

CHINA TELECOM CORP LTD

Form 6-K

April 08, 2016

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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 April 2016

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- .)

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EXHIBITS

**Exhibit
Number**

- 1.1 Annual report for the year ended December 31, 2015, released on April 8, 2016
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:

the granting and approval of licenses;

tariff policies;

interconnection and settlement arrangements;

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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;

effects of our restructuring and integration following the completion of our acquisition of the Code Division Multiple Access technology, or CDMA, telecommunications business, or the CDMA Business in 2008;

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; and

implementation of a value-added tax to replace the business tax in the PRC.

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.

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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: April 8, 2016

By: /s/ Yang Jie
Name: Yang Jie
Title: President and Chief Operating Officer
(exercising the powers of Chairman and Chief
Executive Officer)

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Exhibit 1.1

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ABOUT

CHINA TELECOM

China Telecom Corporation Limited (China Telecom or the Company , together with its subsidiaries, collectively the Group) is one of the world s largest and leading integrated information service operators, 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 2015, the Company had wireline access lines in services of about 134 million, wireline broadband subscribers of about 113 million and mobile subscribers of about 198 million. The Company s H shares and American Depositary Shares (ADSs) are listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange respectively.

Table of Contents*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) 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.

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2015 MILESTONES

Dec

China Telecom and China Unicom jointly published the White paper of six-mode handset to promote the six-mode handsets as the national standard providing more convenience to customers

Oct

China Telecom disposed the telecommunications towers and related assets to China Tower Corporation Limited. Through sharing of tower resources, China Telecom developed the 4G network in a faster and more efficient way, so as to promote the development of 4G business

Jul

Applying the carrier aggregation technology, China Telecom took the pioneer to launch the e-Surfing 4G+ (LTE-A) service of 300Mbps download speed in the industry

May

China Telecom took the initiative to release the Internet+ action white paper in the industry and jointly painted the Internet+ blueprint with cooperative partners

Apr

Xizang was affected by the devastating earthquake of 8.1 magnitude in Nepal. China Telecom quickly restored the communications in the disaster area.

Feb

China Telecom was successfully granted the permit to operate the LTE/4G digital cellular mobile service (LTE FDD) to accelerate the scale development of 4G services

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

CORPORATE INFORMATION

Board of Directors

Executive Directors

Yang Jie (exercising the powers of the
Chairman and Chief Executive Officer)

Zhang Jiping

Yang Xiaowei

Sun Kangmin

Ke Ruiwen

Non-Executive Director

Zhu Wei

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

Company Secretary

Chu Ka Yee

International Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Jingtian & Gongcheng

Freshfields Bruckhaus Deringer

Sullivan & Cromwell LLP

Stock Code

HKEx: 728

NYSE: CHA

Company Website

www.chinatelecom-h.com

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FINANCIAL HIGHLIGHTS

	2013	2014	2015
Operating revenues (RMB millions)	321,584	324,394	331,202
EBITDA ¹ (RMB millions)	96,551	94,853	94,106
EBITDA margin ²	34.6%	33.0%	32.1%
Net profit ³ (RMB millions)	17,545	17,680	20,054
Capital expenditure (RMB millions)	79,992	76,889	109,094
Total debt/Equity ⁴	39.7%	36.8%	38.4%
Earnings per share (RMB)	0.2168	0.2185	0.2478
Dividend per share (HK\$)	0.095	0.095	0.095

- 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 represented profit attributable to equity holders of the Company.*
- 4 *Equity represented equity attributable to equity holders of the Company.*

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

FINANCIAL HIGHLIGHTS

Operating Revenues
(RMB millions)

EBITDA¹
(RMB millions)

Net Profit³
(RMB millions)

Dividend Per Share
(HK\$)

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

STATEMENT OF THE BOARD

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

STATEMENT OF THE BOARD**Dear Shareholders,**

In 2015, the Company proactively grasped opportunities and achieved excellent execution of its established strategy through innovation. While taking the initiative to respond to various regulatory challenges, the Company has maintained a stable and healthy development and further strengthened its market position. Taking full advantage of favourable policies such as the issuance of LTE FDD licence and leveraging the sharing of telecommunications towers, we tilted more investment towards key business areas to speed up our core network upgrade. As a result, our 4G and fibre broadband featuring broad coverage, excellent quality and superb customer experience have taken shape quickly. In the meantime, we accelerated the integrated and scale development of 4G and fibre broadband services, thereby migrating our core fundamental services to high-value areas and shifting our growth drivers. We also further deepened our data traffic operation to boost differentiated development of emerging services to become a major growth driver. Moreover, the Company continuously promoted its comprehensive in-depth reform, persisted in innovation as a driving force, reinforced open cooperation and Internet-oriented transformation, and accelerated its full preparation for achieving new breakthrough. As a result, the capability of future value creation and vitality of the Company have been enhanced consistently. The completion of the disposal of our telecommunications towers and related assets will further foster the Company's value enhancement in the future.

Operating Results

In 2015, the Company's operating fundamentals remained robust. Despite the impact of various regulatory policies such as VAT reform, Speed Upgrade and Tariff Reduction and handset data traffic carried forward, the operating revenues of the Company still increased by 2.1% over last year, amounting to RMB331.2 billion. Service revenues³ increased by 2.0% over last year, amounted to RMB293.3 billion, with revenue growth surpassing industry and further enhancement in market share. Emerging businesses accounted for approximately 34% of service revenues, representing an increase of 5 percentage points over the same period last year with further acceleration in the optimisation of business structure. EBITDA⁴ was RMB94.1 billion, while EBITDA margin⁵ was 32.1%. Profit attributable to the equity holders of the Company⁶ was RMB20.1 billion, representing an increase of 13.4% over last year. Basic earnings per share were RMB0.25. Capital expenditure was RMB109.1 billion, representing an increase of RMB32.2 billion over last year while free cash flow⁷ was -RMB21.5 billion.

¹ In May 2015, the government issued the *Guidance for accelerating the construction of high-speed broadband network and promotion of network speed upgrade and tariff reduction*.

² From October 2015, the Company further implemented the policy of *Speed Upgrade and Tariff Reduction*, enabling handset users to carry forward unused handset data traffic for use to the next one month.

³ Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

⁴ EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

⁵ EBITDA margin was calculated based on EBITDA divided by service revenues.

⁶ Profit attributable to the equity holders of the Company for 2015 included a one-off gain of approximately RMB3.9 billion from the disposal of towers assets.

⁷ Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

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Since the commencement of the pilot programme of the VAT reform in the telecommunications industry in June 2014, the Company has been striving to optimise its development and sales models, implement enhanced management over cost and procurement, and optimise revenue structure. The relevant monthly average adverse impact in 2015 has been reduced. With the full implementation of the VAT reform across the nation in 2016, it will be beneficial for the enhancement of the Company's profitability in the future.

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 that a dividend equivalent to HK\$0.095 per share be declared for the year 2015, maintaining at the same level of dividends as last year. Going forward, the Company will strive to enhance its profits while paving the way for an increase in future dividends.

Rapid enhancement in corporate competitive strengths

Accelerated upgrade of core network capabilities.

In 2015, the Company fully leveraged the opportunities from the issuance of FDD licence and tower resources sharing to achieve a leap-forward breakthrough in the 4G network construction. We rapidly accomplished the scale 4G coverage for all developed villages and towns nationwide (all villages and towns in eastern region) or above with 4G coverage network quality comparable to our competitors, laying a solid foundation for rapid scale development of 4G business. By fully leveraging the edges of global mainstream FDD technology standard, we took the initiative in the industry to launch the e-Surfing 4G+ (LTE-A) services of 300Mbps download speed with industry-leading network experience in the key cities. We fully leveraged the favourable Internet+ policy and the prosperous market demand and focused on customers' experience. With full

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STATEMENT OF THE BOARD

utilisation of our existing capability in fibre network as well as increased efforts in our investments in fibre network enhancement and speed upgrade, we cleared all hurdles throughout the entire process from access port to content port, providing users with industry-leading excellent high-speed 100Mbps network experience. At the end of 2015, the Fibre-to-the- Home (FTTH) coverage in city households reached 75%, representing an increase of 15 percentage points over the end of last year. The average bandwidth of wireline broadband subscribers was approximately 29Mbps, an increase of nearly two times compared to the end of last year, laying a solid foundation for scale development of Smart Family products.

Significant strengthening in fundamental business capabilities.

In 2015, the Company accelerated the shift in growth drivers and coordinated the collaborative development of 4G and fibre broadband businesses. The development of 4G business entered into a fast track lane and new competitive edges of fibre broadband were established. With rapid optimisation of subscriber structure, the business scale and market share continued to reinforce. We endeavoured to promote the six-mode handsets as the national standard and tackled the bottlenecks in CDMA terminals. We also proactively developed the cooperation with terminal suppliers of superior brands and promoted the prosperous development in terminal value chain, resulting in enhancement of the Company's competitive strengths and market influence in the terminal industry. We focused on high-definition (HD) content and smart applications, expedited the optimisation of Smart Family products and operating system and offered more innovative, attractive as well as integrated packages to enhance users' experience and value. The net increase of 4G terminal subscribers for the year was 51.38 million, reaching a total of 58.46 million with market share doubled as compared to last year. The total number of mobile subscribers was nearly 200 million and the overall mobile ARPU was stable with slight increase. The net increase of FTTH subscribers for the year was 28.38 million, reaching a total of 70.99 million. The total number of wireline broadband subscribers reached 113 million while the penetration rate of FTTH subscribers reached 63%, representing an increase of 23 percentage points over the end of last year. The net increase of IPTV (e-Surfing HD) subscribers for the year was more than 9 million, reaching a total of approximately 40 million.

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Emerging businesses becoming the key growth driver.

In 2015, revenues from emerging businesses increased by approximately 20% over last year with continued increase in revenue contribution. We further promoted the precision data traffic management, continued to strengthen cooperation and enriched data traffic product to achieve concurrent enhancement in data traffic scale and value. Despite the impact from handset data traffic carried forward policy, the mobile handset Internet access revenues for the year amounted to RMB47.8 billion, representing an increase of 40% over last year with revenue growth surpassing the industry. The aggregate handset Internet data traffic doubled as compared to last year, of which the contribution from 4G data traffic has significantly increased to 51% while the monthly average data traffic per 4G user reached 751MB, representing an increase of 25% over last year. The scale development of key Internet applications continued to expand. In 2015, the active users of BestPay has exceeded 40 million with gross merchandise value over RMB770 billion, being doubled over last year. At the same time, we actively explored the Internet finance sector. We reinforced the differentiated capabilities of YiChat products embedding new applications including mobile payment, red packet and lifestyle services. The number of registered YiChat users exceeded 200 million by the end of 2015. With further consolidation of our existing WiFi resources, we expanded the cooperations of hotspot resources and business partners for aWiFi. The monthly active aWiFi users reached 10 million by the end of 2015. We accelerated the development of new types of ICT service. By firmly seizing the national strategic opportunity of Internet+, we fully leveraged the integrated edges of networks, cloud computing and security capability to actively cooperate and promote collaborative development, making use of new technologies such as Big Data and Internet of Things to create differentiated and innovative services. In 2015, the revenues from ICT service amounted to RMB28.8 billion, representing an increase of 21% over last year and the revenue growth of IDC and cloud products was approximately 30%.

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STATEMENT OF THE BOARD

Accelerating reserves for future growth momentum

Sustained comprehensive in-depth reform.

With thorough promotion of sub-division of performance evaluation units, intensified resources allocation tilted frontline and authority delegation, the Company encouraged the staff entrepreneurial development towards frontline. The number of sub-divided frontline operating units has exceeded 50,000 with full release of staff motivation and vitality. The establishment of the top-down service support system was expedited, adhering to frontline-oriented and market-oriented services. We fully leveraged the IT capability to create a high-efficient and responsive service support system, resulting in enhancement of frontline operating efficiency and effectiveness. With continuous improvement in market-driven talent management mechanism and business operation models, the Company fostered its efficiently-centralised operations for emerging businesses with Internet-oriented resources allocation and financial management mechanism to facilitate the rapid development of emerging businesses. The corporate vitality and intrinsic momentum have been persistently strengthened.

In-depth promotion of Internet-oriented transformation.

