mobile business has been launched while end-to-end operation of fibre broadband was steadily promoted. In the future, the Company will persist to promote the reconstitution of operation and management, further collaborating the in-

## Chairman's Statement

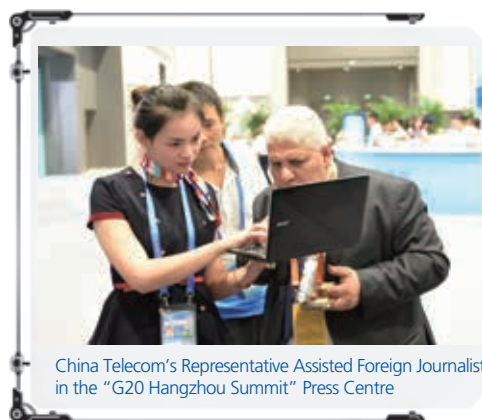
depth integration of smart operations with key areas including sales and marketing, service, network operations, corporate management and open cooperation as well as forming closed-loop management for the entire process so as to provide strengthened support and assurance for transformation and upgrades.

### Corporate governance and social responsibility

We always commit to uphold high level of corporate governance and insist on governing the corporate in accordance with laws and regulations, attaching great importance to risk management and control. We continuously enhance corporate transparency to ensure corporate healthy and sustainable growth. Our persistent efforts in corporate governance have been widely recognised by the capital markets. In 2016, we were accredited with a number of awards and recognitions, including the "No. 1 Overall Best Managed Company in Asia" by *Euromoney* for seven years in a row, "Most Honored Company in Asia" by *Institutional Investor* for six consecutive years and two Platinum Awards namely "Best Telecommunications Company in Asia" and "Best Company in China" by *FinanceAsia*.

We persist to adhere to the collaboration of self-development and social responsibility. Adhering to ensure operation with integrity and maintain a fair and orderly environment for market competition, we strive to achieve win-win cooperation with respective stakeholders and facilitate healthy development for the entire ecosphere, proactively making contributions for the national economy. We also devoted to maintain network security

and information security, prevent and combat telecommunications information fraud to create a safe and green network environment and responded to the initiatives of "the Belt and Road" by enhancing the information infrastructure for the countries and regions along the path. With implementation of "Speed Upgrade and Tariff Reduction", we vigorously promoted the popularisation of broadband penetration in rural areas and proactively implemented alleviation of information poverty through provision of information, persistently fostering the informatisation evolution for the society. We further strengthened energy conservation and emissions reduction, emphasising on environment protection in engineering projects to promote green operations. We launched the initiatives for poverty alleviation and aid programme to Tibet and Xinjiang aiming at serving the society continuously. We received high recognition and appreciation from the society through our efforts in combating catastrophic flooding in Southern China and successfully accomplishing telecommunications assurance for "G20 Hangzhou Summit".



China Telecom's Representative Assisted Foreign Journalist in the "G20 Hangzhou Summit" Press Centre



# Shareholder Information

## Share Information

### Share Listing

China Telecom Corporation Limited's H shares were listed on The Stock Exchange of Hong Kong Limited on 15 November 2002 and New York Stock Exchange as American Depositary Shares (ADSs) on 14 November 2002. ADSs are issued by The Bank of New York Mellon. Each ADS traded in the United States represents 100 ordinary H shares.

### Stock Code

|   |     |
|---|-----|
| The Stock Exchange of Hong Kong Limited | 728 |
| New York Stock Exchange                 | CHA |

