



2005 Interim Results

China Telecom Corporation Limited
31 August 2005
www.chinatelecom-h.com

Forward-Looking Statements



Certain statements contained in this document 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. 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.

Management Team



Mr. Wang Xiaochu Chairman & CEO

Mr. Leng Rongquan Executive Director, President & COO

Ms. Wu Andi Executive Director, EVP & CFO

Mr. Li Ping Executive Director & EVP



Overview



STEADY

growth in revenue and net profit

HEALTHY

free cash flow and solid balance sheet

RATIONALIZED

investment structure ensuring sustainable growth

FAVORABLE

start-up of strategic transformation

Solid Results (Excl. Connection Fees)



- Continuous growth in subscribers, revenue and net profit
- EBITDA margin sustained at a relatively high level

	1H2004	1H2005	Growth
Access Lines in Service (Mil)	178.50	202.40	8.4%*
Broadband Subs (Mil)	10.89	17.37	25.5%*
Operating Revenue (RMB Mil)	75,981	80,620	6.1%
EBITDA (RMB Mil)	39,755	42,518	7.0%
EBITDA Margin	52.3%	52.7%	0.4pp
Net Profit** (RMB Mil)	10,472	11,293	7.8%
EPS (RMB)	0.137	0.140	2.2%

Note: * Growth refers to net add in 1H2005.

** Net profit represents profit attributable to equity holders of the company.

All financial and operating data in this presentation assumes the Group had been operating in the current service areas (20 provinces) since the beginning of 2004

Unless otherwise stated, all financial data used hereinafter exclude upfront connection fees.

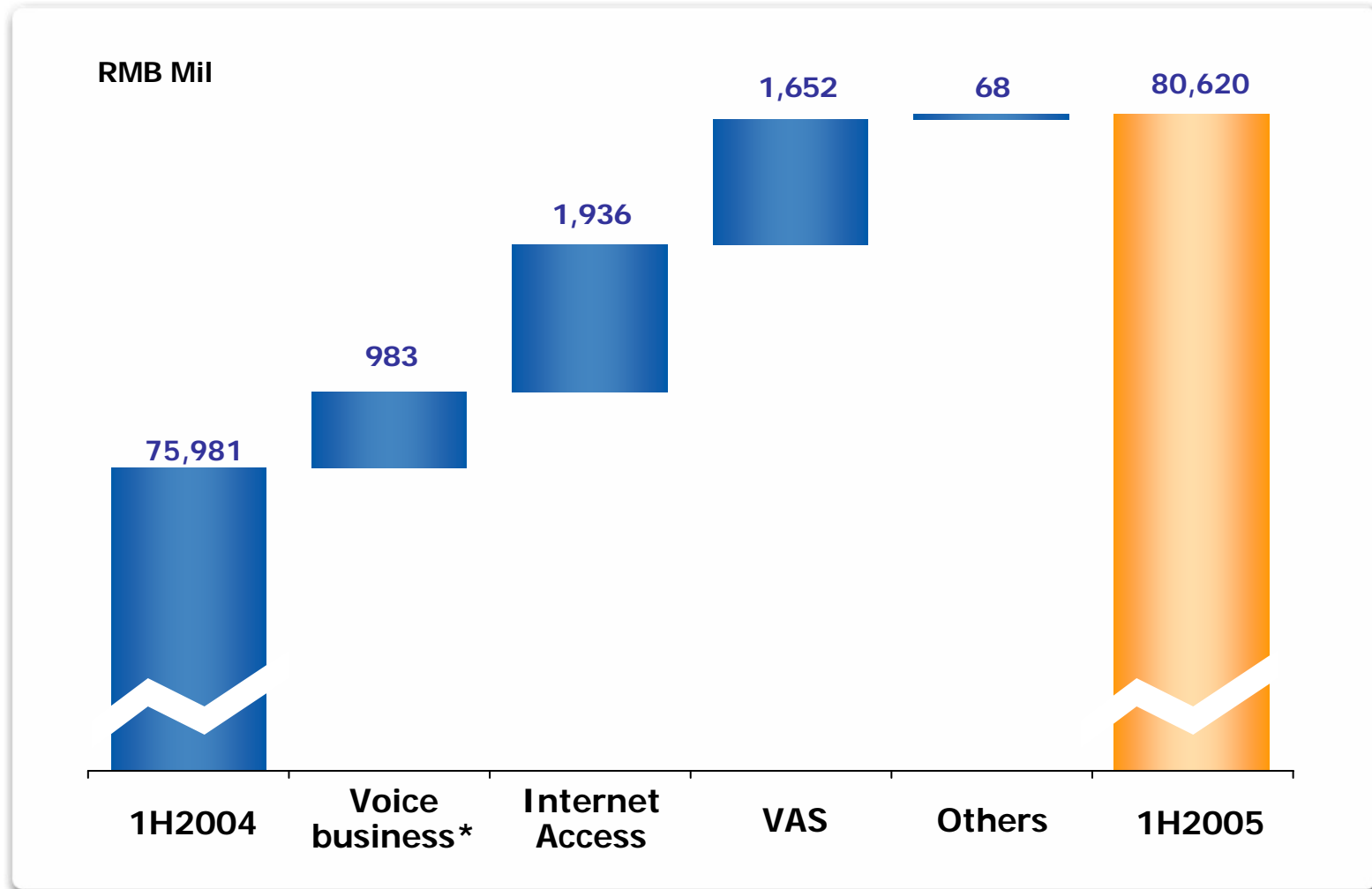
IFRS based Results (Incl. Connection Fees)



	1H2004	1H2005
Operating Revenue (RMB Mil)	80,217	84,023
EBITDA (RMB Mil)	43,991	45,921
EBITDA Margin	54.8%	54.7%
Net Profit* (RMB Mil)	14,708	14,696
EPS (RMB)	0.192	0.182

Note: * Net profit represents profit attributable to equity holders of the company.

Revenue Growth Drivers



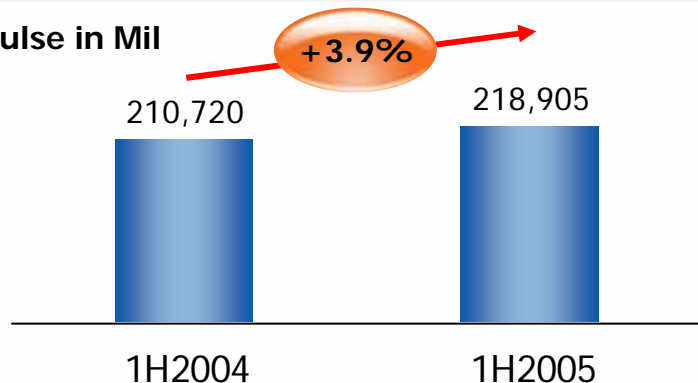
Note: * Voice business revenue includes Monthly Fees, Local Usage Fees, Upfront Installation Fees, DLD/IDD and Interconnection Revenue