We comprehensively created a highly-efficient, low-cost and professional O2O operating system in an efficiently-centralised manner and promoted the Internet-oriented transformation in channels and services. By leveraging the edges of physical channels, the Company extensively deployed community stores to commence experience marketing for Smart Family, efficiently expanded open channels and

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

STATEMENT OF THE BOARD

focused on accelerating the effectiveness enhancement of key physical channels. At the same time, the Company consolidated existing online channels and created an efficiently-centralised platform with the integration of sales and services, through which the Company's online services and customer attraction capabilities continued to be strengthened. Nearly 80% of the 4G data traffic packages were sold online. More than 60% of service items and volume were conducted online, which effectively led to staff reduction and efficiency enhancement of physical customer service centres. We deepened the precision management and value management, promoted the upgrade from network maintenance to network operation, accelerated the retirement of aged network facilities, effectively revitalised assets such as plant rooms, accelerated the commercialisation of maintenance services, continuously enhanced network operating capability and value. Through strengthening of risk prevention, we expedited the promotion of efficiently-centralised operation of IT services, strengthened the management over capital expenditure and cost, optimised the sales models and resources allocation, and further reinforced centralised procurement to lower the procurement cost. The operating efficiency and user experience have been persistently improved.

Accelerated cultivation of new growth engines.

The IPTV (e-Surfing HD) business has entered into rapid growth period and has become a strategic fundamental business. With the 100Mbps fibre broadband as its foundation, we fully leveraged the opportunities arising from pioneer cooperation in three network convergence to strengthen efficiently-centralised operations and speed up scale development to seize the key portal in the Smart Family market. The BestPay business has become a key differentiated means to drive core fundamental businesses. As a strategic innovative business, the BestPay business will deeply integrate with 4G services to achieve scale development. With continual expansion of cooperative partners, we will accelerate the development in Internet finance business. Firmly seizing the strategic opportunities of the national plan of Internet+ and fully leveraging our edges, the Company will further focus on key areas and accelerate the deployment in public market and industry market, creating new growth potential. Our capability in cloud computing and Big Data has been rapidly enhanced, with a continuously optimising product and service portfolio. The Company will take advantage of its integrated edge in cloud and network to provide high quality cloud products, engage in open cooperation and promote applications for Big Data products to continuously enhance its competitive strength and value contribution. The operation of Internet of Things has become gradually mature with continuously expanding scope of applications. The Company will proactively seize the opportunity from the boom in Internet of Things with efficiently-centralised operation to accelerate the expansion of connectivity scale, gradually enrich applications and services for Internet of Things to create new impetus for value creation.

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STATEMENT OF THE BOARD

Corporate Governance and Social Responsibility

We are committed to maintaining a high level of corporate governance, attaching great importance to risk management and control. We strive to enhance corporate transparency and value to ensure our healthy and orderly growth. Our persistent efforts in corporate governance have been widely recognised by the capital markets. We were accredited with a number of awards and recognitions in 2015, including being voted the Most Honoured Company in Asia by *Institutional Investor* for five consecutive years, Overall Best Managed Company in Asia by *FinanceAsia* for five consecutive years and the No. 1 Best Managed Company in Asia by *Euromoney* for six years in a row.

We persisted in operating with integrity and proactively fulfilled our corporate social responsibility while maintaining a fair and orderly environment for market competition and facilitating healthy development of the entire value chain. We continued to improve our energy-saving technologies, further strengthened energy conservation and emissions reduction in order to promote green operations. We actively responded to the initiatives of the Belt and Road by cooperating with our partners in enhancing the standard of information infrastructure for the regions and countries along the path. We received high recognition and appreciation from society by accomplishing telecommunications assurance tasks for the nation's significant events and disaster reliefs.

Outlook

Currently, the national macro-economic growth is slowing down and the fundamental telecommunications market is becoming saturated amid intensified market competition. The regulatory environment is still embedded with a lot of uncertainties, bringing certain challenges to the future development of the Company. Meanwhile, with the nation's advocacy of the development concepts of innovation, harmonisation, green, openness and sharing, together with the proactive launch of national strategies of Cyberpower, Big Data and Internet+, there is massive room for the rapid development of information economy. During the Thirteenth Five-Year Plan period, the national supply-side structural reform shall lead to upgrade in consumption. The release of benefits from innovation-driven policies was accelerated, injecting new vitality to industry development. The transformation pace of mainland telecommunications industry accelerates and the new technologies such as cloud computing, Big Data and Internet of Things gradually mature. The Industrial Internet will embark a turning point in accelerating growth, providing vast potentials for the Company's prospect.

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STATEMENT OF THE BOARD

2016 is a crucial year for the Company in building up a more favourable market position for the future. We will firmly seize new opportunities and take the initiative to develop through reform and innovation, while striving to adapt to the changing regulatory environment and tackle various challenges. We will persistently strengthen the core competence in network and operation and tightly grasp the opportunities from the scale development and value enhancement of 4G and fibre broadband businesses to further strengthen the Company's fundamentals. Meanwhile, we will be unwaveringly dedicated to speedily achieve a breakthrough in the five emerging areas including Smart Family, mobile payment, Internet+, cloud computing & Big Data and Internet of Things to ignite the new growth engine. We will further promote the comprehensive in-depth reform, incentivise the corporate and employee vitality and deepen the Internet-oriented transformation to upgrade the products and services. With increased efforts in open cooperation, we will fully mobilise and share the social resources to build the Smart Ecosystem, and promote to reconstitute our business, network, operation and management to offer integrated smart services. We will endeavour to facilitate the accomplishment of Cyberpower and take the lead in the digital ecosystem, thereby continually creating value for our shareholders.

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. Wang Xiaochu for his excellent contributions during his tenure of offices as the Chairman and Chief Executive Officer of the Company.

Yang Jie

*Executive Director, President and
Chief Operating Officer*
Beijing, China
23 March 2016

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

DIRECTORS, SUPERVISORS

AND SENIOR MANAGEMENT

Mr. Yang Jie

Age 53, is an Executive Director, President and Chief Operating Officer of the Company. Since 30 December 2015, Mr. Yang has exercised the powers of the Chairman and Chief Executive Officer of the Company. Mr. Yang is a professor-level senior engineer. He graduated from the Beijing University of Posts and Telecommunications with a major in radio engineering in 1984 and obtained a doctorate degree in business administration (DBA) from the ESC Rennes School of Business in 2008. Mr. Yang served as Deputy Director General of Shanxi Posts and Telecommunications Administration, General Manager of Shanxi Telecommunications Corporation, Vice President of China Telecom Beijing Research Institute and General Manager of Business Department of the Northern Telecom of China Telecommunications Corporation. He is also the President of China Telecommunications Corporation. Mr. Yang has extensive experience in management and the telecommunications industry.

Mr. Zhang Jiping

Age 60, is an Executive Director and Executive Vice President of the Company. Mr. Zhang is a professor-level senior engineer. He graduated from the Beijing University of Posts and Telecommunications with a bachelor degree in radio telecommunications engineering in 1982, studied in a postgraduate programme in applied computer engineering at Northeastern Industrial University from 1986 to 1988, and received a doctorate degree in business administration from the Hong Kong Polytechnic University in 2004. Mr. Zhang served as Deputy Director General of Directorate General of Telecommunications (DGT) of the MPT, a Deputy Director General and Director of the Telecommunication Technology Centre of the Posts and Telecommunications Administration of Liaoning Province. He is also a Vice President of China Telecommunications Corporation and the Chairman of Supervisory Committee of China Tower Corporation Limited. Mr. Zhang has extensive experience in management and the telecommunications industry.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

DIRECTORS, SUPERVISORS

AND SENIOR MANAGEMENT

Mr. Yang Xiaowei

Age 52, is an Executive Director and Executive Vice President of the Company. Mr. Yang is a senior engineer. He received a bachelor degree from the Computer Application Department of Chongqing University in 1998 and a master degree in engineering from the Management Engineering Department of Chongqing University in 2001. Mr. Yang was the Assistant to Director General and Deputy Director General of Chongqing Telecommunications Bureau, a Deputy Director General of the Chongqing Telecommunications Administration Bureau and a Director General of Chongqing Municipal Communication Administration Bureau. Mr. Yang served as General Manager of the Chongqing branch and the Guangdong branch of the Unicom Group, Vice President of the Unicom Group, Director of the Unicom Group, and Executive Director and Vice President of China Unicom Limited. Mr. Yang also served as Director and Vice President of China Unicom Corporation Limited and Chairman of Unicom Huasheng Telecommunications Technology Co. Ltd.. He is also a Vice President of China Telecommunications Corporation. Mr. Yang has extensive experience in management and the telecommunications industry.

Mr. Sun Kangmin

Age 58, is an Executive Director and Executive Vice President of the Company. Mr. Sun is a senior engineer. He holds a bachelor degree. Mr. Sun served as Head of the Information Industry Department of Sichuan Province, Director General of Communication Administration Bureau of Sichuan Province, Chairman and General Manager of Sichuan Telecom Company Limited. He is also a Vice President of China Telecommunications Corporation, Chairman of the board of directors and an Executive Director of China Communications Services Corporation Limited and a Director of China Tower Corporation Limited. Mr. Sun has extensive experience in management and the telecommunications industry.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

DIRECTORS, SUPERVISORS

AND SENIOR MANAGEMENT

Mr. Ke Ruiwen

Age 52, is an Executive Director and Executive Vice President of the Company. Mr. Ke obtained a doctorate degree in business administration (DBA) from the ESC Rennes School of Business. Mr. Ke served as Deputy Director General of Jiangxi Posts and Telecommunications Administration, Deputy General Manager of Jiangxi Telecom, Managing Director of the Marketing Department of the Company and China Telecommunications Corporation, General Manager of Jiangxi Telecom and Managing Director of the Human Resources Department of the Company and China Telecommunications Corporation. He is also a Vice President of China Telecommunications Corporation. Mr. Ke has extensive experience in management and the telecommunications industry.

Mr. Zhu Wei

Age 47, is a Non-Executive Director of the Company. Mr. Zhu received his post-graduate diploma in political economy from Jinan University. Mr. Zhu is currently the Chairman of Guangdong Rising Assets Management Co., Ltd (one of the domestic shareholders of the Company). Mr. Zhu previously served as the Deputy Manager of the Issuing Department, director of the General Office, and Deputy Manager of the Research and Development Department of Guangzhou Securities Company of the People's Bank of China, Guangzhou Branch, Deputy General Manager of Guangzhou Securities Financial Consultancy Company, General Manager of Shenzhen Yuntong Xinda Communications Limited, assistant to the General Manager of Guangdong Technology Ventures Investment Company, General Manager of the Asset Management Department and Director of Guangdong Technology Venture Capital Group Company Limited, General Manager of Guangdong Kerui Investment Management Company, the Chairman of Guangdong Hongtu Technology (Holdings) Company Limited, Deputy Chairman and General Manager of Guangdong Southern Media Holdings Limited, and Deputy Director of Banking Supervision Department IV of the China Banking Regulatory Commission. Mr. Zhu has extensive experience in finance, securities and corporate management.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

DIRECTORS, SUPERVISORS

AND SENIOR MANAGEMENT

Mr. Tse Hau Yin, Aloysius

Age 68, is an Independent Non-Executive Director of the Company. Mr. Tse is currently an Independent Non- Executive Director of CNOOC Limited, Daohe Global Group Limited (formerly known as Linmark Group Limited), Sinofert Holdings Limited, SJM Holdings Limited and China Huarong Asset Management Co., Ltd., all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (HKSE Main Board). Mr. Tse is also an Independent Non-Executive Director of OCBC Wing Hang Bank Limited (formerly known as Wing Hang Bank Limited , which was listed on the HKSE Main Board until October 2014). He was an Independent Non-Executive Director of China Construction Bank Corporation, which is listed on the HKSE Main Board, from 2004 to 2010. Mr. Tse was appointed as an Independent Non-Executive Director of CCB International (Holdings) Limited, a wholly owned subsidiary of China Construction Bank Corporation in March 2013. He is also a member of the International Advisory Council of the People's Municipal Government of Wuhan. Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Tse is a past President and a former member of the Audit Committee of the HKICPA. He joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a Non-Executive Chairman of KPMG's operations in China and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse is a graduate of the University of Hong Kong.

Madam Cha May Lung, Laura

Age 66, is an Independent Non-Executive Director of the Company. Mrs. Cha is currently a Hong Kong Delegate to the 12th National People's Congress, PRC, a Member of the Executive Council of the Government of the Hong Kong Special Administrative Region and Chairman of the Financial Services Development Council of Hong Kong. She is the Non-Executive Deputy Chairman of The Hongkong and Shanghai Banking Corporation, the Asia Pacific subsidiary of HSBC Holdings plc, of which she is also an Independent Non-Executive Director. She is a Non- Executive Director of Unilever, PLC and Unilever, N.V, Vice Chairman of the International Advisory Council of the China Securities Regulatory Commission (CSRC), and a Member of the International Advisory Council of the China Banking

Regulatory Commission. Mrs. Cha served as Vice Chairman of CSRC from January 2001 to September 2004 and Assistant Director, Senior Director, Executive Director of Corporate Finance and Deputy Chairman of the Securities and Futures Commission of Hong Kong from 1991 to 2001. She received a Juris Doctor degree from Santa Clara University of USA in 1982.

