

CHINA TELECOM CORP LTD

Form 6-K

September 10, 2018

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the Month of September 2018

Commission File Number 1-31517

China Telecom Corporation Limited

(Translation of registrant's name into English)

31 Jinrong Street, Xicheng District

Beijing 100033, China

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):)

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):)

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes

No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-
.)

Table of Contents

EXHIBITS

**Exhibit
Number**

- 1.1 2018 Interim Report, dated August 20, 2018.
- 1.2 Circular in relation to renewal of continuing connected transactions, proposed election of directors and supervisor and notice of extraordinary general meeting, dated September 10, 2018.
- 1.3 Notice of extraordinary general meeting, dated September 10, 2018.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 6-K may be viewed as forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are, by their nature, subject to significant risks and uncertainties, and include, without limitation, statements relating to:

our business and operating strategies and our ability to successfully execute these strategies;

our network expansion and capital expenditure plans;

our operations and business prospects;

the expected benefit of any acquisitions or other strategic transactions;

our financial condition and results of operations;

the expected impact of new services on our business, financial condition and results of operations;

the future prospects of and our ability to integrate acquired businesses and assets;

the industry regulatory environment as well as the industry outlook generally; and

future developments in the telecommunications industry in the People's Republic of China, or the PRC. The words anticipate, believe, could, estimate, expect, intend, may, plan, seek, will, would and they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We are under no obligation to update these forward-looking statements and do not intend to do so. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the following:

any changes in the regulations or policies of the Ministry of Industry and Information Technology (prior to March 2008, the Ministry of Information Industry, or the MII), or the MIIT, and other relevant government authorities relating to, among other matters:

Table of Contents

the granting and approval of licenses;

tariff or network speed policies;

interconnection and settlement arrangements;

capital investment priorities;

the provision of telephone and other telecommunications services to rural areas in the PRC;

the convergence of television broadcast, telecommunications and Internet access networks, or three-network convergence; and

spectrum and numbering resources allocation;

the effects of competition on the demand for and price of our services;

any potential further restructuring or consolidation of the PRC telecommunications industry;

changes in the PRC telecommunications industry as a result of the issuance of the fourth generation mobile telecommunications, or 4G, licenses by the MIIT;

the development of new technologies and applications or services affecting the PRC telecommunications industry and our current and future business;

changes in political, economic, legal and social conditions in the PRC, including changes in the PRC government's specific policies with respect to foreign investment in and entry by foreign companies into the PRC telecommunications industry, economic growth, inflation, foreign exchange and the availability of credit;

results and effects of any investigation by the relevant PRC regulatory authorities; and

the development of our mobile business is dependent on the Tower Company.

Please also see the "Risk Factors" section of the Company's latest Annual Report on Form 20-F, as filed with the Securities and Exchange Commission.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA TELECOM CORPORATION LIMITED

Date: September 10, 2018

By: /s/ Yang Jie

Name: Yang Jie

Title: Chairman and Chief Executive Officer

Table of Contents

Exhibit 1.1

Table of Contents

Forward-looking Statements

Certain statements contained in this report 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, a joint stock limited company incorporated in the People's Republic of China with limited liability) 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.

Contents

1	<u>Financial Highlights</u>
2	<u>Chairman's Statement</u>
8	<u>Financial Review</u>
10	<u>Report on Review of Interim Financial Statements</u>
11	<u>Unaudited Consolidated Statement of Financial Position</u>
13	<u>Unaudited Consolidated Statement of Comprehensive Income</u>
15	<u>Unaudited Consolidated Statement of Changes in Equity</u>
16	<u>Unaudited Consolidated Statement of Cash Flows</u>
18	<u>Notes to the Unaudited Interim Financial Statements</u>
45	<u>Other Information</u>

Table of Contents

Financial Highlights

	Six-month period ended 30 June	
	2018	2017 ⁴ (restated)
Operating revenues (<i>RMB millions</i>)	193,029	184,315
EBITDA ¹ (<i>RMB millions</i>)	55,858	52,444
EBITDA margin ²	31.5%	31.6%
Net profit ³ (<i>RMB millions</i>)	13,570	12,555
Earnings per share (<i>RMB</i>)	0.168	0.155
Capital expenditure (<i>RMB millions</i>)	32,947	41,119

¹ EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

² EBITDA margin was calculated based on EBITDA divided by service revenues.