Stable Development of Voice Business



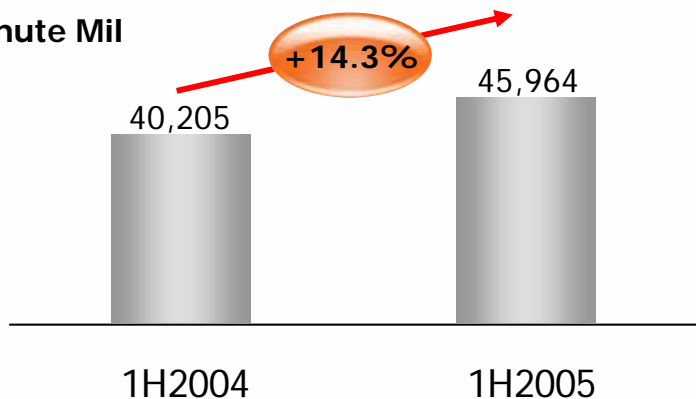
Local Voice Usage

Pulse in Mil



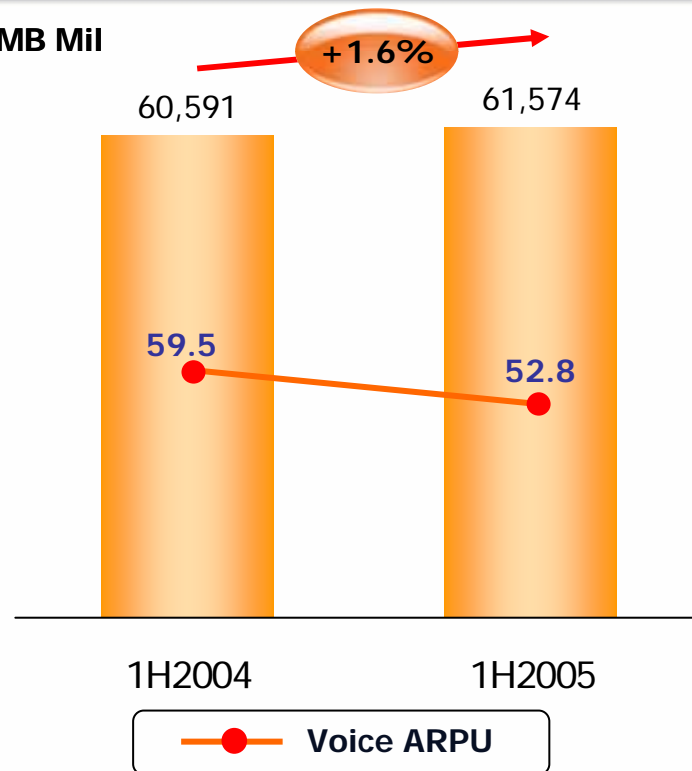
Long Distance Usage

Minute Mil



Voice Business Revenue

RMB Mil



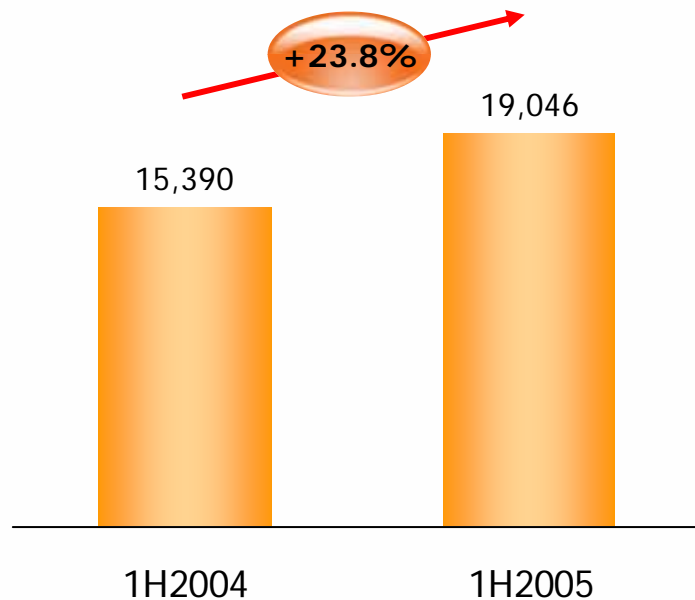
Note: Voice business revenue includes Monthly Fees, Local Usage Fees, Upfront Installation Fees, DLD/IDD and Interconnection Revenue

Implemented targeted marketing to effectively alleviate mobile voice substitution and thus ensuring stable growth in voice usage and revenue.

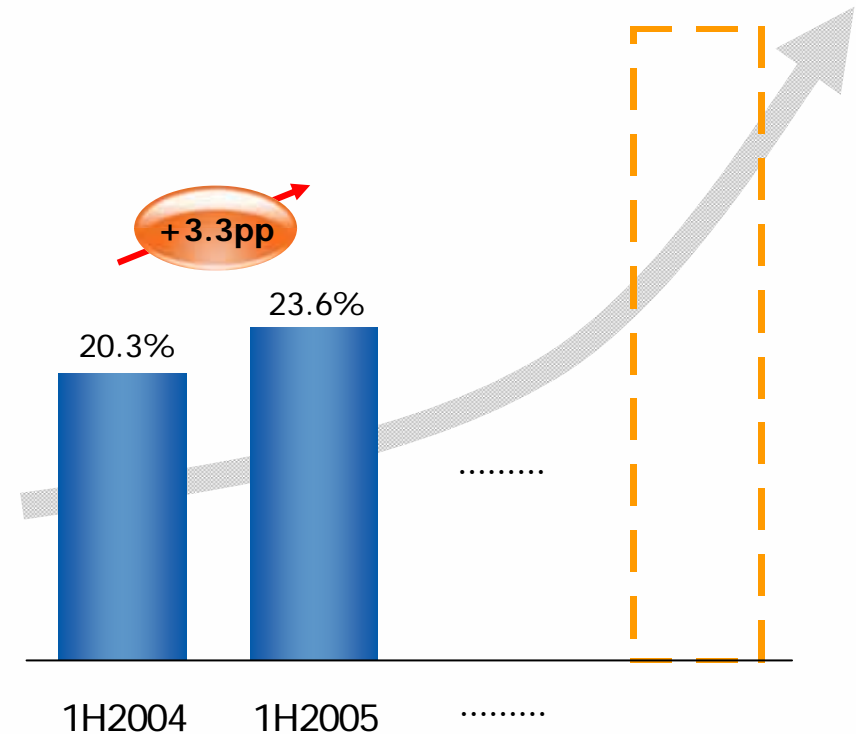
Favorable Start-up of Strategic Transformation

Non-Voice Revenue*

RMB Mil



Non-Voice Revenue* as a % of Operating Revenue



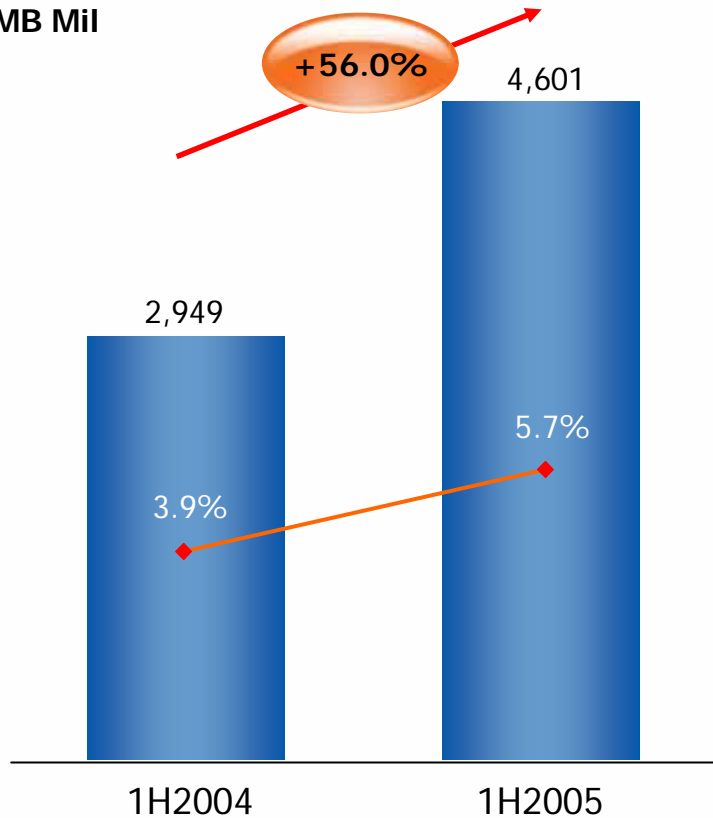
Note: * Non-voice revenue includes revenue from internet access, managed data, leased line, VAS and other businesses.

Endeavor to satisfy diverse and personalized customers' needs to increase non-voice revenue.

Fast Developing VAS

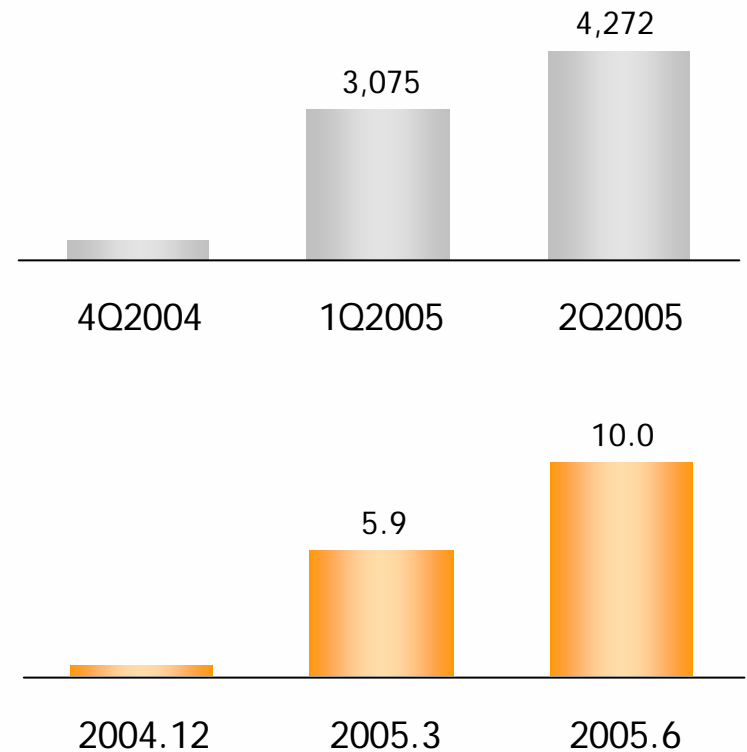
VAS Revenue

RMB Mil



◆ VAS revenue as a % of operating revenue

PAS Value-Added Services



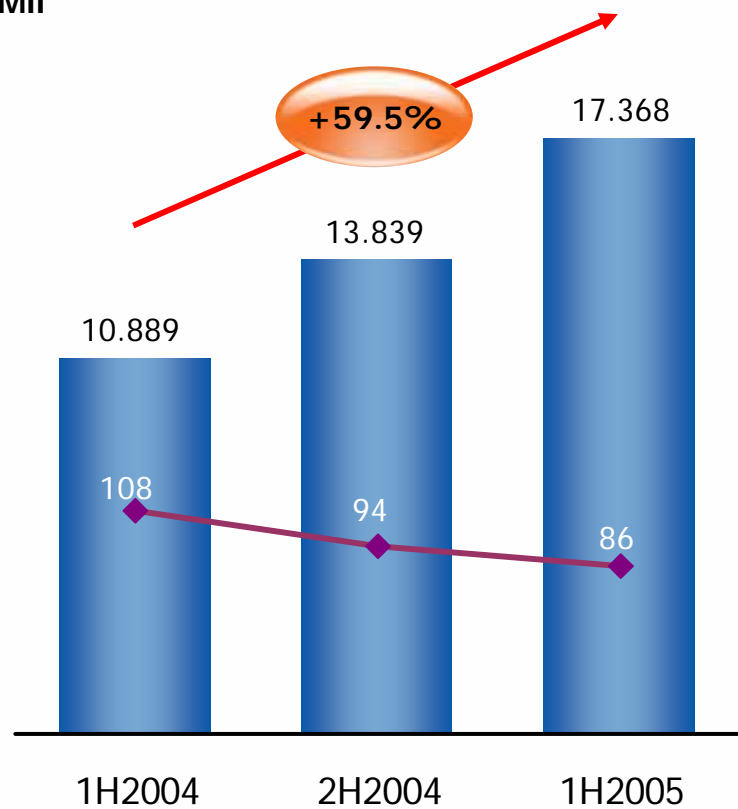
■ Usage of "SMS over PAS" (Message Mil)