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Professor Xu Erming

Age 66, is an Independent Non-Executive Director of the Company. Professor Xu is a professor and Ph.D. supervisor of the Graduate School at the Renmin University of China and Vice Chairman of the Chinese Enterprise Management Research Association. He is entitled to the State Council's special government allowances. He is the Independent Supervisor of Harbin Electric Company Limited (formerly known as Harbin Power Equipment Company Limited). Over the years, Professor Xu has conducted research in areas related to strategic management, organisational theories, international management and education management, and has been responsible for research on many subjects put forward by the National Natural Science Foundation, the National Social Science Foundation, and other authorities at provincial and ministry level. He has received many awards such as the Ministry of Education's Class One Excellent Higher Education Textbook Award, the State-Level Class Two Teaching Award and the National Excellent Course Award. Professor Xu has been a visiting professor at over 10 domestic universities and has been awarded the Fulbright Scholar of U.S.A. twice. Professor Xu was previously a lecturer at the New York State University at Buffalo, U.S.A., the University of Scranton, U.S.A., the University of Technology, Sydney, the Kyushu University, Japan and the Hong Kong Polytechnic University.

Madam Wang Hsuehming

Age 66, is an Independent Non-Executive Director of the Company. Madam Wang graduated from the University of Massachusetts and attended Columbia University. She is currently a Senior Advisor and former Chairman of BlackRock China. She was also formerly the Chairman of China at Goldman Sachs Asset Management, having joined Goldman Sachs in 1994, became a partner in 2000 and an Advisory Director from 2010 to 2011. Ms. Wang served as a Director of The Paulson Institute. With nearly 30 years of experience in financial services, she participated in pioneering efforts in China's economic reform and restructuring, including serving as an advisor to the CAAC and its subsequent regional airlines on privatisation and capital equipment financing.

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Mr. Gao Tongqing

Age 52, is an Executive Vice President of the Company. Mr. Gao graduated from the Changchun Institute of Posts and Telecommunications with a major in telecommunications engineering and received a doctorate degree in business administration from the Hong Kong Polytechnic University. Mr. Gao served as Deputy Director General of Xinjiang Uygur Autonomous Region Posts and Telecommunications Administration, Deputy General Manager and General Manager of Xinjiang Uygur Autonomous Region Telecom Company and General Manager of China Telecom Jiangsu branch. He is also a Vice President of China Telecommunications Corporation. Mr. Gao has extensive experience in management and the telecommunications industry.

Mr. Chen Zhongyue

Age 44, is an Executive Vice President of the Company. Mr. Chen received a bachelor degree in English studies from Shanghai International Studies University and a master degree in international trade economy from Zhejiang University. Mr. Chen served as Deputy General Manager of China Telecom Zhejiang branch, Managing Director of the Public Customers Department of the Company and China Telecommunications Corporation and General Manager of China Telecom Shanxi branch. He is also a Vice President of China Telecommunications Corporation. Mr. Chen has extensive experience in management and the telecommunications industry.

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Mr. Sui Yixun

Age 52, is the Chairman of the Supervisory Committee of the Company. Mr. Sui is currently the Managing Director of audit department of the Company and a Supervisor of Tianyi Telecom Terminals Company Limited. Mr. Sui received a bachelor degree from Beijing Institute of Posts and Telecommunications and a master degree in business administration from Tsinghua University. Mr. Sui served as Deputy General Manager of China Telecom Shandong branch, Deputy General Manager of the Northern Telecom of China Telecommunications Corporation and General Manager of China Telecom Inner Mongolia Autonomous Region branch. Mr. Sui is a senior economist and has extensive experience in operational and financial management in the telecommunications industry.

Mr. Tang Qi

Age 57, is an Employee Representative Supervisor of the Company. Mr. Tang is currently the Senior President of the Shandong branch of the Company. Mr. Tang received a doctorate degree in business administration (DBA) from the Hong Kong Polytechnic University. Mr. Tang served as the Director of the marketing department of the Posts and Telecommunications Administration of Shandong province, Manager of the marketing department of China Telecommunications Corporation, General Manager of China Telecom Shandong branch, General Manager of China Telecom Chongqing branch and Vice Chairman of the Labour Union of China Telecommunications Corporation and the Company. Mr. Tang is a senior engineer and has extensive experience in operation and management in the telecommunications industry.

Mr. Zhang Jianbin

Age 50, is an Employee Representative Supervisor of the Company. Mr. Zhang is currently the Deputy Managing Director of the Corporate Strategy Department (Legal Department) and the Deputy General Counsel of China Telecommunications Corporation. Mr. Zhang graduated from the Law School of Peking University in

1989 and received a LLM degree. He also had an EMBA degree from the Guanghua School of Management at Peking University in 2006. He previously worked at the Department of Policy and Regulation of the Ministry of Posts and Telecommunications (MPT) and the Directorate General of Telecommunications (DGT) of the MPT. He served as Deputy Director of the General Office and Deputy Director of the Legal Affairs Division of the DGT of the MPT, Director of the Corporate Strategy Department (Legal Department) of the Company. Mr. Zhang is a senior economist with extensive experience in telecommunications legislation and regulation, corporate governance, corporate legal affairs and risk management.

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Mr. Hu Jing

Age 40, is a Supervisor of the Company. Mr. Hu is currently the Director in the audit department of the Company. Mr. Hu received a bachelor degree in accounting from the Xi'an University of Finance and Economics in 1997 and a master degree in business administration from the Northwest University in 2003. Mr. Hu served at various financial and auditing positions at Shaanxi Telecom Company and China Telecommunications Corporation. He is a member of the Chinese Institute of Certified Public Accountants and senior accountant with extensive experience in finance and auditing.

Mr. Ye Zhong

Age 56, is a Supervisor of the Company. Mr. Ye is a senior accountant. He holds a bachelor degree. Mr. Ye is the Deputy General Manager of Zhejiang Financial Development Company (one of the domestic shareholders of the Company), Chairman and General Manager of Zhejiang Provincial Innovation and Development Investment Co. Ltd., Chairman and General Manager of Zhejiang Provincial Information Economy Investment Co. Ltd., Chairman of Zhejiang Venture Capital Fund of Funds Management Co. Ltd., Chairman of Zhejiang Financial Market Investment Co. Ltd. and Chairman and General Manager of Zhejiang Agricultural Investment and Development Fund Co., Ltd.. Mr. Ye served as Deputy Director of the Social Security Division of the Department of Finance of Zhejiang Province, Deputy Director of the Discipline Inspection Division and Director of Supervisory Office of the Department of Finance of Zhejiang Province delegated by the Discipline Inspection Commission and Department of Supervision of Zhejiang Province. Mr. Ye has extensive experience in government's work and state-owned enterprise management.

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The following table sets out the key operating data for 2013, 2014 and 2015:

	Unit	2013	2014	2015	Rates of Change over 2014
Mobile subscribers	Million	185.58	185.62	197.90	6.6%
Of which: 3G/4G subscribers	Million	103.11	118.63	143.13	20.7%
Wireline broadband subscribers	Million	100.10	106.95	113.06	5.7%
Access lines in service	Million	155.80	143.56	134.32	(6.4%)
Mobile voice usage	Million minutes	603,616	655,939	667,535	1.8%
Mobile SMS usage	Million messages	64,235	64,583	56,817	(12.0%)
3G/4G Handset data traffic	kTB	175.1	266.6	554.7	108.1%
Wireline local voice usage	Million pulses	148,690	130,439	110,935	(15.0%)

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In 2015, the Company proactively implemented initiatives to respond to challenges brought by the changes in regulatory policies and business environment. While firmly promoting the transformation of fundamental business, the Company also vigorously developed its emerging business, maintaining the overall business with stable growth momentum and rapid growth in subscriber base. The Company achieved industry-leading growth in terms of service revenues and continuously optimised its revenue structure. Corporate competitiveness has been significantly strengthened.

Key operating performance

(1) Solid growth in operating revenues and continuous optimisation of business structure

In 2015, the Company's operating revenues increased by 2.1% to RMB331,202 million. Service revenues increased by 2.0% to RMB293,266 million. The Company's service revenue structure was further optimised, with mobile service revenues accounting for 42.5% and revenues of emerging business accounting for 34.4%, up 5.3 percentage points.

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(2) Rapid growth in mobile services with remarkable contribution from data traffic operations

In 2015, following the FDD 4G licensing, the Company focused on developing its 4G services, accelerated network construction and deployed 4G+ in key areas. Persisted in the terminal-led approach, the Company strongly promoted 4G+ and signature terminals. Strengthened in content application-driven approach, the Company created differentiated core applications. Mobile subscribers rapidly expanded with a steady growth in revenues. The scale of mobile subscribers reached 197.90 million, with a net addition of 12.28 million. Mobile service revenues increased by 3.5% over last year amounting to RMB124,503 million.

The Company has acted proactively to reduce the impact from Speed Upgrade & Tariff Reduction. It leveraged Big Data to perform multi-dimensional analysis on consumer behavior characteristics to optimise its product design and promote efficiently-centralised data traffic packages based on 4G service plans. Data backward monetisation also achieved remarkable results with revenues grew over 5 times. In 2015, 3G/4G handset data traffic reached 555 kTB, an increase of 108.1% year-on-year, while 3G/4G monthly average mobile data traffic per subscriber reached 386MB. Handset data traffic revenue accounted for 38.4% of mobile service revenues, an increase of 10.0 percentage points over last year.

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(3) Wireline services development remained solid, with market-leading position maintained in broadband

In 2015, the Company proactively promoted the transformation of fundamental business. Deepening the integration between wireline and mobile services, the Company created competitive edge in new integrated development. With strengthened operations of existing customers, the Company stabilised the foundation of revenues from wireline services. Wireline revenues reached RMB168,763 million, representing an increase of 1.0%.

On broadband services development front, the Company accelerated fibre upgrade for its broadband networks and promoted the end-to-end bandwidth upgrade. With focus on promoting high-speed broadband products, the Company has lifted competition barrier to enhance its competitiveness and leading position in the broadband market. In 2015, revenues of wireline broadband increased by 1.1% to RMB74,285 million. Wireline broadband subscribers reached 113.06 million, a net addition of 6.11 million.

For the development of wireline value-added services (VAS) and integrated information services, the Company continued its promotion in three rapidly growing businesses including IPTV (e-Surfing HD), IT Services & Applications and IDC, driving steady development of its overall business. In 2015, revenues of wireline VAS and integrated information services increased by 10.5% year-on-year to RMB42,035 million. With the foundation of continued enrichment of its video services, the Company actively developed Smart Family applications such as home surveillance. It also expanded the scale of informatisation products for sectors, especially in administration, education, healthcare and etc., and advanced in the transformation from ICT to IIT (Information Internet-ware Technology). The Company focused on efficiently-centralised development of cloud computing products such as cloud hosting and private cloud with strengthening research & development and sales & marketing while accelerated the construction of the unified operating system for IDC.

In 2015, the Company continued to promote integrated development among retail customers. While for government and enterprise market, the Company provided customised solutions to realise value transfer of the wireline voice services, effectively

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mitigated its operational risk while further declining revenue share of wireline voice services. Revenues from wireline voice services was RMB29,610 million, accounting for 10.1% of the service revenues, representing a reduction of 1.6 percentage points over last year.

Business operating strategies

In 2015, the Company persisted in focusing on differentiation as its work principle and further transformed its development model. With the creation of new competitive edges, the Company accelerated the scale development of subscriber base and enhanced operating capabilities. Six operational measures were deeply implemented:

First, with innovative development models, 4G subscriber scale achieved rapid breakthrough

In 2015, the Company launched 4G handset services across the entire network, continued development effort in both existing customer upgrade as well as new customer acquisition to increase its 4G subscriber penetration rate. In the existing customer market, the Company focused on promoting upgrade of its current 3G subscribers to 4G. In the new customer market, the Company focused on differentiated applications, attracting new customers through 4G + Application . The Company also reinforced its effort in new customer acquisition in open market to grab its market share. As at the end of 2015, 4G subscribers reached 58.46 million, accounting for 29.5% of mobile subscribers. 4G DOU reached 751 MB, almost twice of 3G/4G subscribers, driving rapid growth in both the scale and revenue of data traffic.

