



2006 Interim Results

China Telecom Corporation Limited
www.chinatelecom-h.com

30 August 2006

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

Madam Wu Andi Executive Director, EVP & CFO

Overview



Business Review

Financial Results



O Overview

Solid Operating Performance Amid Intensifying Competition

Continuous growth in revenue and net profit

Strategic Transformation Gaining Momentum

Fast growing Non-voice revenue;
Voice challenges effectively abated

Effective CAPEX Control

Ensuring investment return and sustainable business growth

Strong Free Cash Flow

Supportive of corporate development and shareholders' value enhancement

Solid Results

(Excl. Connection Fees)



Continuous growth in subscribers, revenue and net profit

	1H2005	1H2006	Growth
Access Lines in Services (Mil)	202.40	218.71	8.1%
Broadband Subs (Mil)	17.37	25.26	45.5%
Operating Revenue (RMB Mil)	80,620	84,442	4.7%
EBITDA (RMB Mil)	42,518	44,217	4.0%
EBITDA Margin	52.7%	52.4%	-0.3pp
Net Profit* (RMB Mil)	11,293	11,590	2.6%
EPS (RMB)	0.140	0.143	2.6%
Free Cash Flow** (RMB Mil)	15,101	18,934	25.4%

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

** Free Cash Flow = EBITDA (Excl. connection fees) – CAPEX – Income Tax

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

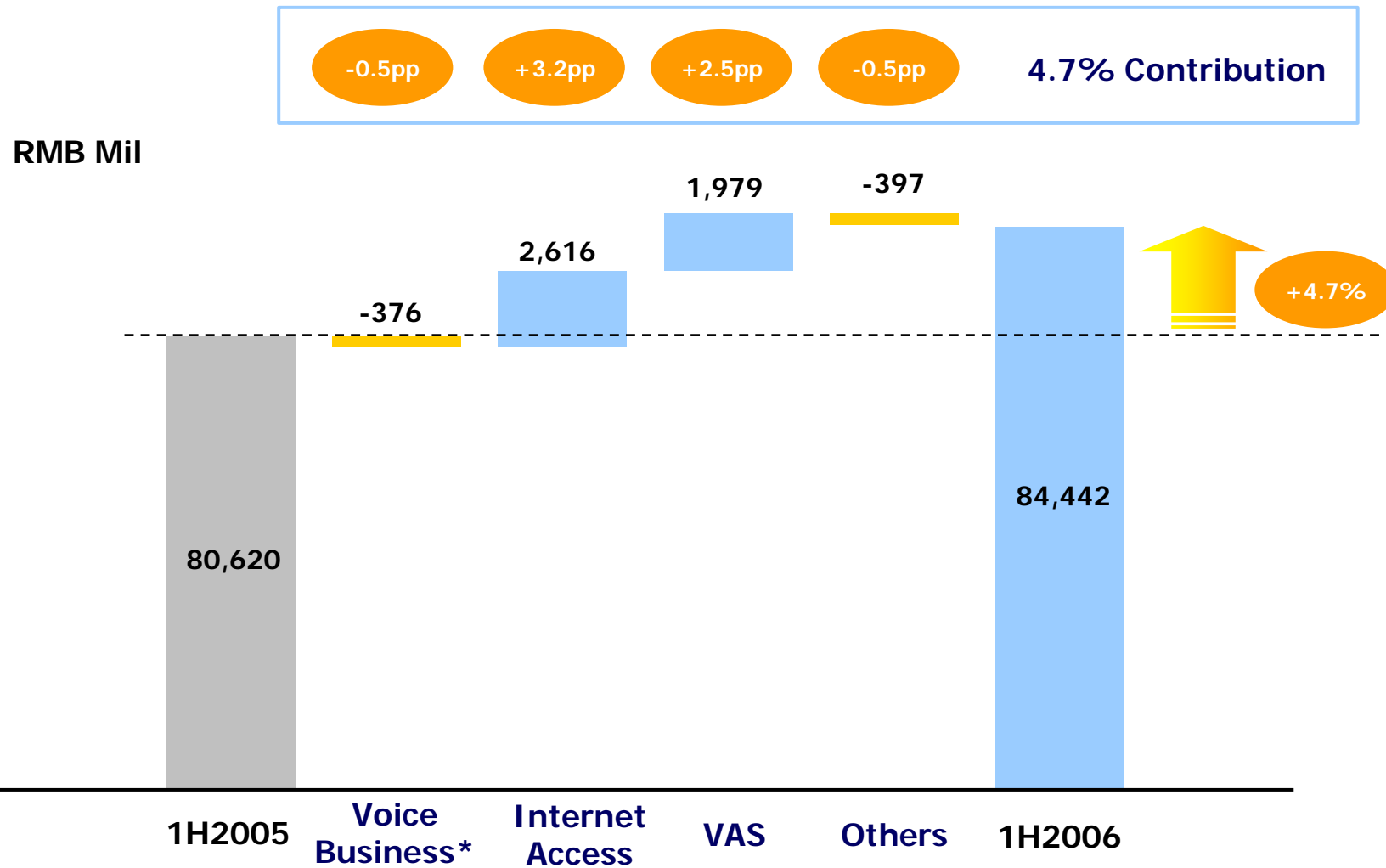
IFRS-based Results

(Incl. Connection Fees)



	1H2005	1H2006
Operating Revenue (RMB Mil)	84,023	86,936
EBITDA (RMB Mil)	45,921	46,711
EBITDA Margin	54.7%	53.7%
Net Profit (RMB Mil)	14,696	14,084
EPS (RMB)	0.182	0.174

Revenue Growth Drivers



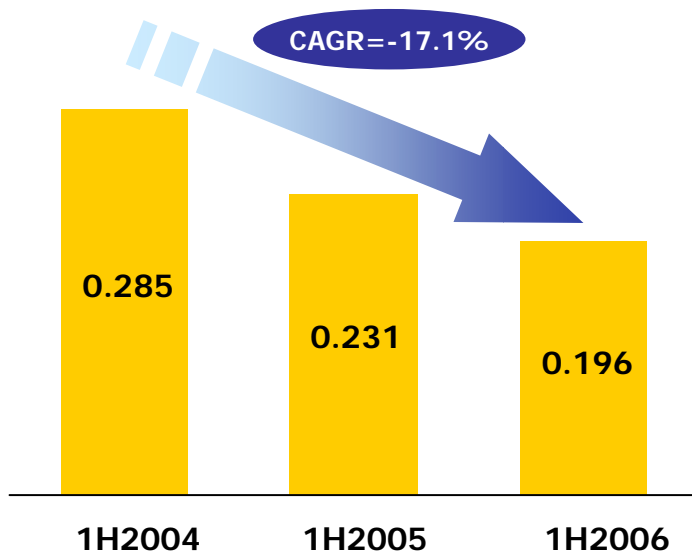
Note: *Voice Business revenue includes Monthly Fees, Local Usage Fees, Upfront Installation Fees, DLD/ILD and Interconnection Revenue

Proactively Defend Voice Business



Intensifying Market Competition

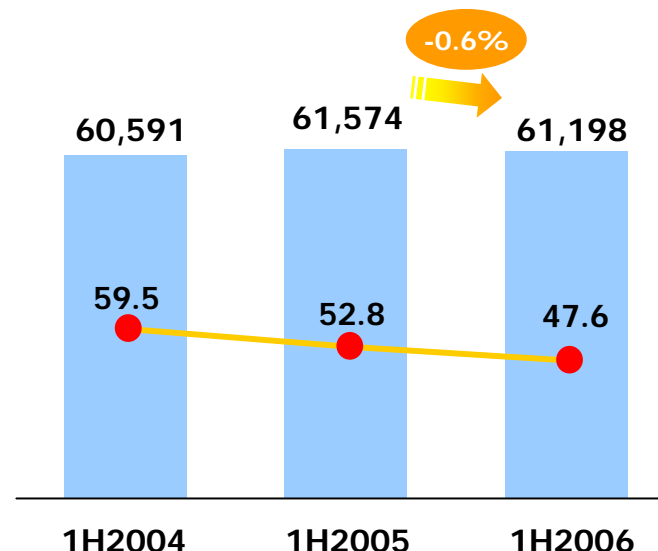
Effective Mobile Voice Tariff in China (RMB/min)



Note: Calculated based on total voice revenue / total voice usage of the 2 mobile operators in China

CT's Voice Business Revenue

RMB Mil



● Voice ARPU (RMB)
Voice business revenue includes Monthly Fees, Local Usage Fees, Upfront Installation Fees, DLD/ILD and Interconnection Revenue