■ PAS color ring tone subscribers (Mil)

Continued Rapid Growth of Broadband

Broadband Subscribers

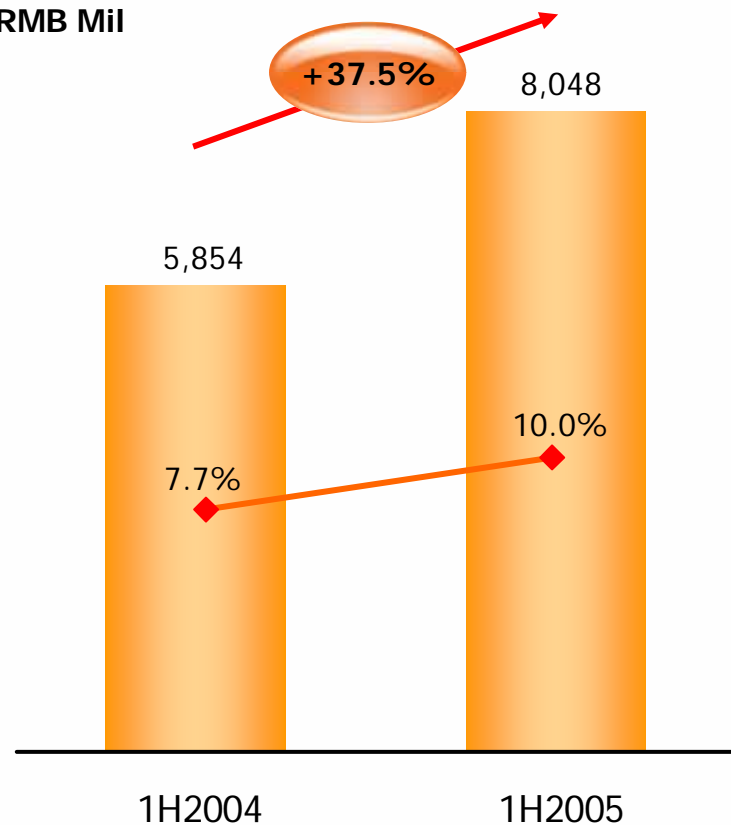
Mil



◆ Broadband ARPU (RMB)

Broadband Access Revenue

RMB Mil

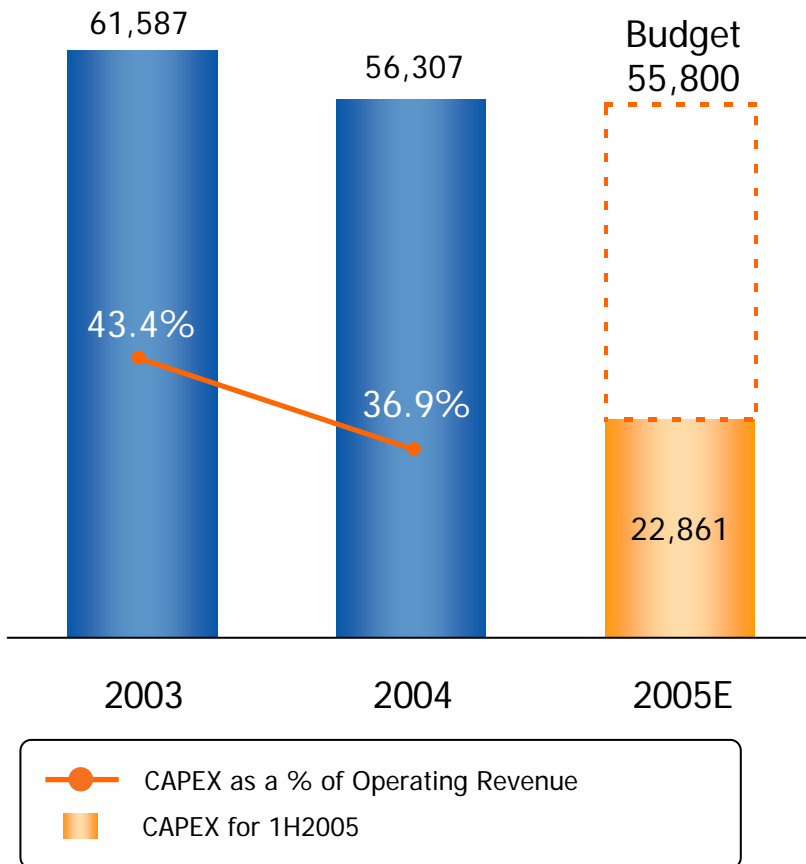


◆ Broadband access revenue as a % of operating revenue

Investing for Future Growth

CAPEX

RMB Mil



Investment Strategies

- Stringent control over CAPEX according to cost return analysis, while ensuring sustainable growth.
- To transform existing network into intelligent network, broadband, IP based network, NGN, and to build integrated operating business platforms.
- To control CAPEX within full year budget.

- ☎ No interim dividend for 2005 is recommended by the Board.
- ☎ Healthy cash flow and ample debt capacity well support the Company's investment needs for sustainable growth, and provide favorable cash return to shareholders.
- ☎ The Company will maintain a stable dividend policy before having clarity of regulatory policies on the Company's mobile business.
- ☎ Upon having clarity, the Board will review the dividend policy.

Governance:

- Held AGM in Hong Kong to report to and communicate with public shareholders directly.
- To add independent directors to reach 1/3 of the Board.
- To appoint a reputable financial expert as independent director.
- To establish nomination committee.

Information Disclosure:

- Commenced quarterly report of key business data and operating revenue for 1Q2005, and to progressively enrich contents of disclosure.

Internal Control:

- Continue to perfect internal control system in accordance with international best practices, Sarbanes-Oxley Act (Section 404) and the Code on corporate governance practices promulgated by the Hong Kong Stock Exchange.

Reduce Risk and Enhance Operating Efficiency

Enhance marketing strategies to achieve stable development of fixed line voice business.

Improve broadband network quality and increase penetration.

Enrich VAS applications and contents.

Pursue mobile license proactively for integrated businesses.

Enterprise Subs:

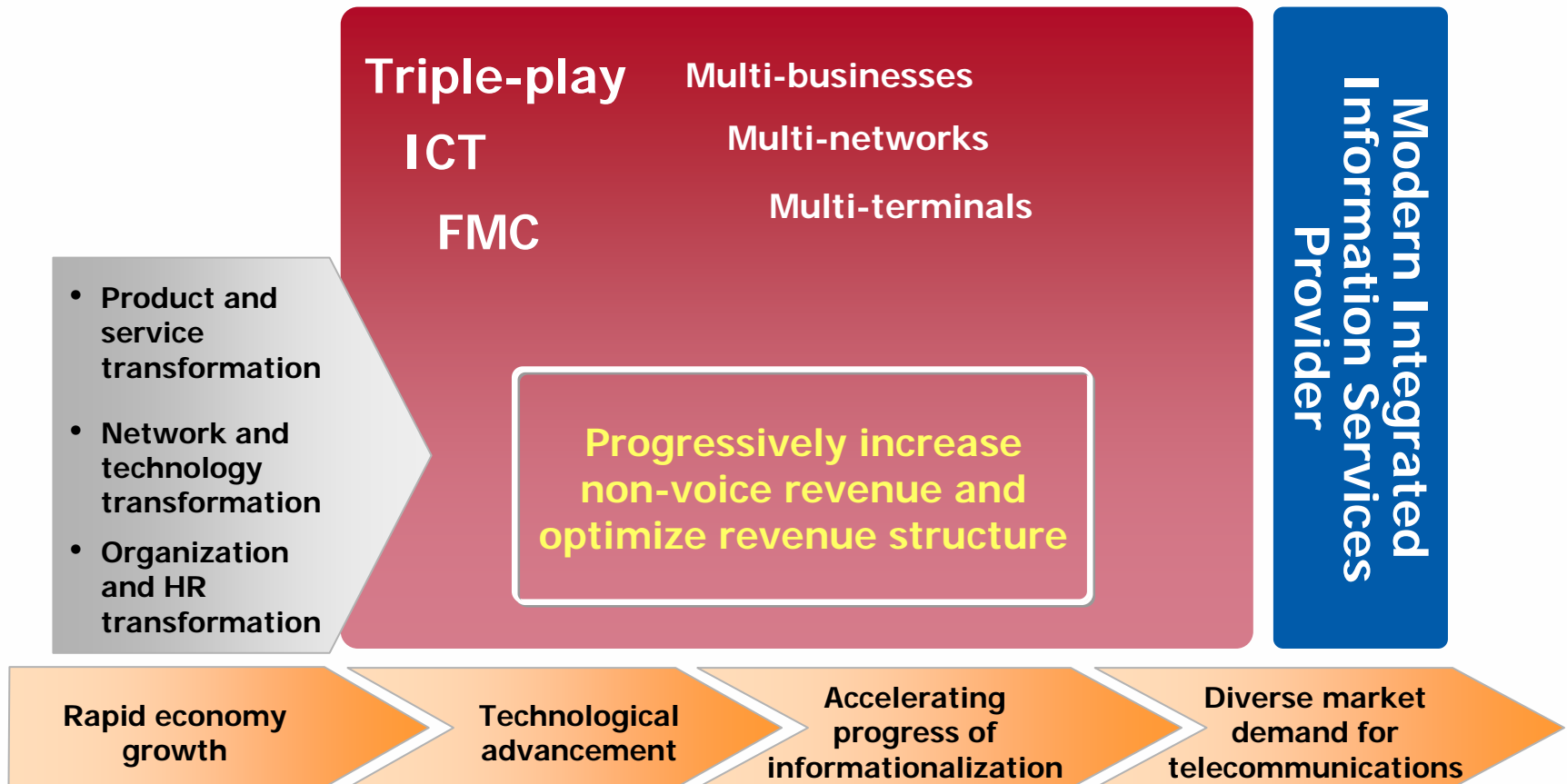
Leverage partnership and innovation to provide total solutions and one-stop services to satisfy diverse needs of ICT services.