Second, accelerated development of fibre broadband subscribers to reinforce market leadership in wireline broadband services

In 2015, led by the 100Mbps broadband service development, the Company focused promotion on 50/100Mbps broadband products. The Company accelerated integration of marketing and maintenance in broadband services by optimising installation process, achieving instant installation upon the completion of sales. Through enriching the content of video-type applications, the Company expanded its smart family products including Smart Gateway and Smart Family. By promoting the sales of newly integrated Fibre Broadband + e-Surfing HD + 4G product, the Company successfully drove the mutual sales and development among different products. In 2015, fibre-to-the-home (FTTH) subscribers reached 70.99 million, accounting for 62.8% of broadband subscribers. Subscribers of 20Mbps and above accounted for 44.6%, an increase of 27.4 percentage points over last year.

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Third, persisted in the invigoration of industry value chain to enrich 4G handsets

The company implemented the Excellent 100 programme, to encourage handset manufacturers to produce popular 4G handsets that are compatible with China Telecom's network, in turn enriched 4G handset portfolio. In 2015, there were 201 new models of 4G terminals. Sales of 4G terminals was close to 62 million, accounting for 70% of total terminal sales. The Company made every effort to promote Six-Mode Handsets to become the national standard and strengthened the penetration of its mobile phone cards in the open market to grab a share of the handset replacement market of existing customers. Via deepening cooperation with mainstream handset manufacturers including Huawei, OPPO, Vivo, Xiaomi and MEIZU, the Company implemented resources exchange and increased handset sales volume. Targeting at different segmented market, the

Mobile Subscribers

(Millions)

Wireline Broadband Subscribers

(Millions)

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Company promoted signature handsets such as security handsets, video handsets and Taobao handsets to cater the differentiated demand of customers. Unifying launch of star handsets such as iPhone, sales volume of high-end terminals recorded a remarkable increase.

Fourth, reinforced efforts to develop ICT and drove subscriber scale development

In 2015, seizing the opportunity brought about by Internet+ , the Company took the lead in the industry to release the Internet+ action white paper , integrating its advantages of cloud, network and safety to refine products, operations, and support system. Upgraded specialised applications in specific sectors including education, transportation and agriculture, the Company created products such as e-Surfing School for tens of millions users and Nongjibao for millions users. Targeting at industries including administration, manufacturing, finance and healthcare, the Company explored development potentials for cloud-network integration and developed over a thousand of service projects such as government administrative cloud, industrial cloud, financial cloud and video streaming cloud.

Fifth, promoted Internet-oriented transformation of channels to improve sales & marketing efficiency

The Company fully commenced O2O operations. With optimised and coordinated mechanism of physical, government and enterprise and electronic channels, the Company improved the sales and service efficiency by strengthening traffic flow in online channels and user experience in offline channels. In physical channels, the Company carried out Collaboration with Strong Partners and e-Surfing Recommended promotions, resulted in significant increase in market share of terminal sales and mobile phone card sales in open channels. In government and enterprise channels, the Company implemented the Sales Elite programme, which established mini stores for industrial clients, WeChat stores for commercial clients and campus clients and resulted in rapid expansion of our subscriber scale.

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In electronic channels, the Company reinforced its position as the main channel for data traffic sales, with the sales volume of 4G data traffic packages accounting for 76%.

Sixth, collaborative operations between online and offline channels to improve customer service capabilities

In 2015, the Company focused on improving capabilities in 4G and fibre broadband services. Focusing on 4G services, the Company implemented Five Optimised Services in areas including network experience, products, channel sales, terminal services and customer care. The Company carried out 4G services experience activities nationwide, with continued optimisation in services including 4G data traffic alert, billing and credit control. In respect of wireline broadband services, the Company implemented service guarantee for Speed Upgrade & Tariff Reduction. Customers were invited to experience for speed testing and service quality supervision. The Company clearly stated the rules and requirements for indication of upload and download speed. The Company also promoted broadband self-serviced troubleshooting and Pay after Installation broadband services. In 2015, the Company ranked No. 1 in the industry in terms of customer satisfaction in both wireline and mobile Internet access services as assessed by the Ministry of Industry and Information Technology. In respect of the Internet-oriented service transformation, the Company achieved the Double 60 goal, for which the online rates exceeded 60% in terms of both service project numbers and service volume. Nationwide customer service via new media (including Weibo, WeChat, YiChat and IM) exceeded 200 million users, which led the industry in terms of scale, with monthly service volume over 150 million times.

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Network and operation support

In 2015, the Company seized opportunities and optimised our resources allocation to enhance investment in 4G network, fibre network and emerging business such as cloud computing. Through strengthening capabilities to effectively support business development and operations, core competence and customer value have been enhanced.

First, leveraging the issuance of FDD 4G license, the Company commenced Accelerating Network Construction and Enhancing Network Quality project for 4G. Fully leveraged centralised procurement and tower sharing, the Company effectively added 330 thousands of 4G BTS with reduced capital expenditure (an extra of 50 thousands BTS compared to the original plan), reaching a total of 510 thousands of 4G BTS. The Company deployed 10 thousands of 4G+ (LTE-A) BTS in 45 key cities, well established the 4G+ brand identity and enhanced customer perception. Currently, the Company has a 4G network coverage of all cities and developed towns and villages nationwide, with a full coverage of areas in all towns and villages in the eastern region. The network quality is comparable to the major competitors in covered areas.

Second, seized opportunity from Broadband China strategy and driven by market demand, the Company has accelerated fibre upgrade in urban areas and completed fibre upgrade in 170 thousands copper-network communities. Together, total fibre upgraded communities amounted to over 790 thousands, representing 85% of all copper-network communities. FTTH home passes increased by 90 million, reaching 220 million, or a coverage of 75%.

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At the same time, with focus on improving and enhancing customer experience and perception, the Company has connected all segments of device, pipe and cloud, remarkably increasing the end-to-end speed of the broadband.

Third, the Company proactively and steadily promoted network transformation. Integrating the Company's services, network features and data traffic direction, the Company commenced network deployment plan with IDC as the core and the construction of DCI (Data Centre Interconnect), with 15 key IDCs being interconnected in the first batch. Deploying efficiently-centralised cloud resource pools, we have enhanced resources allocation and provision capabilities, to facilitate the rapid development of cloud computing services. Learning from industry experience, the Company explored the introduction of SDN (Software Defined Network) technology and commenced network trial, in an effort to promote Internet-oriented transformation of networks.

Development measures and highlights for 2016

In 2016, the fundamental telecommunications market is increasingly saturated, leading to an intensifying competition among existing subscribers, while 4G and fibre broadband will accelerate the development in full scale. The Company will seize opportunities brought by the technology advancement and market changes to continuously deepen corporate transformation. The Company will focus on strengthening two fundamental businesses, achieving breakthrough in five emerging areas and improving six key capabilities. The Company will transform its development approaches, enhance operating capabilities and expand business scales for better corporate value. The Company will reinforce two fundamental services to maintain solid foundation, while rapidly promoting the 4G and fibre broadband subscriber scale expansion to increase subscriber penetration rate. Feed in differentiated applications, the Company will focus on promoting 4G + mobile payment and broadband + TV services to drive scale development of subscriber base and increase customer loyalty. The Company will also continue to expand the new integrated development model of fibre broadband + e-Surfing HD + 4G to continuously increase customer value. The Company will foster new growth drivers by achieving breakthroughs in five emerging areas. First, the Company will strive to be a forerunner in Smart Family market by the provision of e-Surfing HD services, laying foundations for feeding in VAS and informatisation applications. Second, the Company will optimise BestPay to get ready for the deployment in Internet finance. Third, the Company will strengthen Internet+ services and to rapidly expand into the industrial Internet market for influence. Fourth, the Company will develop cloud computing and Big Data with full efforts, exploring new revenue growth drivers. Fifth, the Company will proactively expand into the Internet-of-Things services, shifting from human-to-human communications to machine-to-human communications, and gradually towards machine-to-machine communications to explore new growth potential. The Company will also continue to optimise network resources, increase operating efficiency, improve all-rounded service capabilities, and enhance customer satisfaction for customer value realisation and sustainable corporate value growth.

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In 2015, the Group persisted in its established strategic direction, continually developed and innovated, and pragmatically implemented its comprehensive in-depth reform and Internet-oriented transformation, achieving a stable growth in its overall operating results. The Group's operating revenues in 2015 were RMB331,202 million, an increase of 2.1% from 2014; service revenues¹ were RMB293,266 million, an increase of 2.0% from 2014; operating expenses were RMB304,760 million, an increase of 3.0% from 2014; profit attributable to equity holders of the Company was RMB20,054 million, an increase of 13.4% from 2014; basic earnings per share were RMB0.25; EBITDA² was RMB94,106 million, a decrease of 0.8% from 2014 and the EBITDA margin³ was 32.1%.

Operating Revenues

In 2015, while proactively tackling various challenges brought by the policies such as the value-added tax (VAT) reform, speed upgrade & tariff reduction and handset data traffic carried forward, the Group continued to optimise its business structure and achieved a stable growth in its operating revenues. Operating revenues in 2015 were RMB331,202 million, an increase of 2.1% from 2014. Of this, the total mobile revenues were RMB156,529 million, an increase of 3.2% from 2014; the total wireline revenues were RMB174,673 million, an increase of 1.1% from 2014.

¹ Service revenues were calculated based on operating revenues minus sales of mobile terminals (2015: RMB32,026 million; 2014: RMB31,343 million), sales of wireline equipment (2015: RMB4,430 million; 2014: RMB3,956 million) and other non-service revenues (2015: RMB1,480 million; 2014: RMB1,716 million).

² EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure, the level of gearing and finance costs may have a significant impact on the net profit of companies with similar operating results. Therefore, we believe EBITDA may be helpful in analysing the operating results of a telecommunications service provider such as the Company. Although EBITDA has been widely applied in the global telecommunications industry as a benchmark to reflect operating performance, debt raising ability and liquidity, it is not regarded as a measure of operating performance and liquidity under generally accepted accounting principles. It also does not represent net cash from operating activities. In addition, our EBITDA may not be comparable to similar indicators provided by other companies.

³ EBITDA margin was calculated based on EBITDA divided by service revenues.

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The following table sets forth a breakdown of the operating revenues of the Group for 2014 and 2015, together with their respective rates of change:

<i>(RMB millions, except percentage data)</i>	For the year ended 31 December		
	2015	2014	Rates of change
Wireline voice	29,610	33,587	(11.8%)
Mobile voice	48,983	54,673	(10.4%)
Internet	126,546	112,431	12.6%
Value-added services	39,044	38,419	1.6%
Integrated information application services	27,299	26,939	1.3%
Telecommunications network resource services and lease of network equipment	17,635	17,332	1.7%
Others	42,085	41,013	2.6%
Total operating revenues	331,202	324,394	2.1%

Wireline Voice

In 2015, revenue from wireline voice services was RMB29,610 million, a decrease of 11.8% from RMB33,587 million in 2014, accounting for 8.9% of the Group's operating revenues. Declining revenue contribution from wireline voice services effectively mitigated operating risks.

Mobile Voice

In 2015, being affected by the substitution effect of mobile Internet services, such as OTT, revenue from mobile voice services was RMB48,983 million, a decrease of 10.4% from RMB54,673 million in 2014, accounting for 14.8% of the Group's operating revenues.

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Internet

In 2015, revenue from Internet access services was RMB126,546 million, an increase of 12.6% from RMB112,431 million in 2014, accounting for 38.2% of the Group's operating revenues. The Group proactively leveraged the advantage of its broadband network, promoted access bandwidth upgrades for subscribers, launched reasonably flexible pricing plans, persisted in rational competition and profitable development. At the end of 2015, the number of wireline broadband subscribers of the Group reached 113 million, with a net increase of 6.11 million. The wireline broadband revenue of the Group was RMB74,285 million, an increase of 1.1% from 2014. The Group achieved rapid growth in the volume of and revenue from mobile data traffic, effectively driven by further promoting the precision management of data traffic operations and, at the same time, increasing sales at lower unit prices. Revenue from mobile Internet access services was RMB50,694 million, an increase of 34.1% from 2014. Of this, revenue from handset data traffic was RMB47,770 million, an increase of 40.1% from 2014.

Valued-Added Services

In 2015, revenue from value-added services was RMB39,044 million, an increase of 1.6% from RMB38,419 million in 2014, accounting for 11.8% of the Group's operating revenues. Of this, the revenue from wireline value-added services was RMB21,529 million, an increase of 16.8% from 2014, mainly benefitted from that the Group firmly seized the strategic opportunities of the national Internet+ action plan to achieve rapid growth in the IDC and IPTV (e-Surfing HD) services. Revenue from mobile value-added services was RMB17,515 million, a decrease of 12.4% from 2014, mainly due to the decrease in revenue from traditional value-added services, such as short and multimedia messaging services.

