

The following table sets out key operating data for 2011, 2012 and 2013:

	Unit	2011	2012	2013	Rate of change over 2012
Mobile subscribers	million	126.47	160.62	185.58	15.5%
of which: 3G subscribers	million	36.29	69.05	103.11	49.3%
Wireline broadband subscribers	million	76.81	90.12	100.10	11.1%
Access lines in service	million	169.59	163.00	155.80	-4.4%
Mobile voice usage	million minutes	407,765	509,229	603,616	18.5%
Mobile SMS usage	million messages	49,941	55,789	64,235	15.1%
3G handset data traffic	KTB	23.60	72.30	175.10	142.2%
Mobile Colour Ring Tone subscribers	million	75.38	92.19	102.02	10.7%
Wireline local voice usage	million pulses	206,371	172,175	148,690	-13.6%



e-Surfing 3G Handset Fair & Mobile Internet Forum



In 2013, fully capitalising on the development opportunities brought forth by the rapid growth of 3G and the mobile Internet, the Company continued to deepen its strategic transformation, innovate development models and create competitive edges, leading to a continuous expansion of subscribers' scale, rapid growth of mobile services and steady growth of broadband services, and achieving remarkable increase in operating revenues, further optimising revenue structure and reinforcing its competitive edges in the market.

Key operating performance

Rapid growth in operating revenues, while business structure continued to optimise

In 2013, the Company's operating revenues increased by 13.6% to RMB321,584 million. Excluding revenues from mobile terminal sales, operating revenues were RMB284,149 million, representing an annual growth of 10.0%. The Company's revenue structure was further optimised, with mobile revenues accounting for 47.0% of operating revenues, and revenues from the mobile and wireline broadband services accounting for close to 70% of operating revenues.

Mobile revenues maintained rapid growth and subscribers' scale continued to expand, while customers' values were enhanced

In 2013, the Company persisted in the strategy that is terminal-led and application-driven and placed concurrent emphasis on integrated products and efficiently-centralised single products. The Company also strengthened cooperation with open channels and raised the sales capacities of channels, continuously expanding the mobile subscribers' scale. At the end of the year, the number of mobile subscribers reached 186 million, with a net addition of 24.96 million subscribers, and mobile service revenues increased by 22.6% to RMB113,751 million compared to last year.

Leveraging on the opportunity emerging from contact with our mobile customers, the Company offered customers coaching services on utilising mobile applications and launched promotional campaigns to raise the penetration and adoption of mobile applications, thereby increasing data traffic and enhancing customers' values. In 2013, mobile average revenue per user (ARPU) was RMB54.8, representing a year-on-year growth of 1.7%. 3G handset data traffic stood at 175.1KTB, up 142.2% year-on-year, and the monthly average data traffic per 3G handset subscriber came to 190MB.



China Telecom provides its customers with a wide variety of products and services

Wireline services maintained positive growth and wireline broadband service continued to develop steadily

In 2013, the Company deepened the implementation of wireline and mobile integration and stabilised the wireline revenues base. Revenues from wireline services were RMB170,398 million and up 3.1%, maintaining positive growth.

In the wireline broadband service, the Company reinforced its competitive edges by adopting the development strategy of “Emphasising quality on the high-end, significantly improving network speed for the mainstream market, and improving market share on the low-end”, with the deepened implementation of the “Lightening Fibre Residential Areas” initiative and “Broadband Excellence” programme, thereby further improving the broadband subscriber structure and achieving steady growth of subscribers’ scale and revenues. In 2013, revenues from wireline broadband services grew 6.1% to RMB70,821 million. The number of wireline broadband subscribers reached 100 million, with a net addition of 9.98 million subscribers, of which the number of fibre broadband service subscribers was close to 27 million, with subscribers of bandwidth of 4Mbps or above accounting for 80% of the total, up 7.0 percentage points compared with the beginning of 2013.



The iTV, ICT and IDC services became three key drivers of revenue growth of wireline value-added services (VAS) and integrated information services. In 2013, revenues from wireline VAS and integrated information services were RMB34,274 million, up 11.6% over last year. Riding on iTV, the Company promoted “Smart Family” to enhance customers’ experience by offering high-definition and intelligent products. By accelerating ICT development, the Company continued to provide customers with integrated information services that were convenient, differentiated and with high price-performance ratio. The deployment of six key Cloud data centres of the Company was in place.

In 2013, revenues from wireline voice service as a percentage of the Company’s operating revenues saw a further decline, signalling an effective alleviation of operational risks. Revenues from wireline voice service were RMB38,633 million, representing 12.0% of the operating revenues and a drop of 3.3 percentage points from the previous year.

Business operating strategies

In 2013, the Company adhered to the operating theme of “promoting dual enhancement in scale development and profitability through dual-leadership in innovation and service”, vigorously implemented the two key strategies of scale operation and data traffic operation, and carried out operational measures in “efficiently-centralised marketing, terminal-led approach, application-driven promotion, open channel expansion and excellent services provision”.