Consumer Subs:

Seamless communication suite to satisfy diverse needs of everyday life and infotainment.

Consolidating for Future Growth

Healthy and Sustainable Growth, Greater Value Creation



Business Review

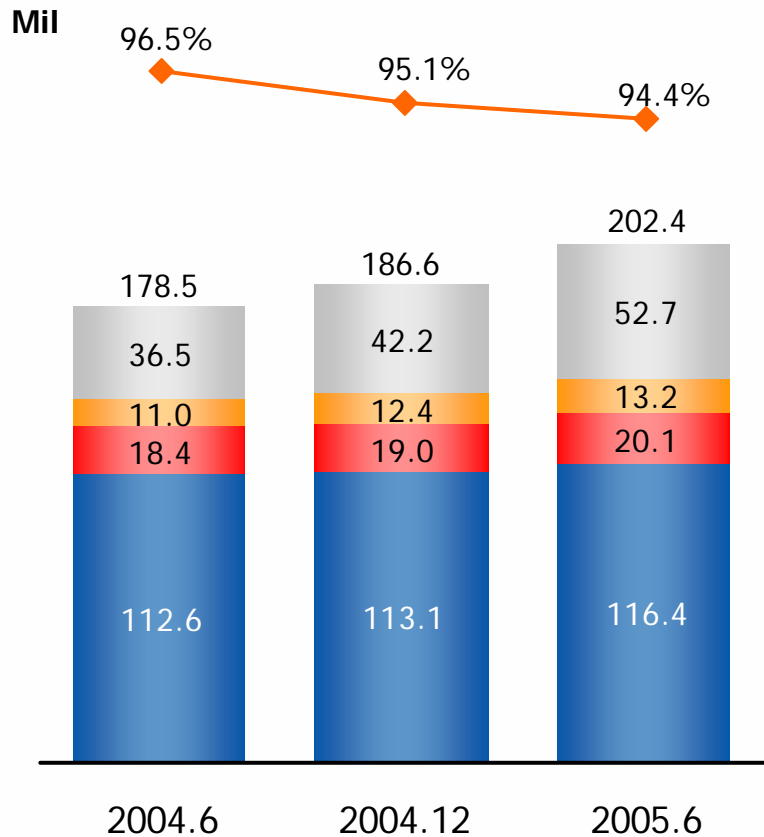
Revenue Breakdown

	1H2004 (RMB Mil)	1H2005 (RMB Mil)	Change	Share of Operating Revenue
Local Voice	40,527	40,810	0.7 %	50.6 %
Long Distance	15,051	14,623	-2.8 %	18.2 %
Internet Access	6,602	8,538	29.3 %	10.6 %
Managed Data and Leased Line	3,636	3,746	3.0 %	4.6 %
Interconnections	5,013	6,141	22.5 %	7.6 %
VAS	2,949	4,601	56.0 %	5.7 %
Other businesses	2,203	2,161	-1.9 %	2.7 %
Total	75,981	80,620	6.1%	100.0%