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Integrated Information Application Services

In 2015, revenue from integrated information application services was RMB27,299 million, an increase of 1.3% from RMB26,939 million in 2014, accounting for 8.3% of the Group's operating revenues. Of this, revenue from wireline integrated information application services was RMB20,505 million, an increase of 4.5% from 2014. The increase in revenue was mainly due to the stable development of IT Services and Applications. Revenue from mobile integrated information application services was RMB6,794 million, a decrease of 7.2% from 2014. The decline was mainly due to the decrease in the volume of traditional information inquiry services.

Telecommunications Network Resource Services and Lease of Network Equipment

In 2015, revenue from telecommunications network resource services and lease of network equipment was RMB17,635 million, an increase of 1.7% from RMB17,332 million in 2014, accounting for 5.3% of the Group's operating revenues. Revenue from lease of mobile network equipment was RMB421 million, a decrease of 9.1% from 2014.

Others

In 2015, revenue from other services was RMB42,085 million, an increase of 2.6% from RMB41,013 million in 2014, accounting for 12.7% of the Group's operating revenues. Revenue from other mobile services was RMB32,122 million, an increase of 2.4% from 2014, the major item of which was the sales of mobile terminals.

Operating Expenses

The Group reinforced the efforts in management and control of cost, optimised resources allocation, continuously promoted the transformation of sales and marketing models, and enhanced and promoted its market competitiveness. In 2015, operating expenses of the Group were RMB304,760 million, an increase of 3.0% compared with RMB295,886 million in 2014. Operating expenses accounted for 92.0% of the Group's operating revenues, an increase of 0.8 percentage point from 2014.

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The following table sets forth a breakdown of the operating expenses of the Group in 2014 and 2015 and their respective rates of change:

<i>(RMB millions, except percentage data)</i>	For the year ended 31 December		
	2015	2014	Rates of change
Depreciation and amortisation	67,664	66,345	2.0%
Network operations and support expenses	81,240	68,651	18.3%
Selling, general and administrative expenses	54,472	62,719	(13.1%)
Personnel expenses	52,541	50,653	3.7%
Other operating expenses	48,843	47,518	2.8%
Total operating expenses	304,760	295,886	3.0%

Depreciation and Amortisation

In 2015, depreciation and amortisation was RMB67,664 million, an increase of 2.0% from RMB66,345 million in 2014, accounting for 20.4% of the Group's operating revenues. As the Group increased investment in 4G and fibre broadband network, depreciation and amortisation increased correspondingly with the expansion of the assets scale.

Network Operations and Support Expenses

In 2015, network operations and support expenses were RMB81,240 million, an increase of 18.3% from RMB68,651 million in 2014, accounting for 24.5% of the Group's operating revenues. The growth was due to the newly added tower usage fee in 2015. In addition, with the expansion of network assets, the Group reasonably increased network operations expenses to enhance network quality and, at the same time, continuously strengthened cost management and control, improving the utilisation efficiency of resources. As such, the increase in network operations and support expenses was evidently slower than that in 2014.

Selling, General and Administrative Expenses

In 2015, selling, general and administrative expenses amounted to RMB54,472 million, a decrease of 13.1% from RMB62,719 million in 2014, accounting for 16.4% of the Group's operating revenues. Of this, selling expenses were RMB45,943 million, a decrease of 15.7% compared with 2014. The decline was mainly attributable to the fact that the Group continuously promoted the transformation of sales and marketing models, reduced selling expenses, and improved the utilisation efficiency of marketing resources. Commission and service expenses for third parties amounted to RMB26,651 million, a decrease of 6.0% from 2014. Advertising and promotion expenses amounted to RMB19,291 million, a decrease of 26.2% from 2014, of which the terminal subsidies amounted to RMB11,620

million, a decrease of 24.3% from 2014.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Personnel Expenses

In 2015, personnel expenses were RMB52,541 million, an increase of 3.7% from RMB50,653 million in 2014, accounting for 15.9% of the Group's operating revenues. For details of the number of employees, remuneration policies and training schemes, please refer to the Human Resources Development Report in this annual report.

Other Operating Expenses

In 2015, other operating expenses were RMB48,843 million, an increase of 2.8% from RMB47,518 million in 2014, accounting for 14.8% of our operating revenues. The cost of mobile terminal equipment sold amounted to RMB30,867 million, an increase of 3.0% from 2014.

Net Finance Costs

In 2015, the Group's net finance costs were RMB4,273 million, a decrease of 19.2% from RMB5,291 million in 2014. The decrease was mainly due to the fact that the interest rate of the deferred consideration of Mobile Network Acquisition decreased from 6.25% per annum in 2014 to 5.11% per annum in 2015 (adjusted in accordance with a 5 basis points premium to the yield of the 5-year super AAA rated Medium Term Notes once a year pursuant to the agreement). Net exchange losses were RMB75 million in 2015. The fluctuation of foreign exchange gain or loss was mainly caused by the depreciation of the RMB exchange rate against the US Dollars.

Profitability Level

Income Tax

The Group's statutory income tax rate is 25%. In 2015, the Group's income tax expenses were RMB6,551 million with the effective income tax rate of 24.5%. The difference between the effective income tax rate and the statutory income tax rate was mainly due to the preferential income tax rate, which was lower than the statutory income tax rate, enjoyed by some of our branches with operations in the western region of China and some of our subsidiaries.

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Profit Attributable to Equity Holders of the Company

In 2015, profit attributable to equity holders of the Company was RMB20,054 million, an increase of 13.4% from RMB17,680 million in 2014.

Disposal of Certain Telecommunications Towers and Related Assets

Pursuant to the transfer agreement (Transfer Agreement) entered into by the Group and China Tower Corporation Limited (China Tower) on 14 October 2015, the Group sold certain telecommunications towers and related assets (Tower Assets) (Tower Assets Disposal) and injected cash to China Tower in return for new shares (Consideration Shares) issued by China Tower.

By 31 December 2015, China Tower has issued 33.097 billion Consideration Shares to the Group at an issue price of RMB1.00 per share pursuant to the Transfer Agreement in return for RMB30.131 billion of the Tower Assets and RMB2.966 billion cash from the Group.

Upon the issuance of the Consideration Shares by China Tower, the Group, China Unicom, China Mobile and China Reform Holding Company Limited hold 27.9%, 28.1%, 38.0% and 6.0% of the share capital of China Tower, respectively.

The Company realised a gain (subject to deduction of relevant expenses and taxes) from the Tower Assets Disposal, which was calculated based on the surplus of the final consideration amount for the Tower Assets Disposal over the book value of the assets as at the completion date and the final gain recognised was RMB7,231 million. As the Group held 27.9% of the share capital of China Tower following the completion of the Tower Assets Disposal, 72.1% of the aforesaid gain had been recognised at the completion date of the Tower Assets Disposal in the consolidated statement of comprehensive income and the remaining 27.9% of the aforesaid gain is deferred over the remaining useful life of the Tower Assets.

Capital Expenditure and Cash Flows

Capital Expenditure

In 2015, the Group increased its capital expenditure on 4G and fibre broadband network and fully upgraded the capability of the network to lay down a strong foundation of the scale development of core services and further market competitiveness. In 2015, capital expenditure of the Group was RMB109,094 million, an increase of 41.9% from RMB76,889 million in 2014.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS***FINANCIAL REVIEW*****Cash Flows**

In 2015, net increase in cash and cash equivalents for the Group was RMB11,309 million, while the net increase in cash and cash equivalents was RMB4,370 million in 2014.

The following table sets forth the cash flow position of the Group in 2014 and 2015:

<i>(RMB millions)</i>	For the year ended 31 December	
	2015	2014
Net cash flow from operating activities	108,750	96,405
Net cash used in investing activities	(102,250)	(81,708)
Net cash from/(used in) financing activities	4,809	(10,327)
Net increase in cash and cash equivalents	11,309	4,370

In 2015, the net cash inflow from operating activities was RMB108,750 million, an increase of 12.8% from 2014, which was mainly due to the increase in operating revenues and enhanced collection of accounts receivable.

In 2015, the net cash outflow used in investing activities was RMB102,250 million, an increase of 25.1% from 2014, which was mainly due to the increase of capital expenditure for the year.

In 2015, the net cash inflow from financing activities was RMB4,809 million. In 2014, the net cash outflow used in financing activities was RMB10,327 million. The reason for the fluctuation was mainly due to the issuance of short-term commercial papers and the newly originated government loans with below-market interest rate during the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS**FINANCIAL REVIEW****Working Capital**

The Group consistently upheld prudent financial principles and strict fund management policies. At the end of 2015, the Group's working capital (total current assets minus total current liabilities) deficit was RMB177,821 million, an increase in deficit of RMB31,039 million from RMB146,782 million in 2014. As at 31 December 2015, the Group's unutilised credit facilities were RMB128,839 million (2014: RMB130,488 million). Given the stable net cash inflow from operating activities and the sound credit record, the Group has sufficient working capital to satisfy the operation requirement. At the end of 2015, the Group's cash and cash equivalents amounted to RMB31,869 million, amongst which cash and cash equivalents denominated in Renminbi accounted for 92.6% (2014: 93.1%).

Assets and Liabilities

In 2015, the Group continued to maintain a solid financial position. At the end of 2015, the total assets of the Group increased to RMB629,561 million from RMB561,274 million at the end of 2014, which was mainly due to the increase of capital expenditure and the valuation surplus of Tower Assets injected to China Tower. Total indebtedness increased to RMB116,669 million from RMB106,552 million at the end of 2014. The ratio of the Group's total indebtedness to total assets decreased to 18.5% at the end of 2015 from 19.0% at the end of 2014.

Indebtedness

The indebtedness analysis of the Group as of the end of 2014 and 2015 is as follows:

<i>(RMB millions)</i>	For the year ended 31 December	
	2015	2014
Short-term debt	51,636	43,976
Long-term debt maturing within one year	84	82
Long-term debt and payable	64,830	62,494
Finance lease obligations (including current portion)	119	
Total debt	116,669	106,552

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS**FINANCIAL REVIEW**

By the end of 2015, the total indebtedness of the Group was RMB116,669 million, an increase of RMB10,117 million from the end of 2014, which was mainly due to the issuance of short-term commercial papers and newly originated national policy-related loans with below-market interest rate. Of the total indebtedness of the Group, loans denominated in Renminbi, US Dollars and Euro accounted for 99.4% (2014: 99.2%), 0.4% (2014: 0.5%), and 0.2% (2014: 0.3%), respectively. 46.3% (2014: 41.3%) of the indebtedness are loans with fixed interest rates, while the remainders are loans with floating interest rates.

As at 31 December 2015, the Group did not pledge any assets as collateral for debt (2014: Nil).

Most of the Group's revenue receipts from and payments made for its business were denominated in Renminbi, therefore the Group did not have significant risk exposure to foreign exchange fluctuations.

Contractual Obligations

<i>(RMB millions)</i>	Total	1 January	1 January	1 January	1 January	1 January	There-after
		2016	2017	2018	2019	2020	
		31 December	31 December	31 December	31 December	31 December	
Short-term debt	51,967	51,967					
Long-term debt and payable	71,295	2,597	64,345	251	250	267	3,585
Operating lease commitments	14,448	3,452	2,564	2,006	1,532	1,171	3,723
Capital commitments	10,148	10,148					
Total contractual obligations	147,858	68,164	66,909	2,257	1,782	1,438	7,308

Note: Amounts of short-term debt, and long-term debt and payable include recognised and unrecognised interest payable, and are not discounted.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

REPORT OF THE DIRECTORS

The Board of Directors (the Board) of China Telecom Corporation Limited (the Company) hereby presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the Group) prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2015.

Principal Business

The principal business of the Company and the Group is the provision of fundamental communications services including comprehensive wireline telecommunications services, mobile telecommunications services, value-added services such as Internet access services, integrated information services and other related services within the service area of the Group.

Results

Results of the Group for the year ended 31 December 2015 and the financial position of the Group as at that date are set out in the audited consolidated financial statements on pages 122 to 193 of this annual report.

Dividend

The Board of Directors of the Company proposes a final dividend in the amount equivalent to HK\$0.095 per share (pre-tax), totalling approximately RMB6,461 million for the year ended 31 December 2015. The dividend proposal will be submitted for consideration at the annual general meeting to be held on 25 May 2016. Dividends will be denominated and declared in Renminbi. Dividends for holders of domestic shares and the investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on Hong Kong Stock Exchange (the Southbound Trading Link) (the Southbound Investors) will be paid in Renminbi, whereas dividends for H share shareholders other than Southbound Investors will be paid in Hong Kong dollars. The relevant exchange rate will be the average offer rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends at the annual general meeting. The proposed final dividends are expected to be paid on or about 15 July 2016 upon approval at the annual general meeting.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China in 2008, the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the proposed 2015 final dividends to non-resident enterprise shareholders of overseas H shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members on 6 June 2016.