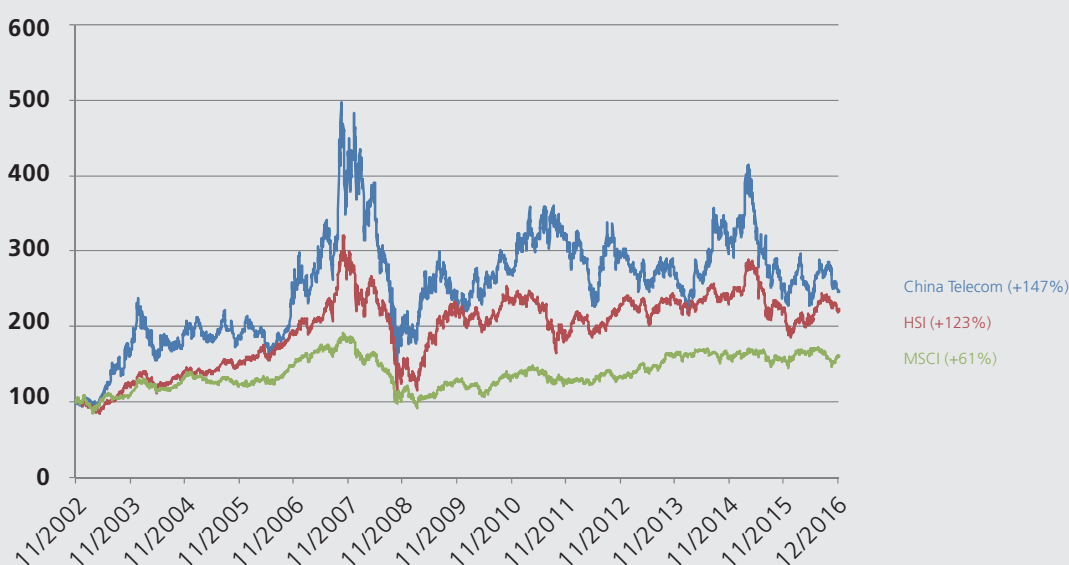
### Share Price Performance

| 2016 share price | HK\$ per H share |      |       | US\$ per ADS |       |       |
|------------------|------------------|------|-------|--------------|-------|-------|
|                  | High             | Low  | Close | High         | Low   | Close |
|                  | 4.34             | 3.28 | 3.58  | 55.85        | 42.23 | 46.13 |

Number of issued shares: (as at 31 December 2016) 80,932,368,321

Market capitalization: (as at 31 December 2016) HK\$289.7 billion

Share price performance of China Telecom on The Stock Exchange of Hong Kong Limited versus Hang Seng Index (HSI) and MSCI World Telecom Service Sector Index (MSCI) from IPO on 15 November 2002 to 31 December 2016.



### Distribution of shares and shareholdings

The share capital of the Company as at 31 December 2016 was RMB80,932,368,321, divided into 80,932,368,321 shares of RMB1.00 each. As at 31 December 2016, the share capital of the Company comprised:

|   | Number of shares | Percentage of the total number of shares (%) |
|---|------------------|--|
| <b>Total number of Domestic shares:</b>           | 67,054,958,321   | 82.85  |
| <i>Domestic shares held by:</i>                   |                  |  |
| China Telecommunications Corporation              | 57,377,053,317   | 70.89  |
| Guangdong Rising Assets Management Co., Ltd.      | 5,614,082,653    | 6.94   |
| Zhejiang Financial Development Company            | 2,137,473,626    | 2.64   |
| Fujian Investment & Development Group Co., Ltd.   | 969,317,182      | 1.20   |
| Jiangsu Guoxin Investment Group Co., Ltd.         | 957,031,543      | 1.18   |
| <b>Total number of H shares (including ADSs):</b> | 13,877,410,000   | 17.15  |
| Total   | 80,932,368,321   | 100.00                                       |

### Major shareholders of H shares

The following table shows the major shareholders that exercised or controlled the exercise of 5% or above of H shares as at 31 December 2016:

| Name of shareholder                     | Number of shares | Percentage of the total number of H shares in issue (%) |
|---|------------------|---|
| JPMorgan Chase & Co.                    | 1,771,824,481    | 12.77   |
| BlackRock, Inc.                         | 828,607,283      | 5.97  |
| The Bank of New York Mellon Corporation | 750,064,125      | 5.40  |
| Templeton Global Advisors Limited       | 703,545,865      | 5.07  |
| GIC Private Limited                     | 695,909,200      | 5.01  |

## Dividend History

| Financial Year | Ex-Dividend Date | Shareholder Approval Date | Payment Date | Dividend per Share (HK\$) |
|----------------|------------------|---------------------------|--------------|---------------------------|
| 2002 Final     | 16 May 2003      | 20 June 2003              | 10 July 2003 | 0.00837*                  |
| 2003 Final     | 1 April 2004     | 3 May 2004                | 20 May 2004  | 0.065                     |
| 2004 Final     | 21 April 2005    | 25 May 2005               | 23 June 2005 | 0.065                     |
| 2005 Final     | 20 April 2006    | 23 May 2006               | 15 June 2006 | 0.075                     |
| 2006 Final     | 26 April 2007    | 29 May 2007               | 15 June 2007 | 0.085                     |
| 2007 Final     | 28 April 2008    | 30 May 2008               | 16 June 2008 | 0.085                     |
| 2008 Final     | 23 April 2009    | 26 May 2009               | 30 June 2009 | 0.085                     |
| 2009 Final     | 22 April 2010    | 25 May 2010               | 30 June 2010 | 0.085                     |
| 2010 Final     | 18 April 2011    | 20 May 2011               | 30 June 2011 | 0.085                     |
| 2011 Final     | 5 June 2012      | 30 May 2012               | 20 July 2012 | 0.085                     |
| 2012 Final     | 4 June 2013      | 29 May 2013               | 19 July 2013 | 0.085                     |
| 2013 Final     | 4 June 2014      | 29 May 2014               | 18 July 2014 | 0.095                     |
| 2014 Final     | 1 June 2015      | 27 May 2015               | 17 July 2015 | 0.095                     |
| 2015 Final     | 30 May 2016      | 25 May 2016               | 15 July 2016 | 0.095                     |
| 2016 Final     | 26 May 2017      | 23 May 2017               | 21 July 2017 | 0.105**                   |

\* On the basis of HK\$0.065 per share, pro-rated based on the number of days the Company's shares have been listed during the year of 2002.