³ Net profit refers to profit attributable to the equity holders of the Company.

⁴ In 2017, the Group acquired the satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited (). As the transaction was recognised as a combination of entities under common control, the figures of prior period have been restated accordingly. Please refer to note 2 to the unaudited interim financial statements in this interim report for details.

Table of Contents

Chairman's Statement

Dear Shareholders,

In the first half of 2018, facing complicated and intensified industry conditions, we adhered to the established development strategy and were well organised for a balanced approach to persist in excellent execution, accomplishing successful achievement of new breakthrough in corporate development. Stepping a firm foothold in the present, we firmly seized the golden opportunities from expansion of customers potential, benefits released from data traffic and informatisation integrated development. With our dedicated and persistent efforts to proactively expand accompanied by implementation of effective self-defence measures, the business scale of fundamental businesses achieved rapid breakthrough and the growth of emerging businesses remained continuously strong. The revenue growth achieved industry-leading position while the profitability level steadily enhanced. With a vision looking forward into the future, we are facing prosperous business opportunities of intelligent information services in the era of digital economy. Through our unwavering devotion to promote the transformation of the three initiatives, implement comprehensive in-depth reforms and innovation together with proactively prospect the landscape of 5G

Table of Contents

Chairman's Statement

development, we endeavoured to create new value potential for shareholders.

Operating Results

In the first half of the year, operating revenues amounted to RMB193.0 billion. Of which, service revenues¹ amounted to RMB177.6 billion, representing an increase of 7.0% over the same period last year (if excluding the impact of the application of International Financial Reporting Standard 15 on the current period, it represented an increase of 8.5% over the same period last year) with revenue growth surpassing the industry average for consecutive years. Revenues from emerging businesses² accounted for 51.2% of service revenues, representing an increase of 6.1 percentage points over the same period last year with continual optimisation in revenue structure. EBITDA³ amounted to RMB55.9 billion and EBITDA margin³ was 31.5%, which remained primarily stable compared with the same period last year. Net profit⁴ amounted to RMB13.6 billion, representing an increase of 8.1% over the same period last year while basic earnings per share were RMB0.168, achieving persistent favourable growth. Capital expenditure was RMB32.9 billion, representing a decrease of 19.9% with persistent and appropriate control. Free cash flow⁵ reached RMB18.4 billion which has increased remarkably over the same period last year.

Taking into consideration the Company's profitability, cash flow level and the capital requirements for future development, the Board of Directors has decided not to pay an interim dividend this year in order to maintain adequate funding flexibility. The Board of Directors will proactively consider the expectation of shareholders' return and evaluate the final dividend proposal when reviewing the full year results and will propose to the shareholders' general meeting accordingly.

Innovation and Integration Promoting New Breakthrough in Scale

In the first half of the year, the Company accurately grasped the changes of market demand and firmly adhered to proactive marketing strategy. Product innovation was accelerated while integration upgrade was promoted, attaining new breakthrough in scale development.

Acceleration of product innovation. Firmly seizing the development opportunities of large data traffic, we launched a series of enriched large data traffic package products to mid- to high-end users. Through in-depth co-operation with various well-known Internet enterprises, we offered numerous Internet card products for youngsters group. In overall, the demand from different targeted markets was fully satisfied. Through active external cooperation to enrich the variety of terminals, we launched the first batch of 17 multi-mode artificial intelligence (AI) handset models in total. The sales volume of multi-mode terminals of the entire industry accounted for 78%. With enriched forms of wireline broadband products, we comprehensively launched products such as self-selective broadband and daily-rental broadband. Besides, we vigorously expanded targeted markets including household second broadband as well as hotel and apartment broadband, effectively boosting customers' growth potential. Meanwhile, product innovation in the area of Intelligent Applications ecosphere⁶ was further expedited and new growth engine was cultivated.