According to regulations by the State Administration of Taxation (Guo Shui Han 2011 No. 348) and relevant laws and regulations, if the individual H share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay

individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant

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REPORT OF THE DIRECTORS

tax treaty. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H share shareholders.

The Company will determine the country of domicile of the individual H share shareholders based on the registered address as recorded in the H share register of members of the Company on 6 June 2016 (the Registered Address). If the country of domicile of an individual H share shareholder is not the same as the Registered Address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before Tuesday, 31 May 2016. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of the Southbound Trading Link, will receive all dividends distributed by the Company and will distribute the dividends to the relevant investors under the Southbound Trading Link through its depository and clearing system. According to the relevant provisions under the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81) , the Company shall withhold and pay individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H shares of the Company listed on the Hong Kong Stock Exchange through the Southbound Trading Link. In respect of the dividends received by Mainland securities investment funds investing in the H shares of the Company listed on Hong Kong Stock Exchange through the Southbound Trading Link, the tax levied shall be ascertained by reference to the rules applicable to individual investors. The Company is not required to withhold and pay income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading Link, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the shareholders' rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company's H share shareholders.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H share shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

REPORT OF THE DIRECTORS**Directors, Senior Management and Company Secretary of the Company**

The following table sets out certain information of the Directors and senior management of the Company as at the date of this Report:

Name	Age	Position in the Company	Date of Appointment
Yang Jie	53	Exercising the powers of the Chairman and Chief Executive Officer; Executive Director, President and Chief Operating Officer	20 October 2004
Zhang Jiping	60	Executive Director and Executive Vice President	10 September 2002
Yang Xiaowei	52	Executive Director and Executive Vice President	9 September 2008
Sun Kangmin	58	Executive Director and Executive Vice President	20 October 2004
Ke Ruiwen	52	Executive Director and Executive Vice President	30 May 2012
Zhu Wei	47	Non-Executive Director	29 May 2014
Tse Hau Yin, Aloysius	68	Independent Non-Executive Director	9 September 2005
Cha May Lung, Laura	66	Independent Non-Executive Director	9 September 2008
Xu Erming	66	Independent Non-Executive Director	9 September 2005
Wang Hsuehming	66	Independent Non-Executive Director	29 May 2014
Gao Tongqing	52	Executive Vice President	21 June 2013
Chen Zhongyue	44	Executive Vice President	12 December 2014

As mentioned in the announcements in relation to the change in senior management published by the Company in the following dates during the year: On 10 February 2015, Madam Wu Andi retired from her positions as the Executive Director, Executive Vice President and Chief Financial Officer of the Company due to her age. On 24 August 2015, Mr. Wang Xiaochu resigned from his positions as the Executive Director, Chairman and Chief Executive Officer of the Company due to change in work arrangement. On 1 September 2015, Mr. Chang Xiaobing was appointed as Chief Executive Officer of the Company. On 23 October 2015, the appointment of Mr. Chang Xiaobing as a Director of the Company was approved at the extraordinary general meeting and on the same date, Mr. Chang Xiaobing was appointed by the Board as the Chairman of the Company. On 30 December 2015, Mr. Chang Xiaobing resigned from his positions as the Executive Director, Chairman and Chief Executive Officer of the Company; and Mr. Yang Jie, the Executive Director, President and Chief Operating Officer of the Company, was approved by the Board to exercise the powers of the Chairman and Chief Executive Officer since 30 December 2015.

On 17 February 2015, Mr. Yung Shun Loy, Jacky was appointed as the Deputy Chief Financial Officer of the Company. On 1 November 2015, Mr. Yung Shun Loy, Jacky resigned from his positions as the Company Secretary,

Authorised Representative and the Deputy Chief Financial Officer of the Company. On 6 November 2015, Ms. Chu Ka Yee was appointed as Company Secretary and Authorised Representative of the Company.

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REPORT OF THE DIRECTORS**Supervisors of the Company**

The following table sets out certain information of the Supervisors of the Company as at the date of this Report:

Name	Age	Position in the Company	Date of Appointment
Sui Yixun	52	Chairman of the Supervisory Committee	27 May 2015
Tang Qi	57	Supervisor (Employee Representative)	19 August 2013
Zhang Jianbin	50	Supervisor (Employee Representative)	16 October 2012
Hu Jing	40	Supervisor	16 October 2012
Ye Zhong	56	Supervisor	27 May 2015

On 18 February 2015, due to adjustment of work division, Mr. Shao Chunbao resigned from his positions as a Supervisor and the Chairman of the Supervisory Committee of the Company. On 12 March 2015, Mr. Du Zuguo resigned from his position as a Supervisor of the Company due to change in work arrangement. On 27 May 2015, Mr. Sui Yixun and Mr. Ye Zhong were approved to be appointed as Supervisors of the Company at the annual general meeting of the Company for year 2014.

Share Capital

The share capital of the Company as at 31 December 2015 was RMB80,932,368,321, divided into 80,932,368,321 shares of RMB1.00 each. As at 31 December 2015, the share capital of the Company comprised:

Share category	Number of shares as at 31 December 2015	Percentage of the total number of shares in issue as at 31 December 2015
Total number of Domestic shares	67,054,958,321	82.85
Domestic shares held by:		
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

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Total number of H shares (including ADSs)	13,877,410,000	17.15
Total	80,932,368,321	100.00

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REPORT OF THE DIRECTORS**Material Interests and Short Positions in Shares and Underlying Shares of the Company**

As at 31 December 2015, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings (excluding the Directors and Supervisors) in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholders	Number of shares	Type of share	Percentage of the respective type of shares	Percentage of the total number of shares in issue	Capacity
China Telecommunications Corporation	57,377,053,317 (Long Position)	Domestic shares	85.57%	70.89%	Beneficial owner
Guangdong Rising Assets Management Co., Ltd.	5,614,082,653 (Long Position)	Domestic shares	8.37%	6.94%	Beneficial owner
JPMorgan Chase & Co.	1,546,282,942 (Long Position)	H shares	11.14%	1.91%	276,074,073 shares as beneficial owner; 289,508,100 shares as investment manager; 3,800 shares as trustee (other than bare trustee) and 980,696,969 shares as custodian corporation/ approved lending agent
	71,716,919 (Short Position)	H shares	0.52%	0.09%	Beneficial owner
	980,696,969 (Shares available for lending)	H shares	7.07%	1.21%	Custodian corporation/ approved lending agent
BlackRock, Inc.	1,193,143,254 (Long Position)	H shares	8.60%	1.47%	Interest of controlled corporation
	337,800 (Short Position)	H shares	0.00%	0.00%	Interest of controlled corporation

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UBS Group AG	884,575,547 (Long Position)	H shares	6.37%	1.09%	240,794,858 shares as person having a security interest and 643,780,689 shares as Interest of controlled corporation
	31,812,492 (Short Position)	H shares	0.23%	0.04%	Interest of controlled corporation
The Bank of New York Mellon Corporation	834,090,669 (Long Position)	H shares	6.01%	1.03%	Interest of controlled corporation
	805,835,485 (Shares available for lending)	H shares	5.81%	1.00%	Interest of controlled corporation
Templeton Investment Counsel, LLC	694,050,154 (Long Position)	H shares	5.00%	0.86%	Investment manager

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REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2015, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

Directors and Supervisors Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2015, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 31 December 2015, the Company had not granted its Directors or Supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right.

Directors and Supervisors Interests in Transactions, Arrangements or Contracts

At the Board meeting held on 23 September 2015 in relation to the renewal of continuing connected transactions between the Company and China Telecommunications Corporation and revision of the Annual Cap for the year 2015 for the transactions contemplated under the Engineering Framework Agreement, Mr. Yang Jie, Executive Director of the Company who also serves as Director of China Telecommunications Corporation, had voluntarily abstained from voting on the relevant resolutions. Please refer to page 65 of this annual report for details of the above renewal.

At the board meeting held on 14 October 2015 in relation to the disposal of telecommunications towers and related assets to China Tower Corporation Limited (China Tower), Mr. Zhang Jiping and Mr. Sun Kangmin, Executive Directors of the Company who also served as Chairman of the Supervisory Committee and Director of China Tower respectively, had voluntarily abstained from voting on the relevant resolutions. Please refer to page 65 of this annual report for details of the above transaction.

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REPORT OF THE DIRECTORS

Save as disclosed above and the service agreements with the Company, during the year ended 31 December 2015, the Directors and Supervisors of the Company did not have any material interest, whether directly or indirectly, in any transactions, arrangement or contract which was significant to the Company's business and which was entered into by the Company, its parent company or any of its subsidiaries or fellow subsidiaries. None of the Directors or Supervisors of the Company has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Emoluments of the Directors and Supervisors

Please refer to note 30 of the audited consolidated financial statements for details of the emoluments of all Directors and Supervisors of the Company in 2015.

Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the reporting period.

Public Float

As at the date of this Report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules and as agreed with The Stock Exchange of Hong Kong Limited.

Summary of Financial Information

Please refer to pages 194 to 195 of this annual report for a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2015.

Bank Loans and Other Borrowings

Please refer to note 17 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

Capitalised Interest

Please refer to note 28 of the audited consolidated financial statements for details of the Group's capitalised interest for the year ended 31 December 2015.

Fixed Assets

Please refer to note 5 of the audited consolidated financial statements for movements in the fixed assets of the Group for the year ended 31 December 2015.

Reserves

Pursuant to Article 147 of the Company's articles of association (the "Articles of Association"), where the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and regulations, materially differ from those prepared in accordance with either the International Financial Reporting Standards, or accounting standards at a place outside the PRC where the Company's shares are listed, the distributable profit for the relevant accounting period shall be deemed to be the lesser of the amounts shown in those respective financial statements. Distributable reserves of the Company as at 31 December 2015, calculated on the above basis and before deducting the proposed final dividends for 2015, amounted to RMB105,079 million.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

REPORT OF THE DIRECTORS

Please refer to note 22 of the audited consolidated financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2015.

Equity-linked Agreements

For the year ended 31 December 2015, the Company has not entered into any equity-linked agreement.

Donations

For the year ended 31 December 2015, the Group made charitable and other donations with a total amount of RMB18 million.

Subsidiaries and Associated Companies

Please refer to note 9 and note 10 of the audited consolidated financial statements for details of the Company's subsidiaries and the Group's interests in associated companies as at 31 December 2015.

Permitted Indemnity

For the year ending 31 December 2015 and as at the date of approval of this report, the Company has arranged appropriate insurance cover in respect of legal actions against the directors of the Group.

Changes in Equity

Please refer to the consolidated statement of changes in equity as contained in the audited consolidated financial statements of this year (page 125 of this annual report).

Retirement Benefits

Please refer to note 40 of the audited consolidated financial statements for details of the retirement benefits provided by the Group.

Stock Appreciation Rights

Please refer to note 41 of the audited consolidated financial statements for details of the stock appreciation rights plan offered by the Company.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

Major Customers and Suppliers

For the year ended 31 December 2015, revenue generated from the five largest customers of the Group accounted for an amount of less than 30% of the total operating revenues of the Group.

For the year ended 31 December 2015, purchases from the five largest suppliers of the Group accounted for an amount of less than 30% of the total annual purchases of the Group.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

REPORT OF THE DIRECTORS**Continuing Connected Transactions**

The following table sets out the amounts of the Group's continuing connected transactions with China Telecommunications Corporation and its Subsidiaries (except for the Group) (the "China Telecom Group")¹ for the year ended 31 December 2015:

Transactions	Transaction Amounts (RMB millions)	Annual monetary cap for continuing connected transactions (RMB millions)
Net transaction amount of centralised services	486	1,000
Net expenses for interconnection settlement	409	1,000
Mutual leasing of properties	720	1,300
Provision of IT services by China Telecom Group	1,365	1,500
Provision of IT services by the Group	181	700
Provision of community services by China Telecom Group	2,860	4,000
Provision of supplies procurement services by China Telecom Group	5,288	5,500
Provision of supplies procurement services by the Group	2,855	5,500
Provision of engineering services by China Telecom Group	19,888	20,000
Provision of ancillary telecommunications services by China Telecom Group	12,718	16,000
Provision of Internet applications channel services by the Group	368	1,500

Note 1: China Telecommunications Corporation is a controlling shareholder of the Company. Each of China Telecommunications Corporation and its subsidiaries (except for the Group) constitutes a connected person of the Company under the Listing Rules.