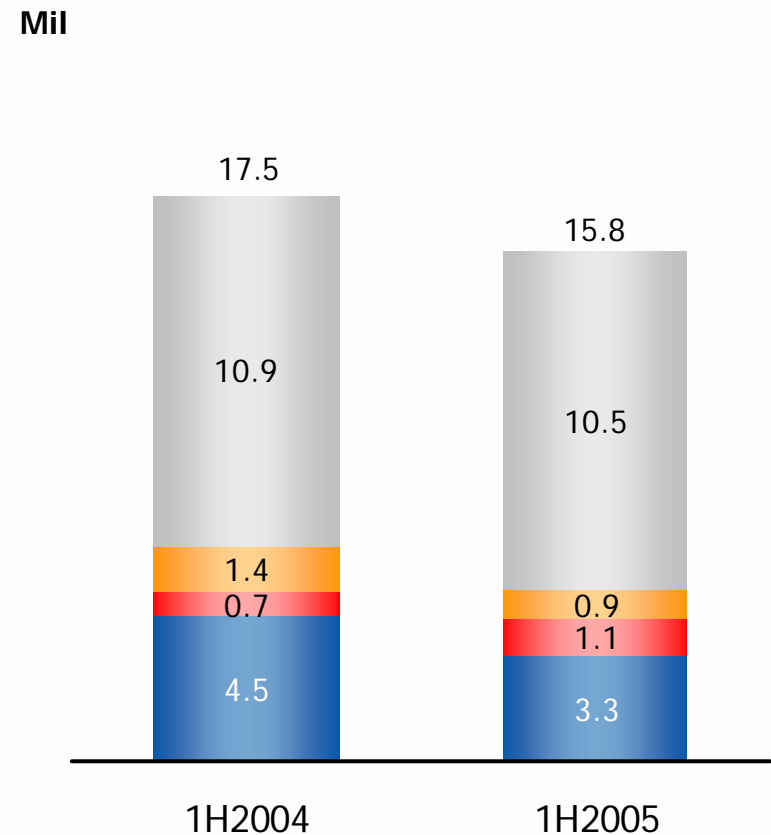
Continued Growth in Access Lines



Access Lines in Service



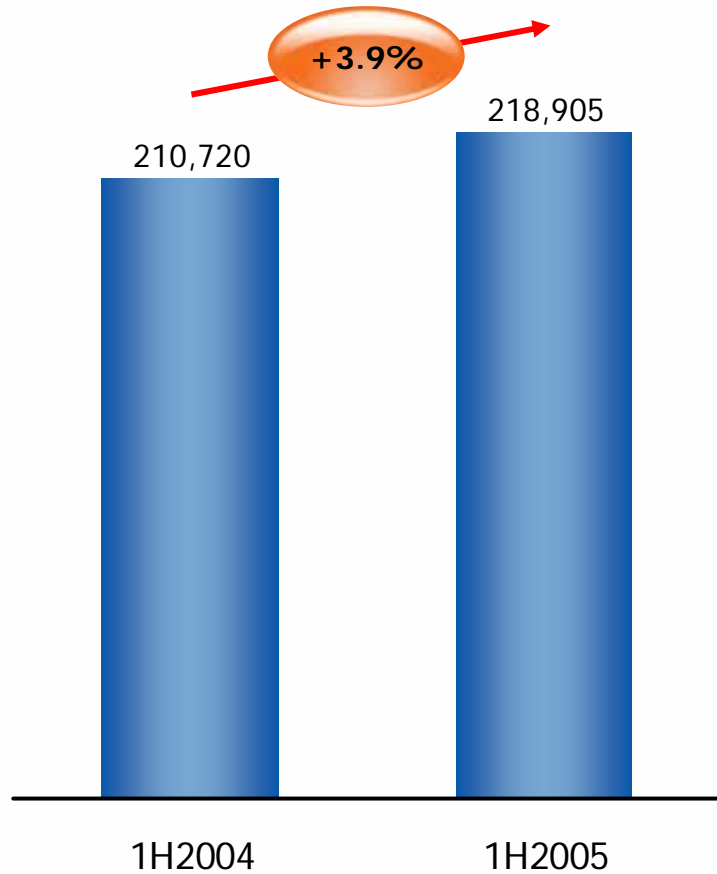
Net Adds of Access Lines in Service



■ Residential
 ■ Enterprise
 ■ Public Telephone
 ■ PAS
 —◆— Market share

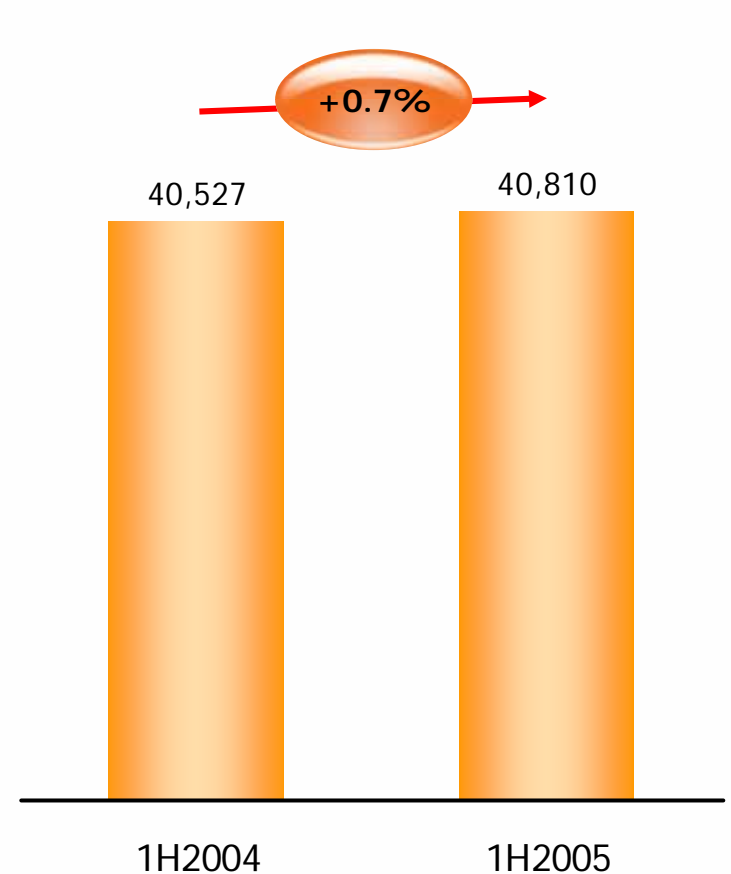
Local Voice Usage

Pulse in Mil



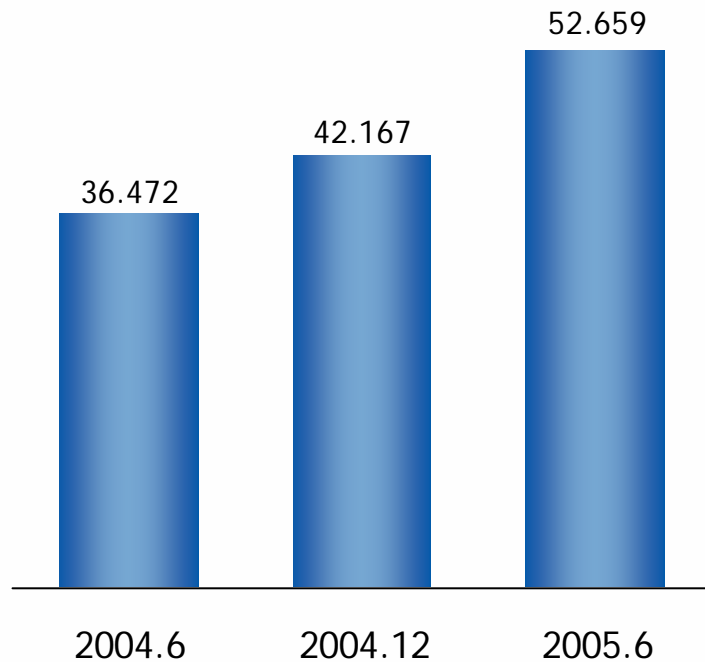
Local Voice Revenue

RMB Mil



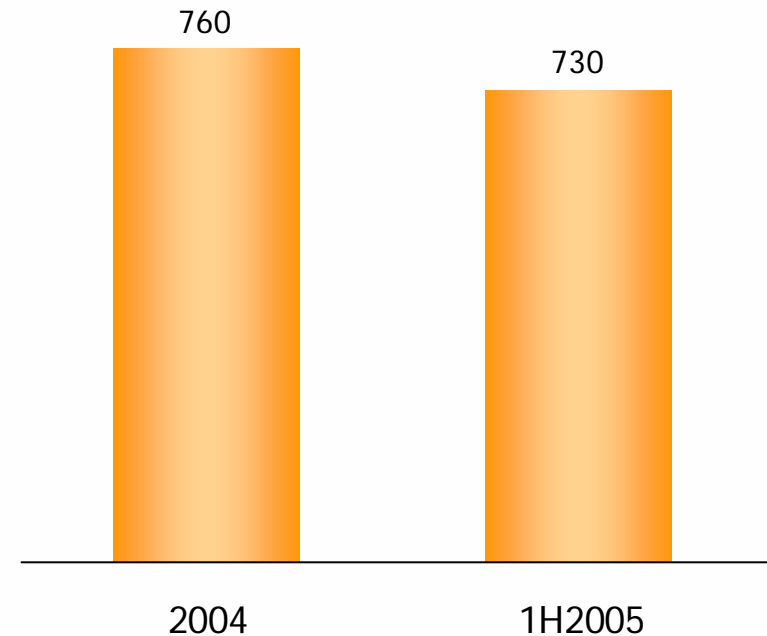
PAS Subscribers

Mil



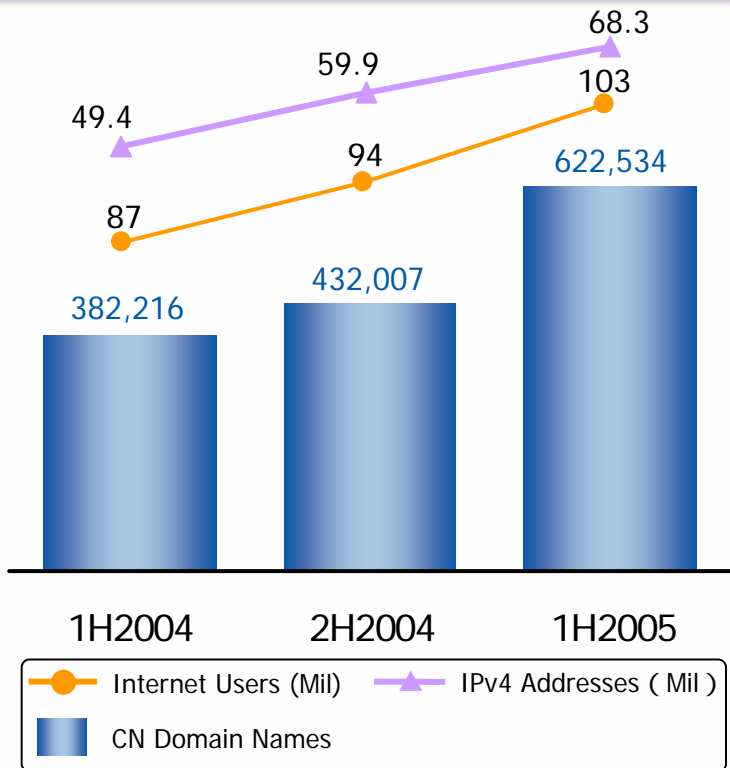
Investment per PAS Subscriber

RMB



- ☛ Enhance service quality, VAS and utilization rate.
- ☛ Reduce churn and terminal subsidies.
- ☛ Effectively strengthen product bundling.

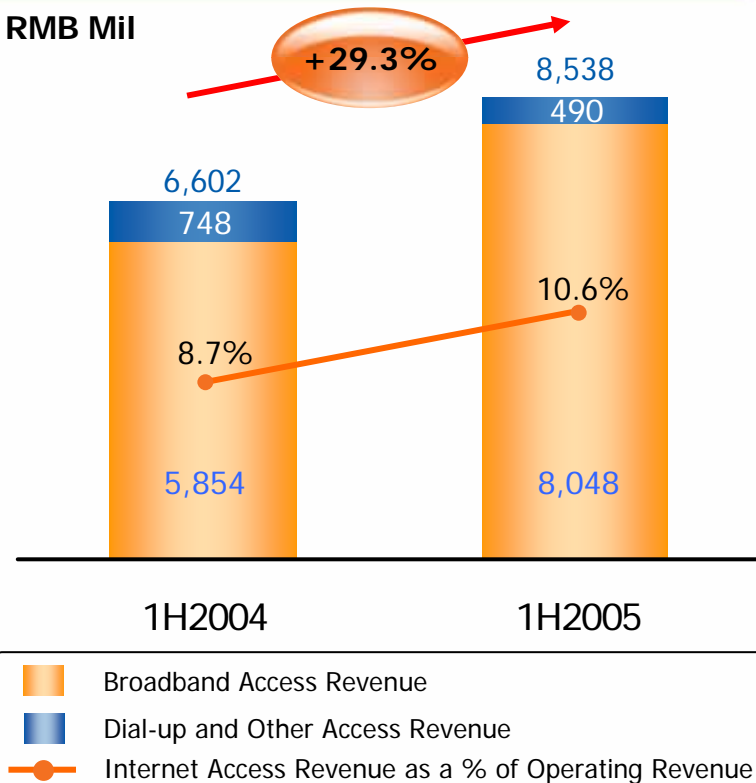
Huge development potential of Internet services in China



Source: CNNIC, MII

Internet Access Revenue

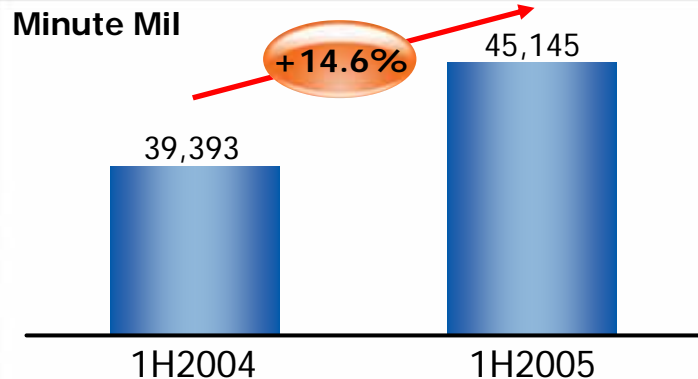
RMB Mil



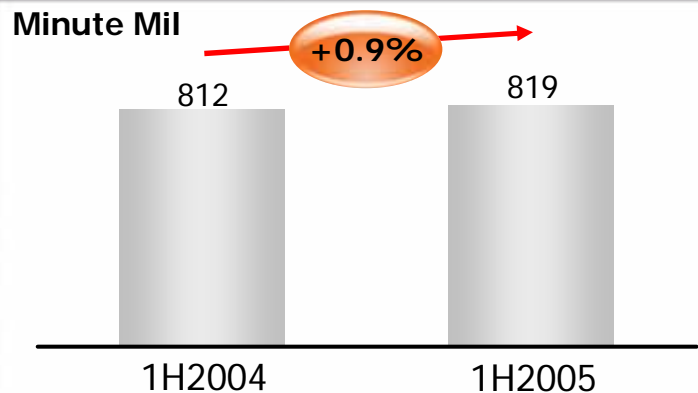
- Enhance network quality and increase penetration.
- Enrich web-based VAS applications and provide differentiated products.