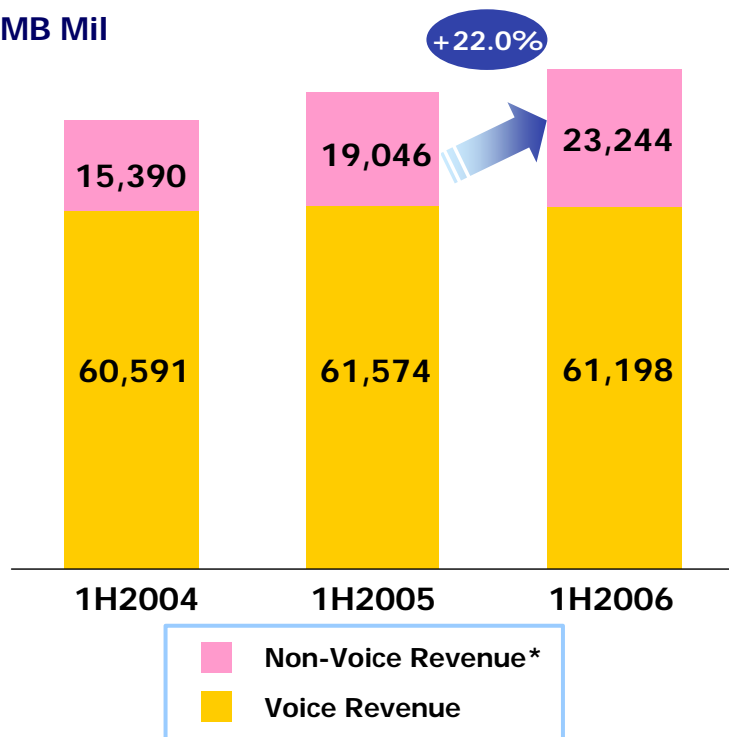
- ☛ Firmly committed to profit-oriented development and avoid direct price competition
- ☛ Leverage multi-services bundling & packaging to promote customers' "stickiness" & usage

Strategic Transformation Gaining Momentum

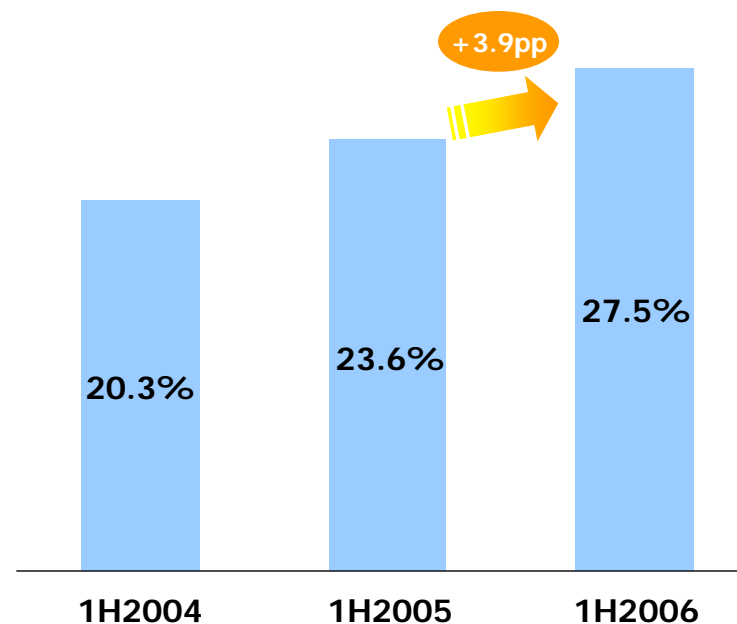


Robust Non-Voice Revenue* Growth

RMB Mil



Non-Voice Revenue as a % of Operating Revenue



Note: * Non-Voice revenue includes revenue from Internet access, VAS, managed data, leased line and others