Promotion of integration upgrade. Insisting on relying superior business as the core, we achieved mutual integration and mutual promotion among businesses concurrent with value enhancement. On the foundation of business convergence among mobile, fibre broadband and e-Surfing HD, we comprehensively

- ¹ *Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.*
- ² *Revenues from emerging businesses included revenues from data traffic, Internet applications and ICT services.*
- ³ *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.*
- ⁴ *Net profit refers to profit attributable to the equity holders of the Company.*
- ⁵ *Free cash flow was calculated from EBITDA minus capital expenditure and income tax.*
- ⁶ *Intelligent Applications ecosphere included Smart Family ecosphere, DICT ecosphere, IoT ecosphere and Internet Finance ecosphere. DICT refers to the integrated intelligent applications services based on three major technologies, namely communications technology, information technology, cloud and Big Data technology.*

Table of Contents

Chairman's Statement

fostered integration upgrade of large data traffic + Hundred-Mbps broadband + Smart Family so as to simultaneously enhance competitive capabilities of integrated products as well as effectively increase customers loyalty. As a result, the churn rate of broadband subscribers remained stable with a slight decline. The triple-play bundled rate⁷ of broadband subscribers reached 59%, representing an increase of 13 percentage points over the same period last year. Facing severe and intensified price competition, wireline broadband service, as a Smart Family service portal, not only attained effective self-defence but also bolstered the rapid development of Smart Family service. The value contribution of Smart Family to broadband services was persistently enhanced. The ARPU of broadband access was RMB47.2 while the broadband blended ARPU⁸ was RMB52.5, maintaining the leading position in the industry.

Achievement of new breakthrough in scale. In the first half of the year, the growth of both mobile and broadband scale reached historical records high. Intelligent Applications ecosphere became revenue growth force.

Mobile service revenues amounted to RMB83.6 billion, representing an increase of 10.3% over the same period last year and continuing to maintain double-digit growth. Of which, the mobile handset Internet access revenue increased by 26.5% over the same period last year. The total number of mobile subscribers reached 282 million, representing a net increase of 31.66 million which was more than double of the net additions in the same period of last year and reached a historical record high. It accounted for 46.5% market share in the net additions of the industry and the overall total market share increased to 18.9%. Of which, the total number of 4G users reached 217 million, representing a net increase of 35.27 million while the penetration rate reached 77%. The aggregate handset Internet data traffic had strong growth momentum and increased by nearly four times. Wireline service revenues amounted to RMB94.0 billion, representing an increase of 4.2% over the same period last year with further enhancement of growth rate. The total number of wireline broadband subscribers reached 141 million, representing a net increase of 7.09 million and also achieved a historical record high. Of which, the proportion of wireline broadband subscribers of Hundred-Mbps reached 56%, representing an increase of 19 percentage points over the same period last year.

The contribution of Intelligent Applications ecosphere to the incremental service revenues of the Company exceeded over 50%. The e-Surfing HD revenues increased by 29.8% while the net increase of e-Surfing HD subscribers was 12.54 million, reaching a total of 98.30 million with 70% penetration rate. Revenues from IDC service maintained a growth rate of 20% and the growth rate of total revenues from cloud and Big Data reached 120%. Internet of Things (IoT) services achieved accelerated breakthrough with revenue growth rate attaining nearly 90%. The net increase of connected devices was nearly 30 million, being doubled as compared to the same period last year and reached a total of 74.19 million. The number of average monthly active users of Internet Finance (BestPay) exceeded 37.70 million, representing an increase of 34% over the same period last year. The gross merchandise value of personal accounts increased by nearly 90% compared to the same period last year.

Transformation and Reforms Fostered Further Enhancement of Capabilities

In the first half of the year, the Company expedited the promotion of network intelligentisation, service ecologicalisation and operation intellectualisation (three initiatives transformation), persistently promoting comprehensive in-depth reforms and boosting further enhancement of integrated competitiveness at all-round perspectives.

Further reinforcement of network capabilities. Despite continuous reduction in investment scale, enhancement of network fundamental capabilities still leaped forward a new progress while integrated customers experience

maintained industry-leading position. Leveraging superior full coverage 4G network characterised by high- and low-frequency collaboration, we continuously optimised in-depth coverage for key scenes including high-speed rail and high-density business districts and deployed dynamic bandwidth expansion in accordance with users' demand. The

⁷ *Triple-play bundled rate represented the proportion of broadband subscribers who also subscribe mobile and e-Surfing HD services at the same time.*

⁸ *Broadband blended ARPU was calculated based on the total monthly average revenues from Smart Family and broadband access divided by the average number of broadband subscribers.*