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Centralised Services Agreement

Pursuant to the centralised services agreement signed between the Company and China Telecommunications Corporation on 10 September 2002 and the related supplemental agreements subsequently entered into between the two parties (collectively, the Centralised Services Agreement), centralised services include centralised business management and operational services provided by the Group to China Telecom Group in relation to key corporate customers, its network management centre and business support centre. Centralised services also include the provision of certain premises by China Telecom Group to the Group and the common use of international telecommunications facilities by both parties. In accordance with the Centralised Services Agreement, the aggregate costs incurred by the Group and China Telecom Group for the provision of management and operation services will be apportioned between the Group and China Telecom Group on a pro rata basis according to the revenues generated by each party. Where the Group uses the premises provided by China Telecom Group, the Group will pay premises usage fees to China Telecom Group on a pro rata basis according to the apportioned actual area allocated to the Group. The premises usage fees shall be determined through negotiation between the two parties based on comparable market rates. When both parties use international telecommunications facilities provided by third parties and accept services by such third parties (for example, restoration maintenance costs, the annual utilisation fee and related service costs) and when both parties use the international telecommunications facilities of China Telecom Group, the associated costs shall be shared on a pro rata basis according to volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from each party divided by the proportion of the aggregate volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from both parties. When the two parties use international telecommunications facilities provided by a third party and accept restoration maintenance costs, such fees shall be determined according to the actual utilisation fee each year. The utilisation fee associated with the shared use of the international telecommunications facilities provided by China Telecom Group shall be determined through negotiation between the two parties based on market rates.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Centralised Services Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Centralised Services Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Centralised Services Agreement, and the parties shall consult and decide on matters relating to such renewal.

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Interconnection Settlement Agreement

Pursuant to the interconnection settlement agreement signed between the Company and China Telecommunications Corporation on 10 September 2002 and the related supplemental agreements subsequently entered into between the two parties (collectively, the Interconnection Settlement Agreement), the telephone operator connecting a telephone call made to its local access network shall be entitled to receive from the operator from which the telephone call originated a fee prescribed by the Ministry of Industry and Information Technology from time to time, which is currently RMB0.06 per minute. Interconnection charges are RMB0.06 per minute for local calls originated from the Group to China Telecommunications Group. The settlement regions include Beijing Municipality, Tianjin Municipality, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Shanxi Province, Henan Province, Shandong Province, Inner Mongolia Autonomous Region and Xizang Autonomous Region.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Interconnection Settlement Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Interconnection Settlement Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Interconnection Settlement Agreement, and the parties shall consult and decide on matters relating to such renewal. In addition, the Company and China Telecommunications Corporation have agreed that interconnection settlement charges will be calculated according to the rules and regulations of the relevant telecommunications regulators. If the telecommunications regulators amend existing, or promulgate new rules or regulations in respect of the interconnection settlement, the parties shall apply such amended or new rules and regulations as acknowledged by both parties.

Property Leasing Framework Agreement

Pursuant to the property leasing framework agreement signed between the Company and China Telecommunications Corporation on 30 August 2006 and the related supplemental agreement subsequently entered into between the two parties (collectively, the Property Leasing Framework Agreement), the Group and China Telecom Group can lease properties from the other party for use as business premises, offices, equipment storage facilities and sites for network equipment. The rental charges under the Property Leasing Framework Agreement shall be determined according to market rates with reference to the standards set forth by local pricing authorities. The rental charges are subject to review every 3 years.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Property Leasing Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Property Leasing Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Property Leasing Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Following the completion of the acquisition of the CDMA network assets by the end of 2012, and the rapid development of the Company's business, especially for the mobile services and message services, the demand for lease properties from the Company and China Telecom Group was increasing continuously, and therefore on 16 December 2013, the Annual Cap for the year ended 31 December 2015 was revised and increased up to RMB1,300 million. All

terms and conditions of the Property Leasing Framework Agreement remained unchanged and valid until 31 December 2015.

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IT Services Framework Agreement

Pursuant to the IT services framework agreement signed between the Company and China Telecommunications Corporation on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the IT Services Framework Agreement), the Group and China Telecom Group can provide the other party with information technology services, including office automation and software testing. Each of the Group and China Telecom Group is entitled to participate in bidding for the right to provide information technology services to the other party in accordance with the IT Services Framework Agreement. The charges payable for such services shall be determined by reference to the market rates or rates obtained through a tender process. If the terms offered by the Group or China Telecom Group are no less favourable than those offered by an independent third-party provider, the Group or China Telecom Group may award the tender to the other party.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the IT Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the IT Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the IT Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Community Services Framework Agreement

Pursuant to the community services framework agreement signed between the Company and China Telecommunications Corporation on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the Community Services Framework Agreement), China Telecom Group provides the Group with community services such as culture, education, property management, vehicle service, health and medical care, hotel and conference service, community and sanitary service. The community services under the Community Services Framework Agreement are provided at:

- (1) the government-prescribed prices (if any);
- (2) where there are no government-prescribed prices but there are government-guided prices, the government-guided prices;
- (3) where there are neither government-prescribed prices nor government-guided prices, the market prices. Market prices shall mean the prices at which the same type of services are provided by independent third parties in the ordinary course of business; or
- (4)

where none of the above is applicable, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus reasonable profit margin (for this purpose, reasonable costs means such costs as confirmed by both parties after negotiations).

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The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Community Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Community Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Community Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Supplies Procurement Services Framework Agreement

Pursuant to the supplies procurement services framework agreement signed between the Company and China Telecommunications Corporation on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the Supplies Procurement Services Framework Agreement), China Telecom Group and the Group provide each other with supplies procurement services, including comprehensive procurement services, the sale of proprietary telecommunications equipment, resale of third-party equipment, management of tenders, verification of technical specifications, storage, transportation and installation services.

Where the procurement services are provided on an agency basis, the maximum commission for such procurement services shall be calculated at:

- (1) not more than 1% of the contract value for procurement of imported telecommunications supplies; or
- (2) not more than 3% of the contract value for the procurement of domestic telecommunications supplies and domestic non-telecommunications supplies.

The pricing basis of the services for the provision of supplies procurement other than on an agency basis under the Supplies Procurement Services Framework Agreement is the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Supplies Procurement Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Supplies Procurement Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Supplies Procurement Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Engineering Framework Agreement

Pursuant to the engineering framework agreement signed between the Company and China Telecommunications Corporation on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the Engineering Framework Agreement), China Telecom Group through bids provides to the Group services such as construction, design, equipment installation and testing and/or engineering project supervision

services. The charges payable for such engineering services shall be determined by reference to market rates. The charges payable for the design or supervision of engineering projects with a value of over RMB500,000 or engineering construction projects with a value of over RMB2 million shall be determined by the tender award price.

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The Group does not accord any priority to China Telecom Group to provide such services, and the tender may be awarded to an independent third party. However, if the terms of an offer from China Telecom Group are at least as favourable as those offered by other tenderers, the Group may award the tender to China Telecom Group.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Engineering Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Engineering Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Engineering Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Attributable to (i) the increase in capital expenditure of the Group which led to an expected accompanying growth in engineering projects; (ii) the optimisation of the investment structure of the Company which led to a rapid development of the 4G and wireline broadband network and substantially increased the investment on the 4G and wireline broadband network engineering projects; and (iii) inflation and the increase in labour costs, which had driven an increase in the overall costs of the construction, design and engineering project supervision services provided under the Engineering Framework Agreement, being approved at the second extraordinary general meeting of the Company on 27 November 2015, the Annual Cap for the transactions contemplated under the Engineering Framework Agreement for the year ended 31 December 2015 was increased to RMB20,000 million. All terms and conditions of the Engineering Framework Agreement remained unchanged and valid until 31 December 2015.

Ancillary Telecommunications Services Framework Agreement

Pursuant to the ancillary telecommunications services framework agreement signed between the Company and China Telecommunications Corporation on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the Ancillary Telecommunications Services Framework Agreement), China Telecom Group provides the Group with certain repair and maintenance services, including repair of telecommunications equipment, maintenance of fire equipment and telephone booths, as well as other customer services. The pricing terms for such services are the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Ancillary Telecommunications Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Ancillary Telecommunications Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Ancillary Telecommunications Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Internet Applications Channel Services Framework Agreement

Pursuant to the Internet Applications Channel Services Framework Agreement signed between the Company and China Telecommunications Corporation on 16 December 2013, the Company agreed to provide Internet applications channel services to China Telecom Group. The channel services mainly include the provision of

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telecommunications channel and applications support platform, provision of billing and deduction services, coordination of sales promotion and development of customers services, etc. The pricing terms for such services are the same as those set out in the Community Services Framework Agreement.

The Internet Applications Channel Services Framework Agreement became effective from 1 January 2014 and will expire on 31 December 2015. No later than 30 days prior to the expiry of the Internet Applications Channel Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Internet Applications Channel Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions the Company conducted in the year 2015.

The Company's external auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2015 in accordance with the Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Group have reviewed the continuing connected transactions of the Group for the year ended 31 December 2015 and have confirmed to the Board that the transactions:

1. have received the approval of the Board;
2. have been entered into in accordance with the pricing policies as stated in the relevant agreements; and
3. have been entered into in accordance with the terms of the agreements governing such transactions; and the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

The Independent Non-executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2015 to which the Group was a party:

1. had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business;

2. had been entered into either:
 - (i) on normal commercial terms or better; or
 - (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or (if applicable) from independent third parties; and
3. had been entered into in accordance with the relevant terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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The Independent Non-executive Directors have further confirmed that:

The values of continuing connected transactions for the year ended 31 December 2015 entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

Renewal of Continuing Connected Transactions

On 23 September 2015, the Company and the China Telecommunications Corporation entered into supplemental agreements and renewed the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement and the Internet Applications Channel Services Framework Agreement on the same terms (except the pricing terms) for a further term of 3 years expiring on 31 December 2018. The pricing terms of the agreements were elaborated or amended with a view to complying with the guidance letter on pricing policies for continuing connected transactions and their disclosure published by the Hong Kong Stock Exchange in March 2014 (HKEx-GL73-14) and aligning with the transactions contemplated under the agreements. The renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement were approved at the second extraordinary general meeting of the Company on 27 November 2015.

Disposal of telecommunications towers and related assets to China Tower

On 14 October 2015, the Company entered into the Transfer Agreement (Transfer Agreement) with (i) China Mobile Communication Company Limited and related subsidiaries (together, China Mobile); (ii) China United Network Communications Corporation Limited (CUCL) and Unicom New Horizon Telecommunications Company Limited (together with CUCL, China Unicom); (iii) China Reform Holding Company Limited (CRHC); and (iv) China Tower Corporation Limited (China Tower). Under the Transfer Agreement, the Company sold certain telecommunications towers and related assets (the Tower Assets) and injected cash to China Tower in return for new shares issued by China Tower. On 31 October 2015 (the Completion Date), all conditions precedent under the Transfer Agreement had been fulfilled and completion of the Transaction contemplated under the Transfer Agreement had occurred on the same day. The final consideration amount for the Transaction was determined as RMB30.131 billion based on calculation in accordance with the terms of the Transfer Agreement. China Tower issued 33.097 billion shares to the Company at an issue price of RMB1.00 per share under the Transfer Agreement in return for the Tower Assets and RMB2.966 billion cash from the Company. Upon the issuance of the shares by China Tower, the Company, China Unicom, China Mobile and CRHC hold 27.9%, 28.1%, 38.0% and 6.0% of the share capital of China Tower, respectively. Please refer

to the announcements published by the Company on 14 October 2015, 2 November 2015 and 29 January 2016 for details.

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Business Review

Relating to the details of the material development of the Group in 2015, a fair review of the business of the Group, a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Statement of the Board on pages 8 to 17, Business Review on pages 28 to 37 and Financial Review on pages 38 to 47 of this annual report. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report, particularly in the Corporate Governance Report on pages 72 to 95 of this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2015, if any, can also be found in the Notes to the Consolidated Financial Statements. The outlook of the Group's business is discussed throughout this annual report including in the Statement of the Board. Description of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends can be found throughout this annual report, particularly in the Human Resources Development Report on pages 98 to 105 and the Corporate Social Responsibility Report on pages 106 to 113 of this annual report. In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Statement of the Board, Business Review, Financial Review, Human Resources Development Report and Corporate Social Responsibility Report of this annual report. Each of the above-mentioned sections forms an integral part of this report of the directors.

Compliance with the Corporate Governance Code

Please refer to the Corporate Governance Report set out on pages 72 to 95 of this 2015 annual report of the Company for details of our compliance with the Corporate Governance Code.

Material Legal Proceedings

As at 31 December 2015, the Company was not involved in any material litigation or arbitration, and as far as the Company is aware, no material litigation or claims were pending or threatened or made against the Company.