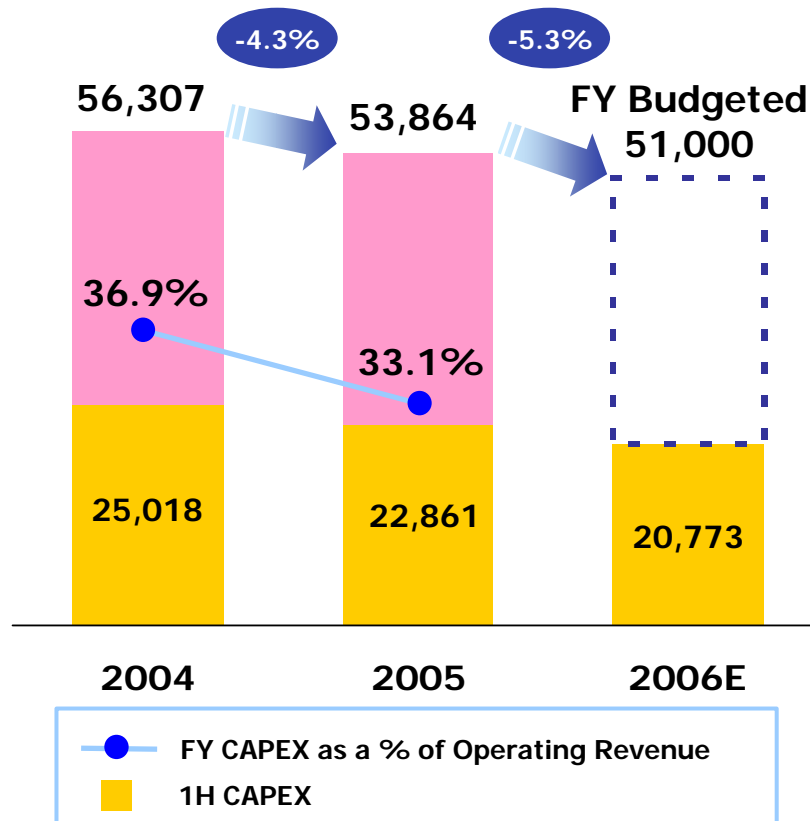
- 📞 Expand new business & revenue
- 📞 Enhance customers' "stickiness" & voice usage via effective multi-services bundling
- 📞 Seize the competitive advantage for future comprehensive services operation