Table of Contents

Chairman's Statement

number of 4G base stations reached 1.2 million while the network utilisation rate was 36%, offering vigorous support to the development of large data traffic. With efficient promotion of all-fibre network construction, full coverage of Fibre-to-the-Home (FTTH) for households in cities and towns⁹ was primarily accomplished while Gbps broadband was deployed in more than 170 cities on demand. The bandwidth of IP metropolitan area network and backbone network reached 500Tbps and 170Tbps respectively, maintaining industry-leading position. With accelerated promotion of eMTC (enhanced Machine-Type Communications) pilot launch, we basically accomplished the whole-range speed rate IoT structure combining high, medium and low speed of 4G, eMTC and NB-IoT, respectively and offered differentiated services capabilities on demand. With our continuous efforts to promote evolution of network cloudification and intelligentisation, we pragmatically implemented *CTNet2025* network reconstitution and promoted self-R&D and scale commercial launch of key new products such as intelligent self-selective dedicated line and intelligent gateway based on Software-Defined Networking (SDN) technology, deploying SDN to enhance network operation and maintenance efficiency on cloud resources pool and backbone network. Based on the Network Functions Virtualisation Infrastructure (NFVI) standard unified with China Telecom cloud network, we commenced pilot launch of virtual IP Multimedia Subsystem (vIMS) embedded with full decoupling function, laying the foundation for full 5G network cloudification.

Acceleration of breakthrough in five ecospheres capabilities. In the aspect of Intelligent Connection ecosphere, we firmly grasped the upgrade of users' demand and insisted on customers' value operation. With in-depth integration, innovative products as well as strengthened edges on terminals, channels and services, scale development capabilities were consistently enhanced. In the aspect of Smart Family ecosphere, we strengthened the ecological cooperation of contents and smart homes, procuring to be complementary with the advantages of Intelligent Connection ecology. Leveraging three interactive portals including e-Surfing gateway, intelligent set-top box and e-Surfing housekeeper app, we fully exploited the competitiveness of subscribers scale, channel and services. e-Surfing HD, intelligent WiFi networking services, family cloud and smart homes progressively became core applications of Smart Family. In the aspect of DICT ecosphere, we fully leveraged the integration advantages of cloud with network and accelerated the breakthrough in cloud products capabilities. With our firm perseverance to grasp development opportunities for corporates subscribing for cloud, we accomplished breakthrough in projects covering government cloud services and key industry benchmark customers, affirming the Company's position as a major force in the area of DICT services. In the aspect of IoT ecosphere, we endeavoured to reinforce the efficiently-centralised operations, expedite the construction of platform capabilities and strengthen ecological cooperation. On the foundation of expansion of connection scale, we extended our services to data operation and explored the innovation of business models. In the aspect of Internet Finance ecosphere, we persisted in differentiated development and leveraged BestPay red packet as main portal to procure in-depth integration with fundamental businesses and promote integrated instalment model with Internet co-operative partners, effectively driving customers growth and enhancing customers loyalty.

Persistent enhancement of capabilities in intelligent operations. With the establishment of corporate core as the nucleus and Big Data as the driving force, we deepened the promotion of precision marketing, delicated service, lean network operations and precision management aiming at improving corporate scientific decision-making capabilities and operational management efficiency. The capabilities of Big Data platform were progressively strengthened while the capabilities of IT, network and platform throughout the entire network were converged and openly co-shared, effectively bolstering corporate swift operation. Big Data applications achieved effective results. The volume of collection and processing of Big Data reached 130TB per day, representing an increase of 86% over the same period last year. The frequency of platform interchange reached 500 million times per month, being 10 times over the same period last year. With the construction of a new generation of group-level support system, we achieved the speeding

up of business processing time of the entire network with effective enhancement of customers' experience. Through the establishment of highly efficient and inter-driven integrated channel system, we emphasised to strengthen all channel

⁹ *Households in cities and towns represented the households in the service areas of wireline broadband services offered by the Company.*

Table of Contents

Chairman's Statement

collaboration among physical stores, government and enterprises, social cooperation and Internet. All-round customer contact points were expanded while customers' intelligent sales experience was strengthened. Meanwhile, we continued to preserve and uphold high standard of service quality. According to the assessment conducted by the Ministry of Industry and Information Technology for the first half year, the Company was ranked first in terms of various customer satisfaction appraisals on handset Internet access, wireline broadband, customer integrated services and mobile voice and attained the lowest customers complaint rate in the industry. In promoting efficiently-centralised and co-shared intelligent financial system, value-oriented resources allocation was persistently enhanced while measures to prevent and control risks were continuously strengthened, leading to effective safeguard for healthy and sustainable corporate development.