Long Distance Business

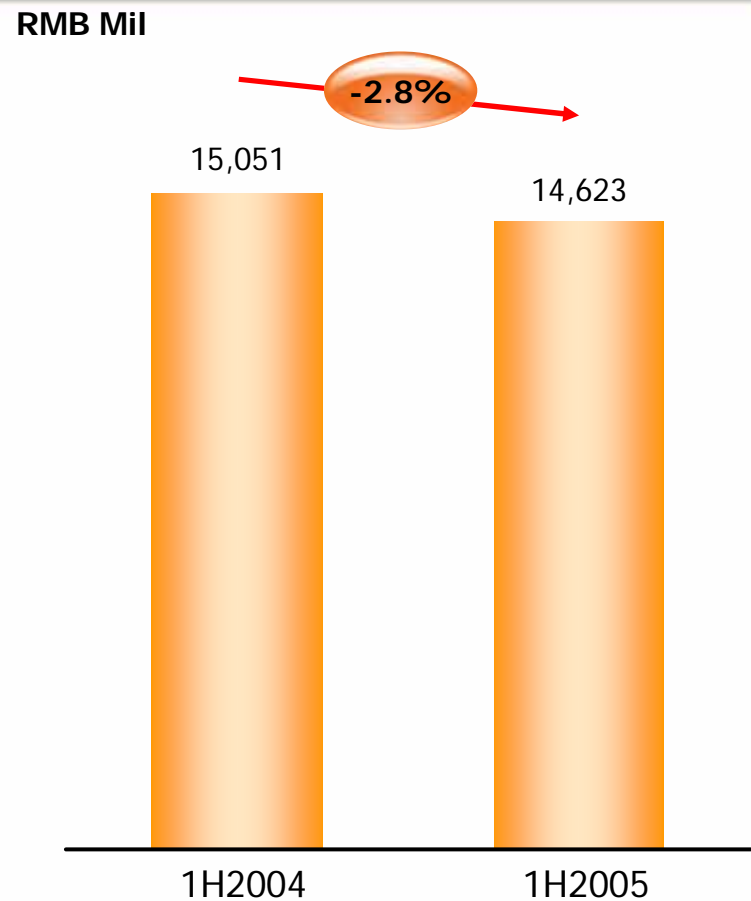
Domestic Long Distance Usage



International Long Distance Usage

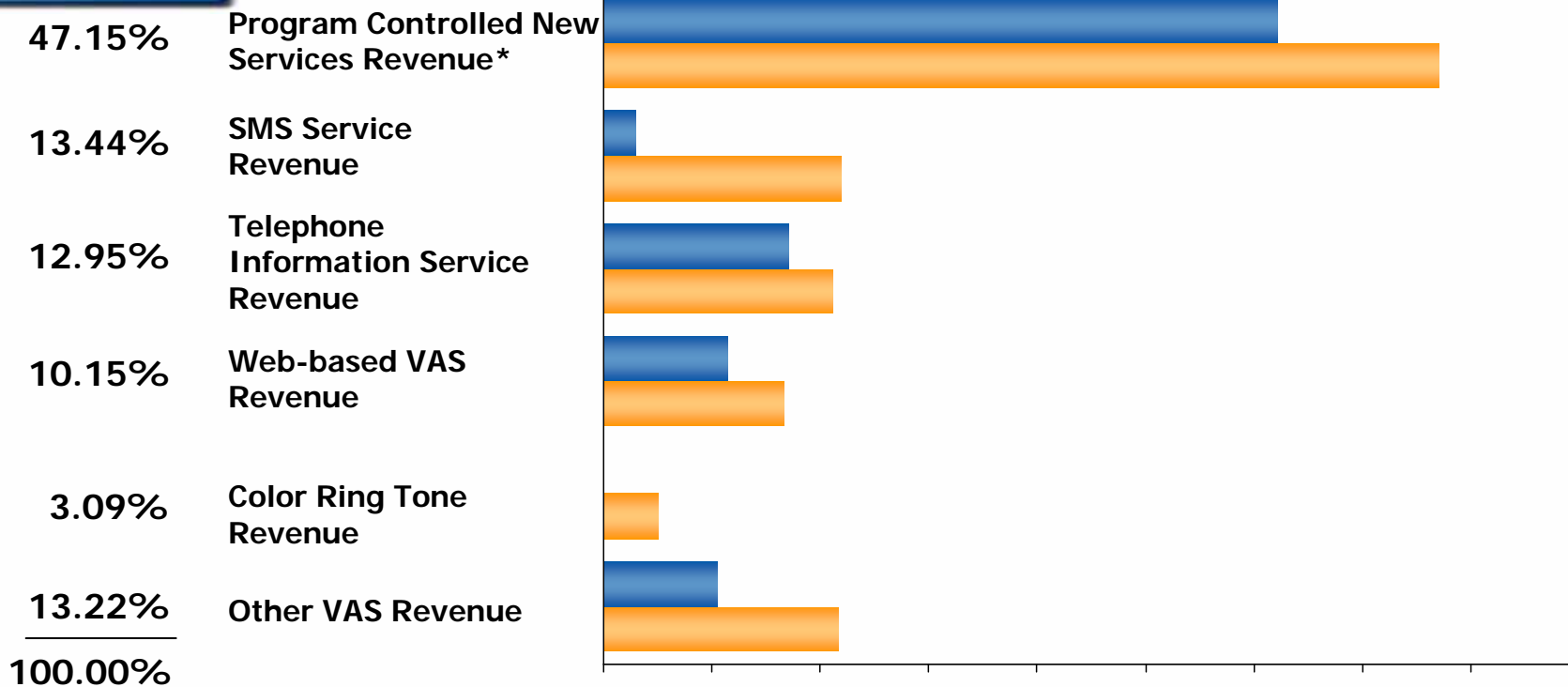


Long Distance Business Revenue



To enhance development of long distance business through products bundling and tariff packaging.

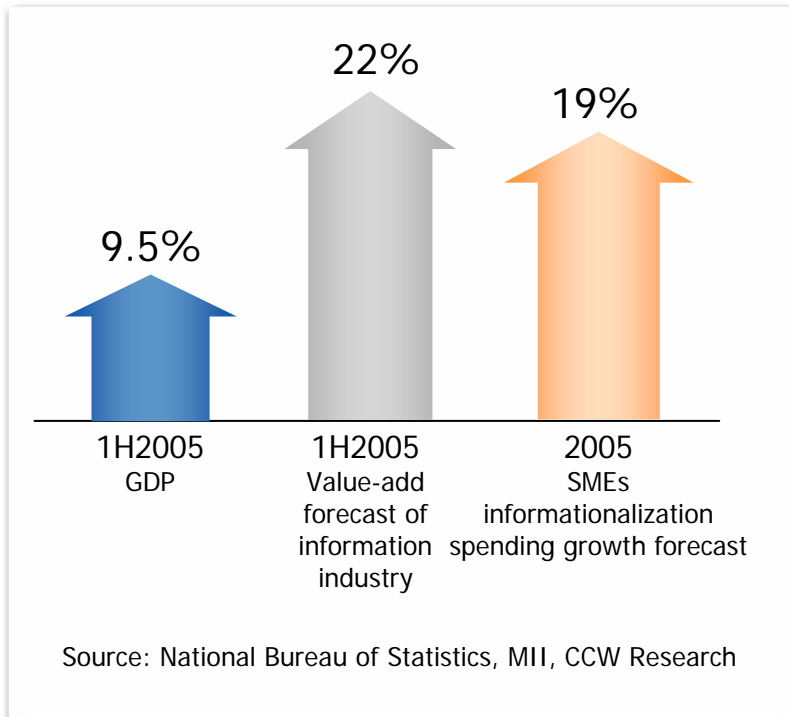
Share of
1H2005 VAS
revenue



Note: * Mainly caller display revenue

■ 1H2004 ■ 1H2005

- 📞 Accelerate intelligent network upgrade to enrich VAS applications.
- 📞 Promote ChinaVnet to enhance information service capability.



Information & Communication Technology Outsourcing Services

Large Enterprises

- One-stop Services
- Customized Total Solutions

SMEs

- Products bundling, channels sharing, partnership cooperation

Leverage customer and network resources to provide total solutions and one-stop services for enterprise informatization.

Financial Results

Key Financial Information



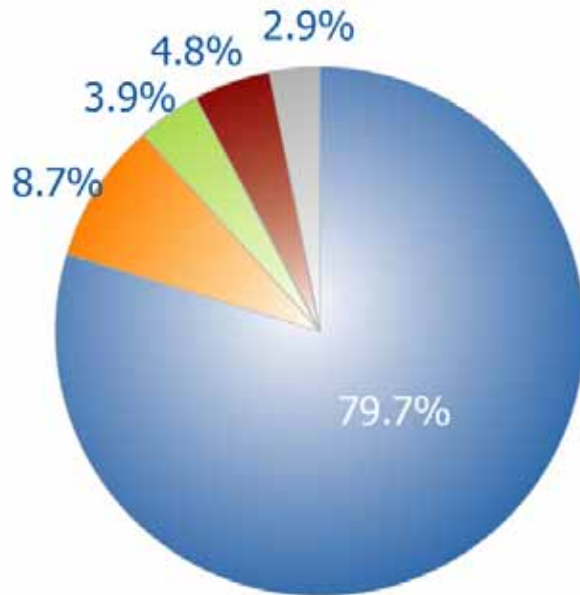
	1H2004 (RMB Mil)	1H2005 (RMB Mil)	Change
Operating Revenue	75,981	80,620	6.1%
Operating Expenses			
Depreciation & Amortization	23,255	24,178	4.0 %
Network Operations & Support	13,284	13,250	-0.3 %
Personnel	11,689	13,254	13.4 %
SG&A	9,457	9,074	-4.0 %
Other Operating Expenses	1,796	2,524	40.5 %
	<u>59,481</u>	<u>62,280</u>	4.7 %
Operating Profit	16,500	18,340	11.2 %
Net Profit*	10,472	11,293	7.8 %
EBITDA	39,755	42,518	7.0 %

Note: * Net profit represents profit attributable to equity holders of the company.