Effective CAPEX Control



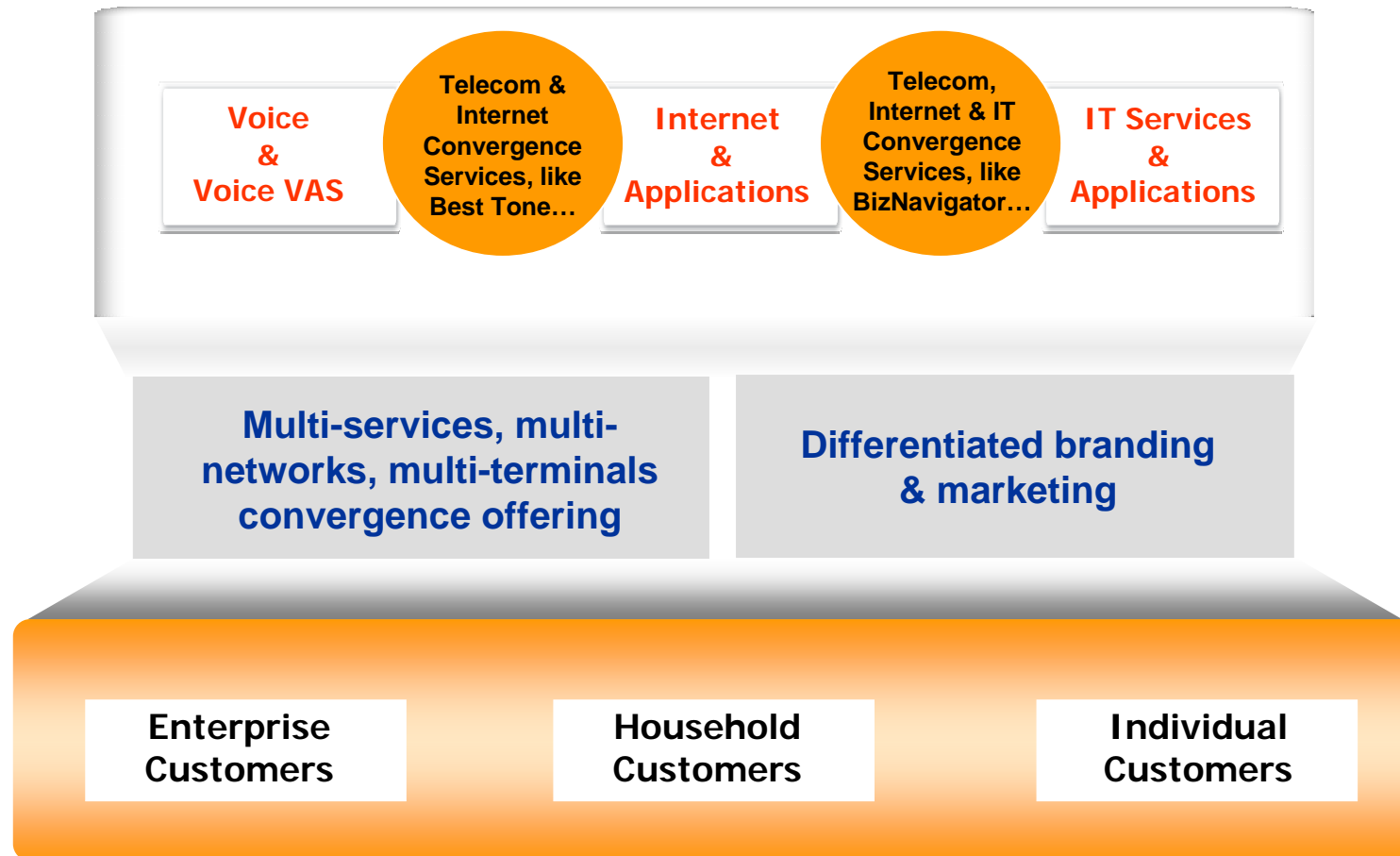
CAPEX

RMB Mil



- Stringent control on CAPEX to ensure investment return and sustainable business growth
- Continued decrease in CAPEX (1H06: ↓ 9.1% yoy)
- Further optimized CAPEX structure to transform existing network into intelligent network, broadband, IP based network and NGN
- Proactively upgraded network's integrated services capabilities to early prepare for future comprehensive services operation
- To control CAPEX within full year budget

Near Term Focus



Promising Prospect



Proactively cultivate unique competitive edge for future comprehensive services convergence offering

Integrated Comprehensive Services

Triple-Play

Shareholders' Value

Fixed-Mobile Convergence

Cultivate financial strength and talents pool

Upgrade network's integrated services capabilities

Strengthen differentiated branding & marketing

Consolidate business fundamentals



B Business Review

Revenue Breakdown



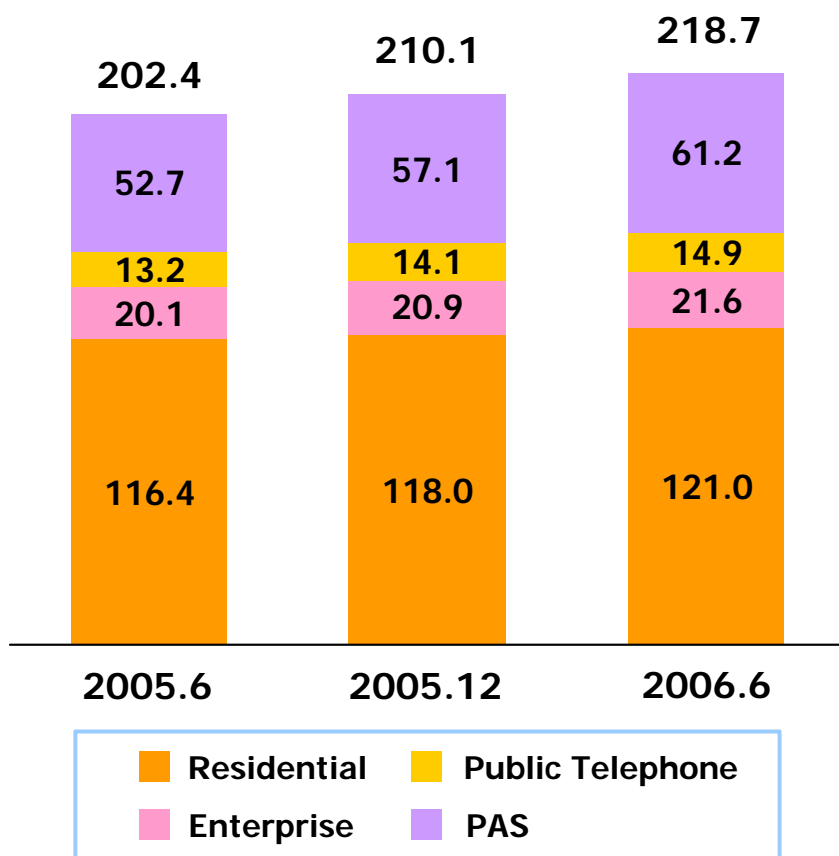
	1H2005 (RMB Mil)	1H2006 (RMB Mil)	Growth	Share of Operating Revenue
Local Voice				
Upfront Installation Fees	1,479	1,458	-1.4%	1.7%
Monthly Fees	15,326	14,936	-2.5%	17.7%
Local Usage Fees	24,005	23,378	-2.6%	27.7%
	40,810	39,772	-2.5%	47.1%
Long Distance	14,623	14,451	-1.2%	17.1%
Interconnections	6,141	6,975	13.6%	8.3%
Internet Access	8,538	11,154	30.6%	13.2%
VAS	4,601	6,580	43.0%	7.8%
Managed Data, Leased Line & Others	5,907	5,510	-6.7%	6.5%
Total	80,620	84,442	4.7%	100%