First, strengthened efficiently-centralised marketing intensity and raised sales efficiency

In 2013, the Company further refined package design to meet the customers’ demand, launching “e-Surfing Young” data-only and “DIY” mobile packages. At the same time, the Company optimised its package structure and centralised marketing resources and strategy that tilted towards high-valued clients and services. To actively adopt non-cost marketing model, the Company carried out various activities, including vigorous development of pre-paid subscribers and providing rebate to existing customers upon depositing of fees in advance. The Company further strengthened the centralised effort of marketing activities by organising four unified marketing campaigns during the year and substantially enhanced customer acquisition and terminal sales.

Second, strengthened terminal-led approach and optimised terminal portfolio structure

The Company continued to promote the “terminal-led” strategy that facilitated the continued prosperity of CDMA terminal industry value chain. For the whole year, a total of 334 CDMA handset models were newly launched, of which 270 were newly-launched 3G smartphone models. The smartphone sales volume accounted for 80.4% of the total sales volume, up 19 percentage points over last year. Through chipset upgrade, screen enlargement and other initiatives, the price-to-performance ratio of the smartphones priced around RMB1,000 was enhanced, strengthening the competitive edges of the market of smartphones priced around RMB1,000. The Company also successfully managed to participate in the global launches of various star handsets, such as Apple’s 5S/5C, Samsung’s S4 and NOTE3 and raised its market share in the high-end market. The Company also collaborated with upstream chipset manufacturers to launch low-end smartphones priced at RMB299, tackling the disadvantages of the lack of presence for CDMA network standard smartphones in the low-end market.

Third, the Company accelerated the promotion of applications to create differentiated competitive edges

The Company attached great importance to development and promotion of the industry applications for government and enterprise customers, and development of livelihood applications and mobile Internet applications. For industry application, the Company focused on promoting e-Surfing School, work unit e-Surfing RFID, field work assistant, integrated office, busy-shop assistant and campus e-Surfing RFID and the industry applications drove over 13 million of net addition of mobile subscribers. For livelihood application, the Company vigorously promoted applications for water, electricity and gas bills payment, gas refuel, traffic fines and public transport payments. For mobile Internet applications, the Company sped up the pace of corporatisation and equity restructuring of emerging services such as product centre businesses in order to establish competitive specialised corporates. China Telecom actively worked with mobile Internet companies and jointly launched “YiChat” with NetEase, Inc., serving as the mobile Internet portal.

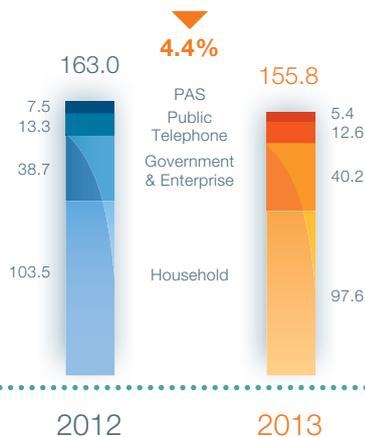
Mobile Subscribers

(million)



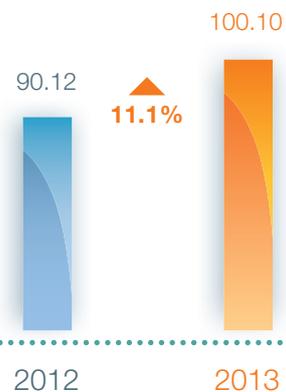
Access Lines in Service

(million)



Wireline Broadband Subscribers

(million)

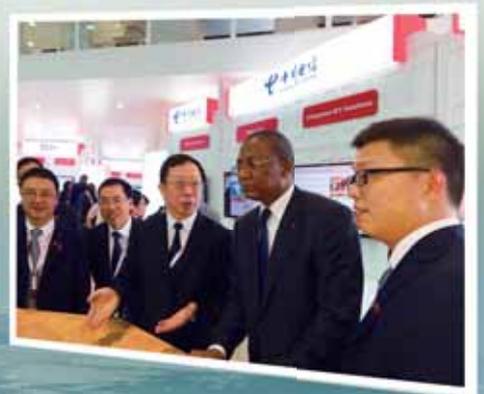


Fourth, the Company stepped up synergy of channels and improved sales capabilities of channels

The Company strengthened the collaboration of the three major channels, namely, direct sales, physical outlets and electronic channels, to converge the strengths and improve sales capabilities. For government and enterprises customers, the Company strengthened the training for direct sales managers and enhanced the capability to secure sizable contracts. At the same time, it adopted a synergistic marketing approach that combined “channel manager + agent + physical outlet” to enhance coverage of small to medium sized government and enterprise customers. For physical outlets, the Company continued to deepen

the implementation of “sub-division of performance evaluation units” in the self-operated outlets to motivate staff vitality and increase sales. The Company extensively cooperated with open channels, especially with chain stores and terminal manufacturers, as well as strengthened the direct supply of terminals and calling cards at the convenience outlets such as telephone booths and service outlets in rural areas. For electronic channels, the Company centralised its development and operation, established dedicated marketing policy and a B2B-focused distribution system, leading to improvement of the electronic channel’s ability to operate independently, and accelerating transformation to be an e-commerce operator as well as the closer cooperation with third party e-commerce companies.