Revenue Composition

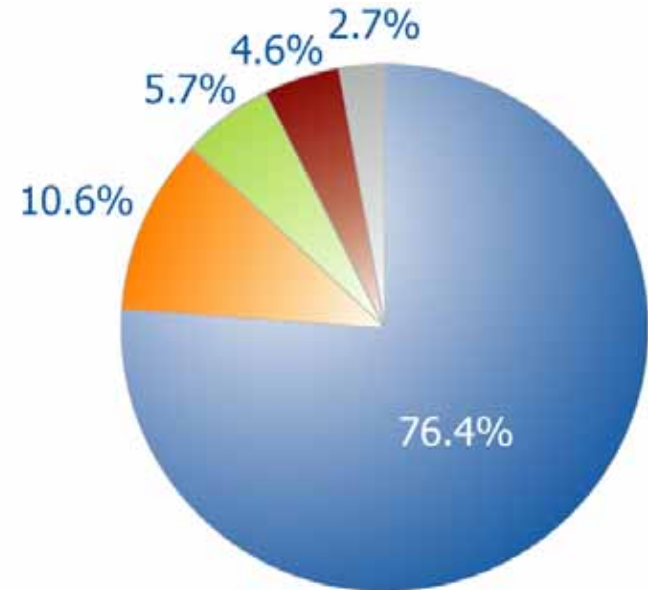
1H2004

RMB75,981 Million



1H2005

RMB80,620 Million



Voice Business

Internet Access

VAS

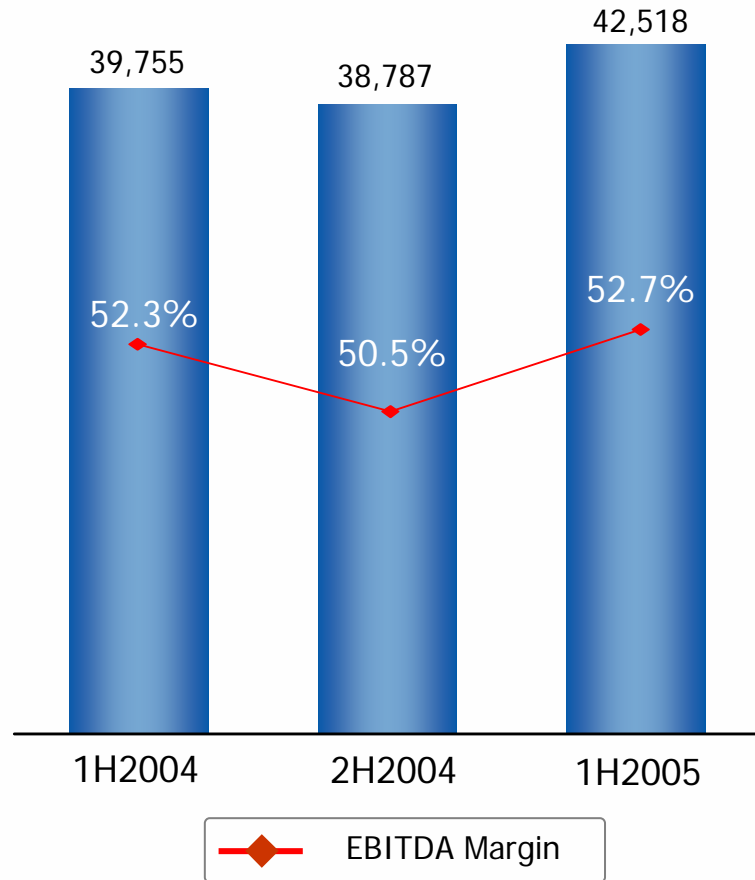
Managed Data & Leased Line

Other businesses

Enhanced Profitability

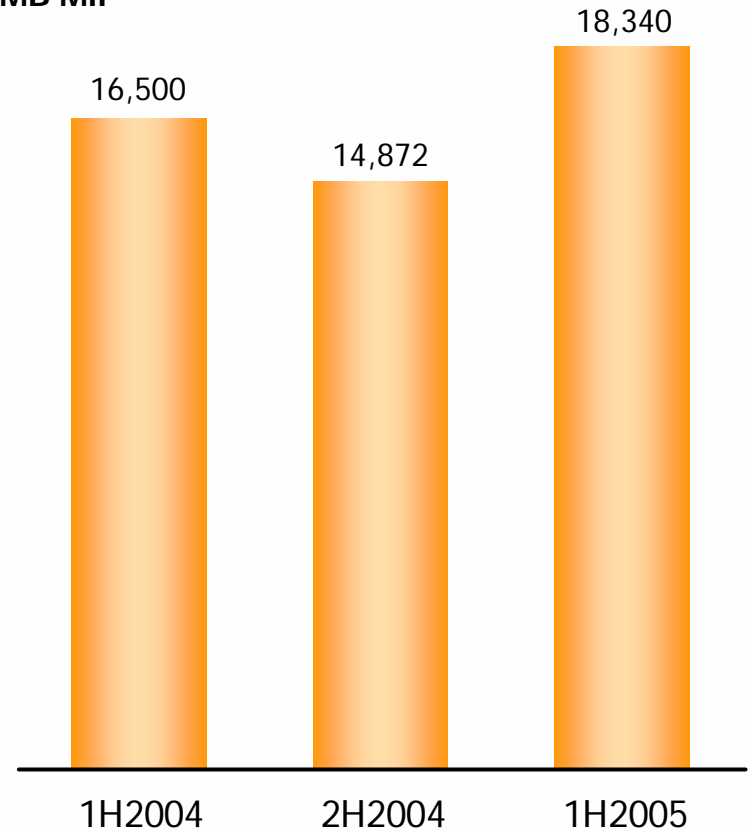
EBITDA

RMB Mil



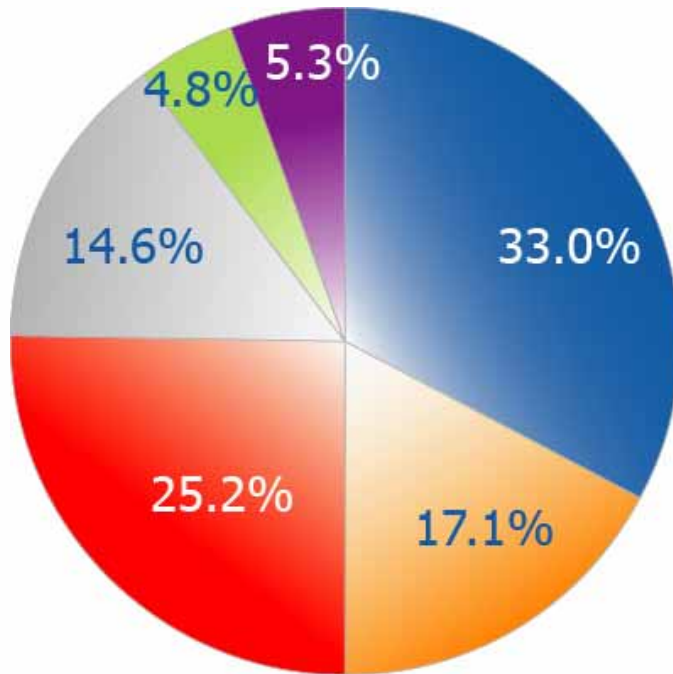
Operating Profit

RMB Mil

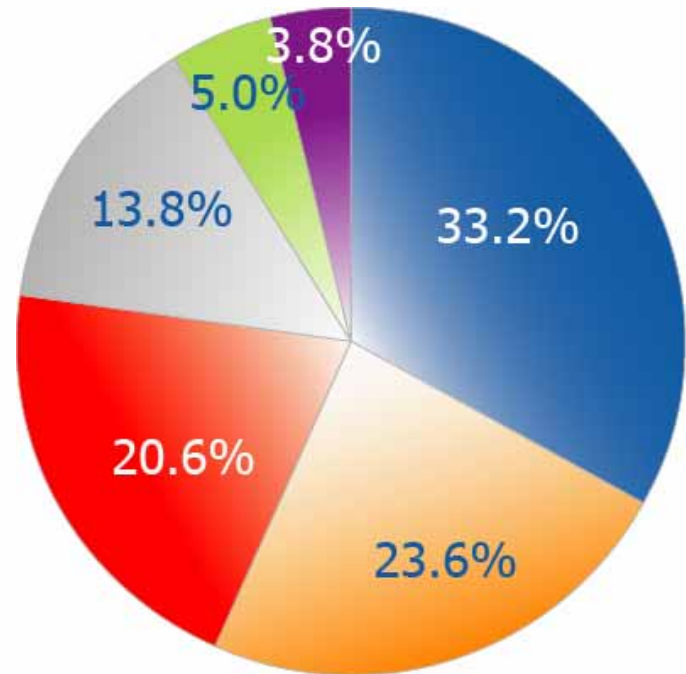


CAPEX Composition

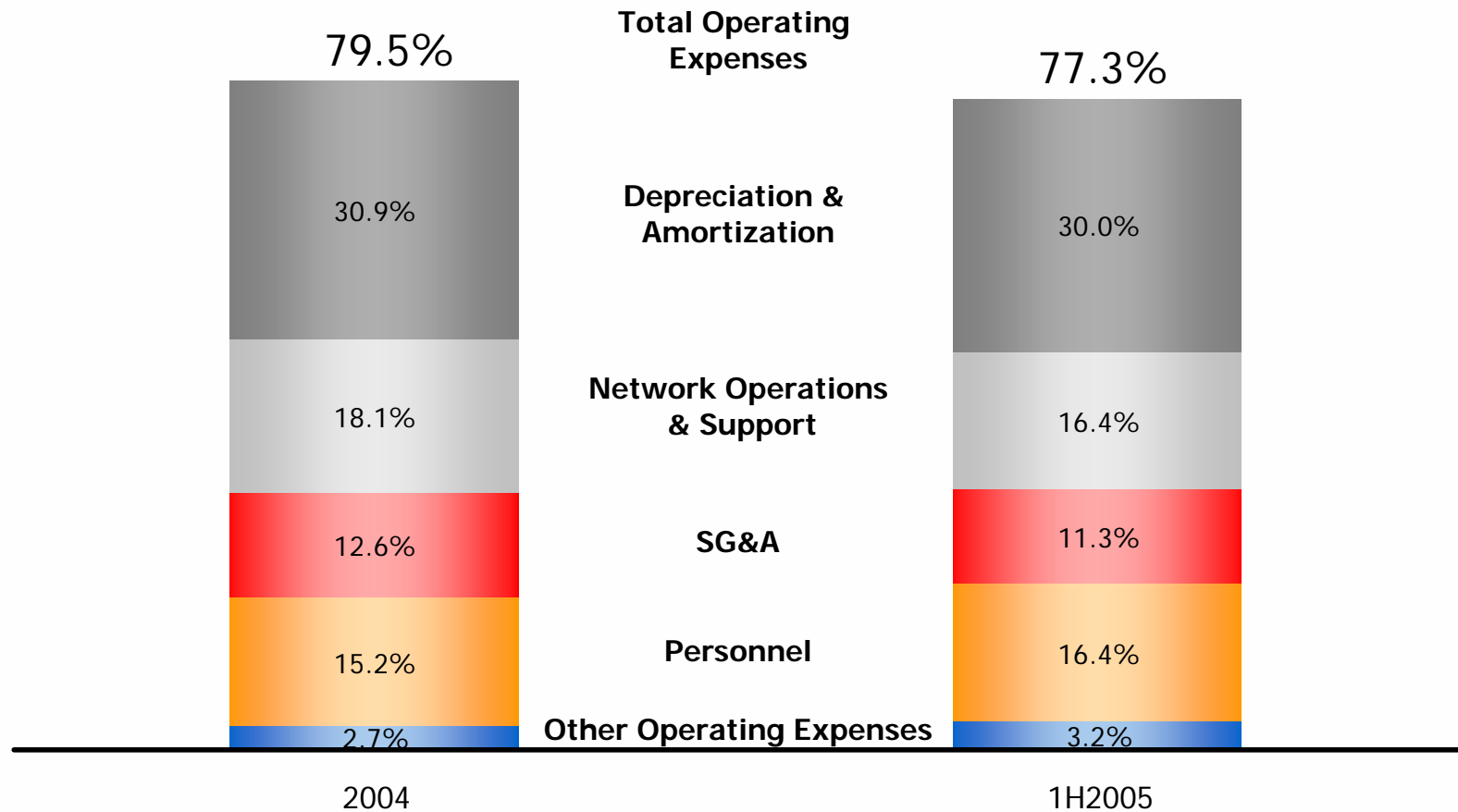
1H2004



1H2005

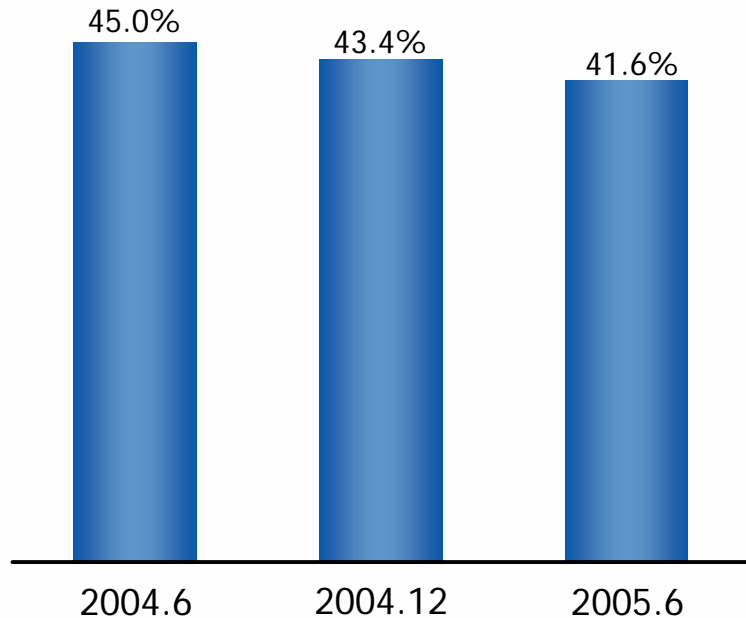


Operating Expenses as a % of Operating Revenue



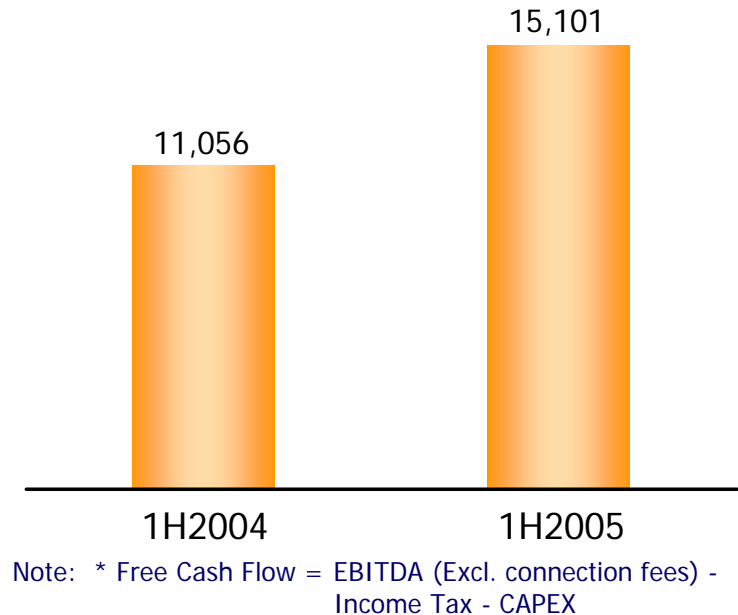
Solid Financial Strength

Total Debt as a % of Total Capitalization



Free Cash Flow

RMB Mil



Healthy cash flow and ample debt capacity well support the Company's investment needs for sustainable growth, and provide favorable cash return to shareholders.

Continue to strengthen internal control per Sarbanes-Oxley Act (section 404) and international best practices:

Strengthened the implementation of internal control handbook.

Formulated internal control operational management method, reinforced management over internal control points.

Formulated internal control evaluation method and to organize self-evaluation within this year.

Included internal control in performance appraisal system to ensure its effective functioning.

‘ *Connecting The World* ’

THANK YOU

China Telecom Corporation Limited
www.chinatelecom-h.com