Local Voice Business



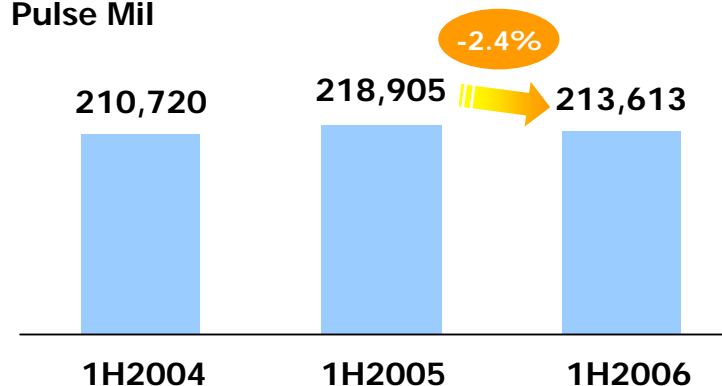
Access Lines in Services

Mil



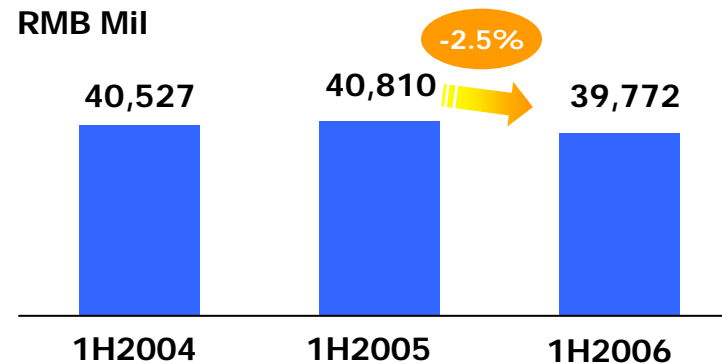
Local Voice Usage

Pulse Mil



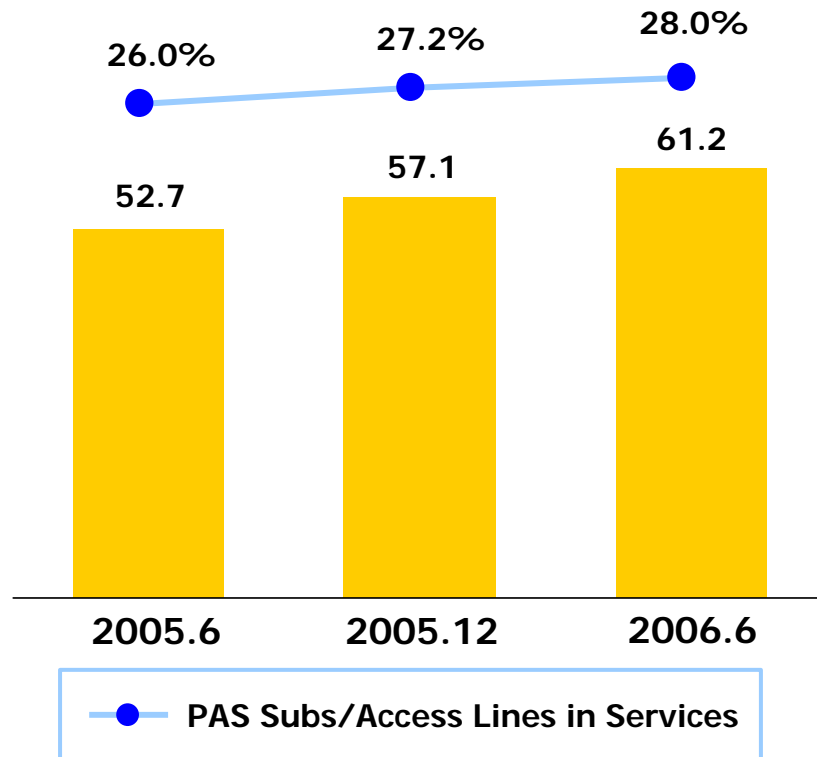
Local Voice Revenue

RMB Mil



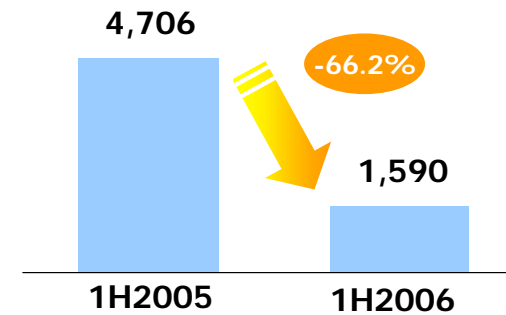
Subscribers

Mil