\*\* The dividend proposal is subject to shareholders' approval at the Annual General Meeting to be held on 23 May 2017.

## Annual Reports

Our annual reports in both English and Chinese are now available through the Internet at <http://www.chinatelecom-h.com>. The Company will file an annual report in Form 20-F for the year 2016 with the United States Securities and Exchange Commission by 30 April 2017.

### 2016 Annual Report Survey

Annual Report is a key communication channel between shareholders and the Company. Last year, we received around 100 questionnaires of "Your Views on Annual Report 2015". Each of these responses benefited us in enhancing and further improving our annual reports. We are deeply indebted to the respondents for their constructive responses. In accordance with our commitment, we have to donate HK\$50 for each questionnaire received. In this regard, we have donated a sum of HK\$10,000 to the charitable organisation, WWF. In addition, we have already implemented the suggestion of allowing shareholders to choose means of receipt and language of corporate communication to enhance environmental protection and cost savings.

We value and are eager to keep hearing your comments on our annual report for our further improvement in the future. It is highly appreciated if you could spare your precious time to complete the questionnaire of "Your Views on Annual Report 2016", as attached in this annual report, and return it by post or fax to us at +852 2877 0988. You can also fill in the electronic form at our website, [www.chinatelecom-h.com](http://www.chinatelecom-h.com).

## Annual General Meeting

To be held at 11:00 a.m. on 23 May 2017 in Island Shangri-La Hong Kong.

Registered office

Address: 31 Jinrong Street  
Xicheng District  
Beijing  
PRC 100033  
Tel: 86 10 5850 1508  
Fax: 86 10 6601 0728

Any enquiries relating to the strategic development or operations of China Telecom Corporation Limited, please contact the Investor Relations Department:

Investor Relations Department

Tel: 852 2877 9777  
IR Enquiry: 852 2582 0388  
Fax: 852 2877 0988  
Email: [ir@chinatelecom-h.com](mailto:ir@chinatelecom-h.com)

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, loss of share certificates, please contact the H share registrar:

H share registrar

Computershare Hong Kong Investor Services Limited  
Address: Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel: 852 2862 8555  
Fax: 852 2865 0990  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## Shareholder Information

Any enquiries relating to ADSs, please contact the depositary:

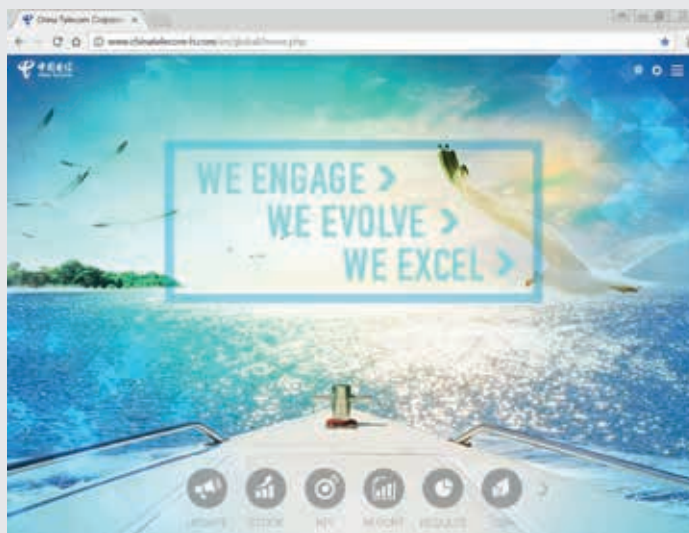
ADS depositary

The Bank of New York Mellon

Address: Shareowner Services  
P.O. Box 30170  
College Station  
TX 77842-3170

Tel: 1-888-269-2377 (toll free in USA)  
1-201-680-6825 (international)

Email: [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)







# Corporate Culture

## Corporate Mission

Let the customers fully enjoy a new information life

## Strategic Goal

Be a leading integrated intelligent information services operator

## Core Value

Comprehensive innovation, pursuing truth and pragmatism, respecting people and creating value all together

## Operation Philosophy

Pursue mutual growth of corporate value and customer value

## Service Philosophy

Customer First Service Foremost

## Code of Corporate Practice

Keep promise and provide excellent service for customers

Cooperate honestly and seek win-win result in joint innovation

Operate prudently and enhance corporate value continuously

Manage precisely and allocate resources scientifically

Care the staff and tap their potential to the full

Reward the society and be a responsible corporate citizen

## Corporate Slogan

Connecting the World