Enhancement of vitality and efficiency through reforms and innovation. The Company persistently deepened the three-dimensional inter-driven reform surrounding sub-division of performance evaluation units, professional operation and top-down support as the core. In addition to the foundation of about 59,000 sub-division units established, we gradually constructed different professional scenes including business districts, communities, rural villages and campuses. Through a series of new style working models such as leading team and providing assistance, the level of professional operation was strengthened. With persistent promotion of procedures optimisation, we fostered significant enhancement of top-down support efficiency through conducting reverse evaluation on management support personnel by frontline operation personnel. We proceeded to accelerate the establishment of operation systems and organisation mechanisms in alignment with transformation and upgrades, striving to build three talent teams comprising management, skills and professionalism. Through continuous reforms and innovation, frontline innovative practices continuously emerged with remarkable enhancement of corporate vitality and efficiency.

Active Embracement of New Era of 5G

Following the gradual affirmation of technical standards, the progress of 5G development began to speed up. In the first half of the year, the Company proactively embarked on exploring the landscape of 5G development and accumulating capabilities. We orderly promoted technology research as well as research and development of applications, formulated evolution path for future technology and published 5G Technologies White Paper. Network trials in scale were conducted in many cities focusing on promotion of applications trials including HD video, AR/VR, automated driving, drone and industrial Internet. Research on collaborative network trial for 5G and 4G was commenced, planning well for the landscape of 5G network, applications and business models.

As a next-generation emerging technology, 5G will accelerate the digitalisation transformation of the economy and the society and also significantly promote the development of important industries including IoT and intelligent manufacturing, creating vast connection potential and forming trillion-scale emerging industries. With firm adherence to the overall principle of efficient development, the Company will proactively grasp opportunities, appropriately manage the momentum, insist on open cooperation, facilitate efficient collaboration of 5G with 4G network resources and service capabilities as well as carry out 5G network precision investment construction in a progressive and focused manner, commencing 5G scale commercial launch on a timely basis.

Corporate Governance and Social Responsibility

We are always committed to upholding a high level of corporate governance. Insisting on governing the corporate in accordance with laws and regulations, we attach great importance to risk management and control and continuously

enhance corporate transparency to ensure healthy and sustainable corporate growth. Our efforts have been widely recognised by the capital markets. We were awarded Most Honored Company in Asia by *Institutional Investor* for eight consecutive years. We were also awarded Best Managed Company and a special accolade of Most Honored Company (2009-2018) by *FinanceAsia*, in recognition of the Company's overall persistent efforts to pursue for excellence and remarkable accomplishment on corporate governance, investor relations and corporate social responsibility during the past decade.

As a major force of Cyberpower, Digital China and Smart Society and network infrastructure provider, we

Table of Contents

Chairman's Statement

persevere in fulfillment of social responsibility. With further implementation of the Speed Upgrade and Tariff Reduction policy, we cancelled data roaming fees from 1 July 2018 for the benefit of the general public as a whole. We are also devoted to maintaining network and information security, striving to create a clean and healthy cyberspace. We promote energy saving and emission reduction as well as foster green development. With our proactive adherence to execute the Belt and Road policy, we built the first China-Nepal Terrestrial Optical Fibre Cable and China-Pakistan Terrestrial Optical Fibre Cable. We received high recognition and appreciation from the society through our efforts in successfully accomplishing telecommunications assurance for major conferences and events including Boao Forum for Asia, as well as combating flooding and disaster relief.

Outlook

Following the promotion of the construction of Cyberpower, Digital China, and Smart Society, China has entered into a vital period of transformation of old impetus through digitalisation coupled with cultivation and reinforcement of new impetus. The rapid development of various new technologies including 5G, artificial intelligence and Big Data will assist rapid upgrade of industry and foster the digital economy development leaping forward to a new landmark, bringing precious development opportunities for the communications and information industry. From the perspective of the entire industry, market demand brings new growth potential for fundamental businesses development while domestic mobile and broadband markets still have vast growth potential. Demand for data traffic will undergo explosive growth. Under collaborative inter-promotion of integration of informatisation with new industrialisation, urbanisation and agricultural modernisation; the integration of informatisation with government management and social service; the integration of informatisation with real economy as well as the integration of informatisation with network and military-civilian aspects, emerging businesses will experience continuous rapid development. Meanwhile, increasingly intensified market competition has rendered industry growth potential being persistently squeezed. New technologies and new business models will continue to emerge, bringing new challenges on industry value. There are pressing needs for corporates to promptly explore new business models and new revenue growth points.