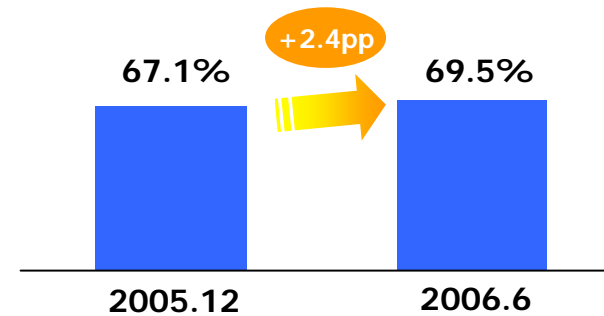


CAPEX

RMB Mil



Network Utilization Rate

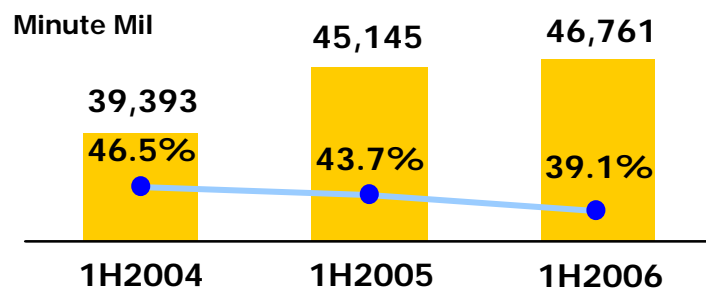


Further improve operating return of PAS business

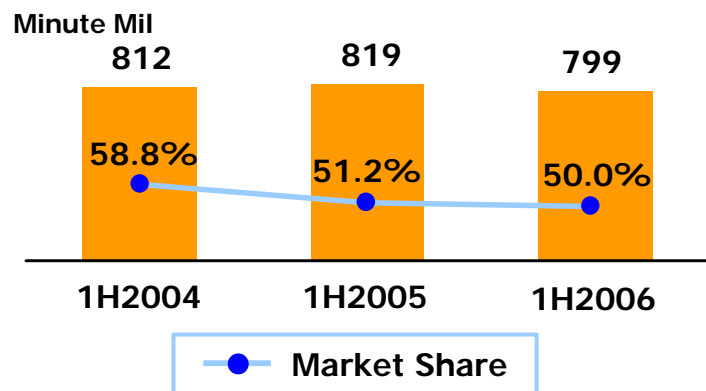
Long Distance Business



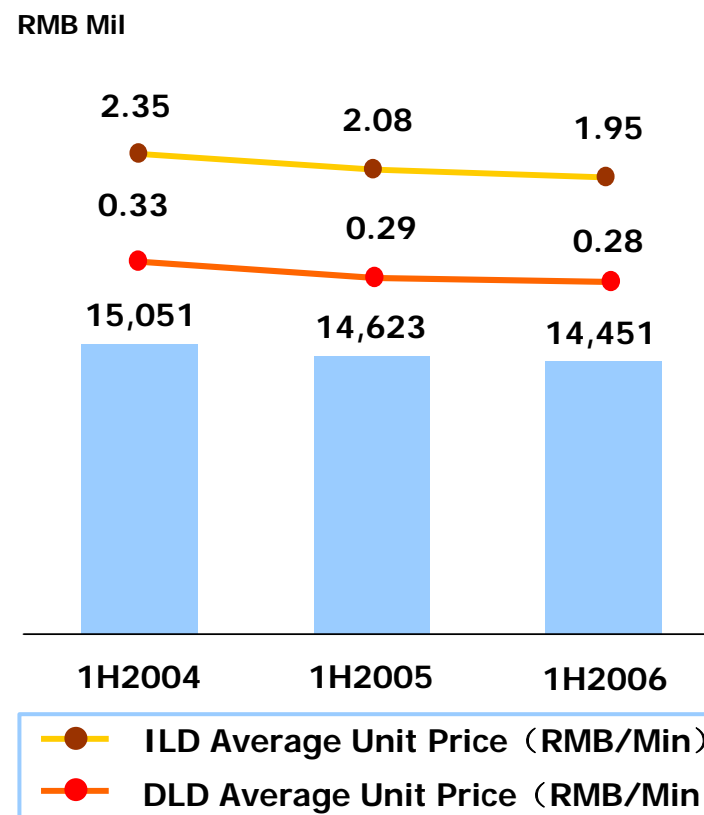
Domestic Long Distance Usage



International Long Distance Usage