The Company’s management attended customer activities and market studies



Fifth, the Company focused on customers' perception and improved customers' satisfaction

To improve customers' perception and enhance their satisfaction, the Company implemented the "Service of Excellence" strategy. Using service standard as a starting point, the Company promoted instant customer satisfaction feedback system in 10 pilot provinces, to evaluate services such as the physical outlets and broadband service installation and maintenance, strengthening the control over the service delivery to enhance customers' experience. With focus on key services, the Company enhanced 3G service standardisation, optimised data traffic queries, reminder service, credit control management and service cancellation process, strengthened the coaching of applications adoption and achieved EVDO network optimisation in urban areas. In addition, it provided customers of different tiers and clusters with differentiated broadband services, enhancing the efficiency of installation and maintenance, and effectively promoting customer access bandwidth upgrade. All these put the Company top in 3G and broadband satisfaction survey. To provide convenient

and fast service, the Company enriched its service channels by offering mobile "e-Surfing customer service", launching customer service platforms in "YiChat" and "WeChat".

Network and operation support

In 2013, the Company continued to uphold the "return-focused" investment principal, optimised investment structure, accelerated network upgrade and evolution and progressively expanded capacity, supporting business scale expansion and steadily enhancing resource utilisation.

First, the Company continued to enhance the core competitiveness of the mobile network. The Company appropriately implemented a "rapid and targeted" capacity expansion based on subscriber growth and network traffic loads in 2G/3G network to ensure the network quality and customers' satisfaction, raising the network utilisation by more than 2 percentage points. Leveraging on the 4G licensing, the Company promptly deployed LTE network in over 60 cities to provide network assurance for its 4G operation.



China Telecom announced the e-Surfing mobile wallet service

Second, the Company progressively promoted fibre network in cities and bandwidth upgrade. The Company focused on fibre network construction and upgrade in the urban areas based on customers' demand, enhancing the broadband network edges. More than 90% of the urban areas were covered with at least 20Mbps customer access bandwidth, with fibre access port utilisation reaching 40%, an improvement of 7.6 percentage points. In rural areas, the Company deployed wireline, wireless and other means subject to local conditions to meet the demand of new broadband users, with more than 91% coverage with at least 4Mbps customer access bandwidth.

Third, the Company accelerated Cloud-based development of open platforms and integrated information services expansion. The Company was in full efforts to promote its own platform integration and improve the efficiency of the platform, accelerating the construction of open integrated platforms and Cloud data centres for raising the operating and cooperative ability of Cloud resources. Riding on local government's implementation of "Smart Cities", the Company actively developed ICT services for government and enterprise customers while continued to expand the depth and breadth of ICT services.

Development measures and highlights for 2014

In 2014, 4G commercial launch, along with the rapid growth of the new Internet-based information consumption and e-commerce transactions, will bring new market opportunities and room for information consumption growth. The Company will accelerate the deployment of 4G services and plan to launch 4G products focusing on data traffic and multi-terminal sharing. The 4G services positioning will be targeted to mid-to-high-end users in mainly urban areas, while 3G will be positioned to mid-to-low-end users leveraging on the Company's superior 3G network coverage in rural areas with accelerated expansion of rural subscribers. The Company continues to enhance the utilisation of wireline broadband network through upgrade of customer access bandwidth and quality and iTV HD content enrichment to improve product competitiveness and maintain the market leadership in wireline broadband service. In addition, the Company continues to accelerate the coverage of its open channels, strengthen channels collaboration, and raise marketing capabilities and sales per store. The Company will actively expand in information services, accelerate the emerging business development, improve the data traffic product mechanism, cooperate with Internet companies to promote the adoption of heavy data traffic applications, such as video, and vigorously expand "data traffic backward monetisation". To speed up the expansion of Internet applications, the Company will strengthen the integrated platform as the fundamental, build the core capabilities on payment, location-based services and account operation and leverage on "YiChat" as portal for building Internet business system. The Company will reinforce traditional advantages in the integrated outsourcing, IDC and Cloud products, while nurturing new products in the areas of big data and Internet of thing, etc. We will also continue to optimise network resources, improve operating and maintenance efficiency, enhance service capabilities of full services and enhance customers' satisfaction to attain continuous growth in customer value and corporate value.