Looking ahead into the future, we are full of confidence. We will firmly seize the precious opportunities and actively respond to various challenges. With perseverance in scale development, we will adapt to the market changes momentum and optimise competition strategies. We will also persist in excellent execution, continuous enhancement of capabilities and optimisation of customers' experience. We will firmly uphold the implementation of reforms and innovation, optimise systems and mechanisms to enhance corporate vitality and efficiency. We will unwaveringly strengthen our strategic direction, deepen supply-side structural reform and promote three initiatives transformation, creating a new generation of information infrastructure featuring Internet of everything, human-computer interaction as well as integration of the satellite with existing network as a whole. With the establishment of integrated ecology between information technology and various sectors and industries, we will enhance corporate total factor productivity and march towards the three major goals of construction of Cyberpower, building a first-class enterprise, co-establishing better living.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all our shareholders and customers for their support. I would also like to express my sincere thanks to all our employees for their hard work and contributions. Furthermore, I would like to extend my sincere gratitude towards Mr. Liu Aili and Madam Cha May Lung, Laura for their excellent contributions during their tenure of office as Directors of the Company.

Yang Jie

Chairman and Chief Executive Officer

Beijing, China

20 August 2018

7

Table of Contents

Financial Review

Operating Revenues

In the first half of 2018, the Company adhered to its transformation and upgrades strategy, insisted on development of innovation and integration and accelerated scale expansion. Revenue structure was continuously optimised with revenue growth surpassing the industry average. In the first half of the year, operating revenues amounted to RMB193,029 million, representing an increase of 4.7% over the same period last year¹. Service revenues² amounted to RMB177,588 million, representing an increase of 7.0% over the same period last year. Excluding the impact of the application of IFRS 15 on the current period, service revenues increased by 8.5% over the same period last year. Among the service revenues, mobile service revenues amounted to RMB83,552 million, increased by 10.3% over the same period last year; wireline service revenues amounted to RMB94,036 million, increased by 4.2% over the same period last year. Non-voice service revenues accounted for 85.0% of service revenues, representing an increase of 4.2 percentage points over the same period last year.

Operating Expenses

The Company efficiently allocated resources and optimised the cost structure in order to support scale development, facilitating persistent increases in effectiveness and efficiency of resources utilisation. In the first half of the year, operating expenses amounted to RMB173,872 million, representing an increase of 4.5% over the same period last year. Operating expenses accounted for 90.1% of operating revenues, representing a decrease of 0.1 percentage point over the same period last year.

In order to further enhance network capabilities and quality to support business scale development, the Company has increased its investment in and maintenance of 4G and fibre broadband network in recent years. In the first half of the year, depreciation and amortisation amounted to RMB36,701 million, representing an increase of 6.6% over the same period last year. At the same time, network operations and support expenses amounted to RMB54,184 million, representing an increase of 11.8% over the same period last year.

In the first half of the year, selling, general and administrative expenses amounted to RMB29,048 million, representing an increase of 1.1% over the same period last year.

The Company increased the incentives for frontline employees as well as talents for emerging businesses and technical experts. In the first half of the year, personnel expenses amounted to RMB32,649 million, representing an increase of 6.1% over the same period last year.

Through continuous increase in number of terminals sold through open channels as well as reduction in centralised procurement, the number of terminals directly sold by the Company declined. In the first half of the year, other operating expenses amounted to RMB21,290 million, representing a decrease of 10.9% over the same period last year.

¹ In 2017, the Group acquired the satellite communications business and Shaanxi Zhonghe Hengtai Insurance Agent Limited (). As the transaction was recognised as a combination of entities under common control, the figures of prior period have been restated accordingly. Please refer to note 2 to the unaudited interim financial statements in this interim report for details.