Auditors

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP were appointed as the international and domestic auditors of the Company, respectively for the year ended 31 December 2015. Deloitte Touche Tohmatsu has audited the accompanying consolidated financial statements, which have been prepared in accordance with the International Financial Reporting Standards. The Company has appointed Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP since 29 May 2013. The relevant re-appointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's international and domestic auditors, respectively for the year ending 31 December 2016 will be proposed to the annual general meeting of the Company to be held on 25 May 2016.

By Order of the Board

Yang Jie

Executive Director, President and Chief Operating Officer

Beijing, China

23 March 2016

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REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, all members of the Supervisory Committee acted in accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, followed the principles of integrity and diligently carried out their supervisory function to safeguard the interests of shareholders, the Company and the employees.

I. The work status of the Supervisory Committee of the Company

During the reporting period, the Supervisory Committee held two meetings. At the second meeting of the Fifth Session of the Supervisory Committee held on 12 March 2015, the Supervisory Committee reviewed and approved six agenda items, including the financial statements for the year 2014, the audited report issued by the external auditors, the profit distribution and dividend proposal, the Supervisory Committee's report for the year 2014, the working plan of the Supervisory Committee for the year 2015, the change of composition of the Supervisory Committee of the Company and passed the relevant resolutions. Regarding changes in assets, internal control formulation, change of as well as control and management of connected transactions, and replacement of business tax with value-added tax, the Supervisory Committee has communicated with the Finance Department, Internal Audit Department and external auditors and raised certain recommendations. On 27 May 2015, the supervisors duly signed to approve the appointment of Mr. Sui Yixun as the Chairman of the Fifth Session of the Supervisory Committee. At the third meeting of the Fifth Session of the Supervisory Committee held on 13 August 2015, the Supervisory Committee reviewed and approved the interim financial statements and the review report of the external auditors. Regarding fluctuation of major figures in the reports, the review of interim financial statements and the effect of replacing business tax with value-added tax, the Supervisory Committee has communicated with the Finance Department, Internal Audit Department and external auditors and raised certain recommendations. During the reporting period, members of the Supervisory Committee supervised the major decision-making process of the Company and the performance of duties by the members of the Board and the senior management through their attendance at the relevant meetings such as Board meetings and Audit Committee meetings.

II. The overall assessment of the operation management and performance during the reporting period

The Supervisory Committee believes, during the reporting period, all members of the Board and members of senior management have complied with rules and regulations, upheld the principles of diligence and integrity, safeguarded the interests of shareholders, fulfilled their responsibilities fully in accordance with the Articles of Association of the Company, diligently implemented the resolutions of the shareholders' meetings and the Board meetings, and strictly complied with the relevant regulations for listed companies. The Supervisory Committee has not observed any behaviours that breached the laws, rules, and Articles of Association of the Company, or damaged the interests of shareholders.

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CHINA TELECOM CORPORATION LIMITED ANNUAL REPORT 2015

REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, in the face of a number of prominent changes in the external environment from regulatory policies, the Company firmly upheld the main theme of in-depth reform, open cooperation, innovation-driven . The Company actively promoted the Internet-oriented transformation, accelerated the upgrade of the infrastructure network, fostered the scale development of high value fundamental services such as 4G services and fibre broadband and differentiated development of emerging businesses in order to achieve a stable growth in its overall operation. In 2015, the operating revenues of the Company reached RMB331.2 billion, an increase of 2.1% from last year. The service revenues reached RMB293.3 billion, an increase of 2.0% over last year, with revenue growth surpassing the industry. The proportion of service revenues attributable to emerging businesses reached around 34%, an increase of 5 percentage points from the same period last year, continuing the optimisation of our business structure. EBITDA was RMB94.1 billion with EBITDA margin of 32.1%. Profit attributable to the equity holders of the Company reached RMB20.1 billion, representing an increase of 13.4% from last year. Free cash flows amounted to RMB21.5 billion. In summary, the Company accurately grasped the trends in mobile Internet development and the integrated development of the industry. The operational efficiency was rapidly improved. The core competitiveness was significantly strengthened and the corporate development is full of vitality. Meanwhile, while conscientiously fulfilling its responsibility to shareholders, the Company voluntarily committed itself to the sustainable economic, social and environmental development and persisted in as well as excelled in fulfilling its social responsibilities, such as its inherent corporate responsibilities, responsibilities towards customers, responsibilities towards employees, environmental responsibilities and social welfare responsibilities.

III. The independent opinion on the relevant matters during the reporting period**1. The opinion raised by the Supervisory Committee on the compliance of the operation of the Company with laws and regulations**

Pursuant to the relevant laws and regulations of the PRC, the Supervisory Committee monitored the convening procedures and resolutions of the meetings of the Board, the implementation by the Board of the resolutions approved by the shareholders meetings, the performance of duties by the Company's senior management, and the Company's management policies. The Supervisory Committee is of the view that the Directors and the senior management, in performing their duties, strictly complied with the relevant rules and regulations, safeguarded the legitimate rights and interests of the Company and the shareholders as a whole especially those of the minority shareholders, actively promoted the regulated operations of the Company, enhanced the level of governance of the Company and followed lawful procedures in their decision-making, implemented resolutions of the shareholders meetings. The Supervisory Committee was not aware of any behaviours of the Directors or the senior management which violated the laws, regulations, the Articles of Association of the Company or were detrimental to the interests of the Company.

2. The opinion raised by the Supervisory Committee on the financial implementations of the Company

Through the supervision and inspection of the Company's financial policies and financial condition, the Supervisory Committee is of the view that the Company is able to strictly comply with the regulatory requirements such as section 404 of the US Sarbanes Oxley Act and to

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REPORT OF THE SUPERVISORY COMMITTEE

continue to enhance its internal controls over financial reporting, while effectively controlling and managing the Company in accordance with rules and regulations. Upon the review of the financial statements for the year 2015 with unqualified audit opinion and other relevant information, which were prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards as audited by PRC certified accountants and international auditors of the Company, the Supervisory Committee is of the opinion that the financial statements truly and fairly reflect the Company's financial condition, operating results and cash flows.

In 2016, the Supervisory Committee will continue to strictly adhere to the Articles of Association of the Company and relevant regulations, assume its responsibility to protect the interests of the shareholders and the Company and monitor the Company to fulfill its commitment to its shareholders. The Supervisory Committee will focus on the Company's implementation of important measures in the process of promoting comprehensive in-depth reform and the acceleration of the Internet-oriented transformation, and will further broaden the planning of the work of the Supervisory Committee and strengthen its efforts in monitoring so as to protect the interests of all investors.

By Order of the Supervisory Committee

Sui Yixun

Chairman of the Supervisory Committee

Beijing, China

23 March 2016

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CORPORATE GOVERNANCE REPORT

An Overview of Corporate Governance

The Company strives to maintain a high level of corporate governance and has inherited an excellent, prudent and efficient corporate governance style and continuously improves its corporate governance methodology, regulates its operations, improves its internal control mechanism, implements sound corporate governance and disclosure measures, and ensures that the Company's operations are in line with the long-term interests of the Company and its shareholders as a whole. In 2015, the Shareholders' Meeting, the Board and the Supervisory Committee maintained efficient operations in accordance with the operating specifications, and the Company continued to optimise the organisation structure and has achieved a breakthrough in its mechanism innovation, which well supported the Company's strategic transformation. The Company further optimised its internal control and integrated comprehensive risk management into its operational practice. The sustained enhancement of the Company's corporate governance ensured alignment with the long-term best interest of shareholders and firmly protected the interests of shareholders.

As a company incorporated in the PRC, the Company adopts the Company Law of the People's Republic of China and other related laws and regulations as the basic guidelines for the Company's corporate governance. As a company dual-listed in Hong Kong and the United States, the current Articles of Association are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and the regulatory requirements for non-US companies listed in the United States, and these rules serve as guidances for the Company to improve the foundation of its corporate governance. The Company has regularly published statements relating to its internal control in accordance with the US Sarbanes-Oxley Act and the regulatory requirements of the U.S. Securities and Exchange Commission (SEC) and the New York Stock Exchange to confirm its compliance with related financial reporting, information disclosure, corporate internal control requirements and other regulatory requirements.

For the financial year ended 31 December 2015, save that the roles of Chairman and Chief Executive Officer of the Company were performed by the same individual, the Company has been in compliance with all the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In the Company's opinion, through supervision by the Board and the Independent Non-Executive Directors, with effective control of the Company's

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CORPORATE GOVERNANCE REPORT

internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can achieve the goal of improving the Company's efficiency in decision-making and execution and effectively capturing business opportunities. Many leading international corporations also have similar arrangements.

In 2015, the Company's continuous efforts in corporate governance gained wide recognition from the capital markets and the Company was accredited with a number of awards. The Company was voted the No.1 Best Managed Company in Asia by Euromoney for 6 consecutive years, while at the same time being ranked as the No.1 Best Managed Company in Telecommunications Sector in Asia. The Company was accredited by the investors as the Overall Best Managed Company in Asia, the No.1 Best Managed Company in China and the No.1 Best Investor Relations in China for 5 consecutive years in the Asia's Best Companies Poll 2015 organised by FinanceAsia. The Company was voted by investors as the Most Honored Company in Asia and Asia's Best Investor Relations Company in Telecommunications Sector in 2015 All Asia-Executive-Team ranking organised by Institutional Investor for five consecutive years. The Company was accredited the Platinum Award for All-Round Excellence in the poll of Corporate Awards 2015 by The Asset. In addition, the Company was awarded the The Best of Asia Icon on Corporate Governance by Corporate Governance Asia for 3 consecutive years.

Overall Structure of the Corporate Governance

A double-tier structure has been adopted as the overall structure for corporate governance: the Board and the Supervisory Committee are established under the Shareholders Meeting. The Audit Committee, Remuneration Committee and Nomination Committee were established under the Board. The Board is authorised by the Articles of Association to make major decisions on the Company's operation and to oversee the daily management and operations of the senior management. The Supervisory Committee is mainly responsible for the supervision of the performance of duties by the Board and the senior management. Each of the Board and the Supervisory Committee is independently accountable to the Shareholders Meeting.

Shareholders Meeting

In 2015, the Company convened 3 Shareholders Meetings including an annual general meeting (AGM) for the year 2014 and 2 extraordinary general meetings (EGM). The AGM held on 27 May 2015 reviewed and approved numerous resolutions such as the financial statements for the year 2014, Report of the Independent International Auditor, proposal for profit and dividends distribution, authorisation to the Board for the formulation of budget for the year 2015, appointment and remuneration of auditors, authorisation to the Board to issue debentures, appointment of the Supervisors, and amendments to the Articles of Association of the Company, which mainly include the incorporation of LTE/4G digital cellular mobile service (TD-LTE and LTE FDD), the IPTV transmission service, value-added

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telecommunications services, the qualification for Internet mapping services, and the network culture operation into the Company's scope of business. An EGM was held on 23 October 2015 to approve the election of Mr. Chang Xiaobing as a Director of the Company. In addition, an EGM was held on 27 November 2015 to approve the renewal of continuing connected transactions and the revised annual cap for year 2015 contemplated under the Engineering Framework Agreement.

Since the Company's listing in 2002, at each of the Shareholders' Meetings a separate shareholders' resolution was proposed by the Company in respect of each independent item. The circulars to shareholders also provided details about the resolutions. All votes on resolutions tabled at the Shareholders' Meetings of the Company were conducted by poll and all voting results were published on the websites of the Company and The Stock Exchange of Hong Kong Limited. The Company attaches great importance to the Shareholders' Meetings and the communication between Directors and shareholders. The Directors provided detailed and complete answers to the questions raised by shareholders at the Shareholders' Meetings. The Board adopted the shareholders communication policy to ensure that the shareholders are provided with comprehensive, equal, understandable and publicised information of the Company on a timely basis and to strengthen the communication between the Company, and the shareholders and investors.

Board of Directors

As at 31 December 2015, the Board comprises 10 Directors with 5 Executive Directors, 1 Non- Executive Director and 4 Independent Non- Executive Directors. The compositions of the Audit Committee, Remuneration Committee and Nomination Committee under the Board consist solely of Independent Non-Executive Directors, which ensure that the Committees are able to provide sufficient review and check and balance, and make effective judgements to protect the interests of shareholders and the Company as a whole. The number of Independent Non-Executive Directors exceeds one-third of the members of the Board. Mr. Tse Hau Yin, Aloysius, the Chairman of the Audit Committee, is an internationally

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renowned financial expert with expertise in accounting and financial management. The term of office for the 5th session of the Board lasts for 3 years, starting from May 2014 until the day of the Company's annual general meeting in 2017, upon which the 6th