Appendix 1: Extracted from unaudited statement of income for the 6 months ended 30 June 2005 (incl. upfront connection fees)



RMB Mil

	1H2004	1H2005
Operating Revenue	80,217	84,023
Upfront Connection Fees	4,236	3,403
Operating Expenses	(59,481)	(62,280)
Net Finance Costs	(2,341)	(2,468)
Investment Loss, Share of Profit from Associates	6	(6)
Profit Before Taxation	18,401	19,269
Income Tax	(3,681)	(4,556)
Profit for the Period	14,720	14,713
Attributable to:		
Equity Holders of the Company	14,708	14,696
Minority Interests	12	17

Appendix 2: Extracted from unaudited balance sheet as at 30 June 2005 (incl. upfront connection fees)



RMB Mil	Audited 31.12.2004	Unaudited 30.6.2005
Current Assets	33,532	38,381
Non-Current Assets	379,038	377,196
Total Assets	412,570	415,577
Current Liabilities	151,944	151,146
Non-Current Liabilities	100,007	94,687
Total Liabilities	251,951	245,833
Total Equity	160,619	169,744
Equity Attributable to Equity Holders of the Company	159,206	168,306
Minority Interests	1,413	1,438

Appendix 3: Detailed operating revenue breakdown for the 6 months ended 30 June 2005 (incl. upfront connection fees)



RMB Mil	Unaudited 1H2004	Unaudited 1H2005
Upfront Connection Fees	4,236	3,403
Local Voice Business	40,527	40,810
Upfront Installation Fees	1,432	1,479
Monthly Fees	15,023	15,326
Local Usage Fees	24,072	24,005
DLD	13,145	12,918
IDD	1,906	1,705
Internet Access	6,602	8,538
Managed Data	1,524	1,481
Leased Line	2,112	2,265
Interconnections	5,013	6,141
VAS	2,949	4,601
Other Businesses	2,203	2,161
Total	80,217	84,023