² *Service revenues were calculated based on operating revenues minus sales of mobile terminals (first half of 2018: RMB12,079 million; first half of 2017: RMB15,951 million), sales of wireline equipment (first half of 2018: RMB2,773 million; first half of 2017: RMB1,890 million) and other non-service revenues (first half of 2018: RMB589 million; first half of 2017: RMB478 million).*

Table of Contents

Financial Review

Net Finance Costs

The Company persistently intensified its efforts in efficiently-centralised capital management, which effectively lowered the level of interest-bearing debt. In the first half of 2018, the net finance costs of the Company amounted to RMB1,514 million, representing a decrease of 14.6% over the same period last year.

Profitability Level

Leading by its transformation and upgrades strategy, the Company deepened its reform and innovation and strived to promote cost reduction and efficiency enhancement, resulting in consistent improvement in profitability. In the first half of the year, profit attributable to equity holders of the Company amounted to RMB13,570 million, representing an increase of 8.1% over the same period last year. EBITDA³ amounted to RMB55,858 million, representing an increase of 6.5% over the same period last year, while EBITDA margin⁴ was 31.5%.

Capital Expenditure and Cash Flows

The Company persistently optimised the investment structure. Through the implementation of precision investment, investment efficiency and effectiveness were concurrently enhanced while comprehensive advantages in network were consistently reinforced. In the first half of the year, capital expenditure amounted to RMB32,947 million, representing a decrease of 19.9% over the same period last year. Benefitting from the sound growth in the Company's business and revenues, as well as effective management on capital expenditure, the free cash flow⁵ was significantly improved in the first half of the year and amounted to RMB18,383 million, representing an increase of 154.1% over the same period last year.

Assets and Liabilities

The Company continued to maintain a solid financial position. As at 30 June 2018, the total assets increased by 0.2% to RMB662,299 million from RMB661,194 million at the end of 2017. Total indebtedness decreased by 20.2% to RMB83,267 million from RMB104,377 million at the end of 2017. The gearing ratio⁶ decreased to 19.9% from 24.3% at the end of 2017.

Changes in Accounting Policies

On 1 January 2018, the Company has applied, for the first time, IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments*. For the specific impact of the application of the above standards, please refer to note 4 to the unaudited interim financial statements in this interim report for details.

³ EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

⁴ EBITDA margin was calculated based on EBITDA divided by service revenues.

⁵ Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

⁶

Gearing ratio was calculated based on total indebtedness divided by total capital while total capital was calculated based on total equity attributable to equity holders of the Company plus total indebtedness.

Table of Contents

Report on Review of Interim Financial Statements

To the Board of Directors of China Telecom Corporation Limited

Introduction

We have reviewed the interim financial statements of China Telecom Corporation Limited (the Company) and its subsidiaries (collectively referred to as the Group) set out on pages 11 to 44, which comprise the consolidated statement of financial position as at 30 June 2018 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting (IAS 34) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2018

Table of Contents

Consolidated Statement of Financial Position (Unaudited)

at 30 June 2018

(Amounts in millions)

	<i>Notes</i>	30 June 2018 RMB	31 December 2017 RMB
ASSETS			
Non-current assets			
Property, plant and equipment, net		395,538	406,257
Construction in progress		78,337	73,106
Lease prepayments		21,890	22,262
Goodwill		29,920	29,920
Intangible assets		12,336	12,391
Interests in associates		36,432	35,726
Investments			1,154
Equity instruments at fair value through other comprehensive income		863	
Deferred tax assets	<i>10</i>	6,148	5,479
Other assets		4,355	3,349
Total non-current assets		585,819	589,644
Current assets			
Inventories		3,831	4,123
Income tax recoverable		89	693
Accounts receivable, net	<i>6</i>	31,137	22,096
Contract assets, net		796	
Prepayments and other current assets		21,308	22,128
Short-term bank deposits		2,922	3,100
Cash and cash equivalents	<i>7</i>	16,397	19,410
Total current assets		76,480	71,550
Total assets		662,299	661,194

The notes on pages 18 to 44 form part of these interim financial statements.

Table of Contents

Consolidated Statement of Financial Position (Unaudited)

at 30 June 2018

(Amounts in millions)

	30 June	31 December
	2018	2017
<i>Notes</i>	RMB	RMB

LIABILITIES AND EQUITY

Current liabilities