Long Distance Business Revenue



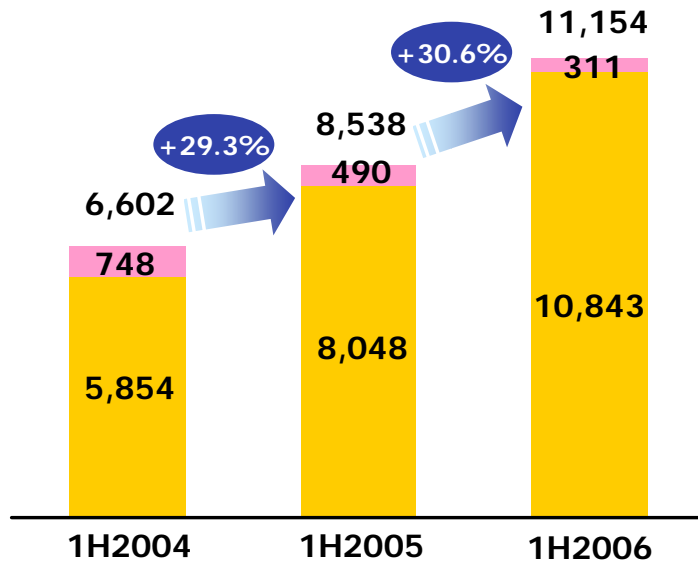
To stabilize development of long distance business through product bundling and targeted marketing

Booming Internet Business



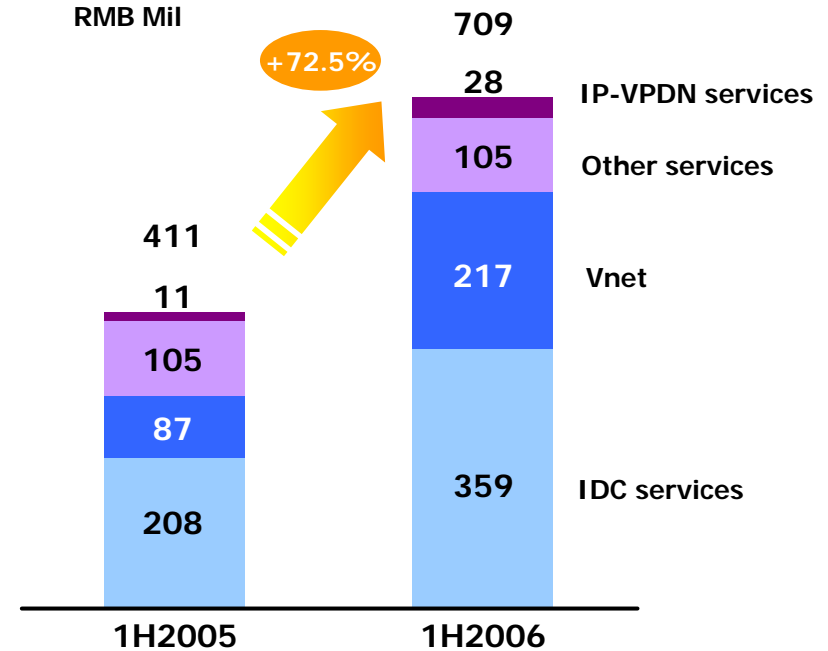
Internet Access Revenue

RMB Mil



Internet VAS Revenue

RMB Mil

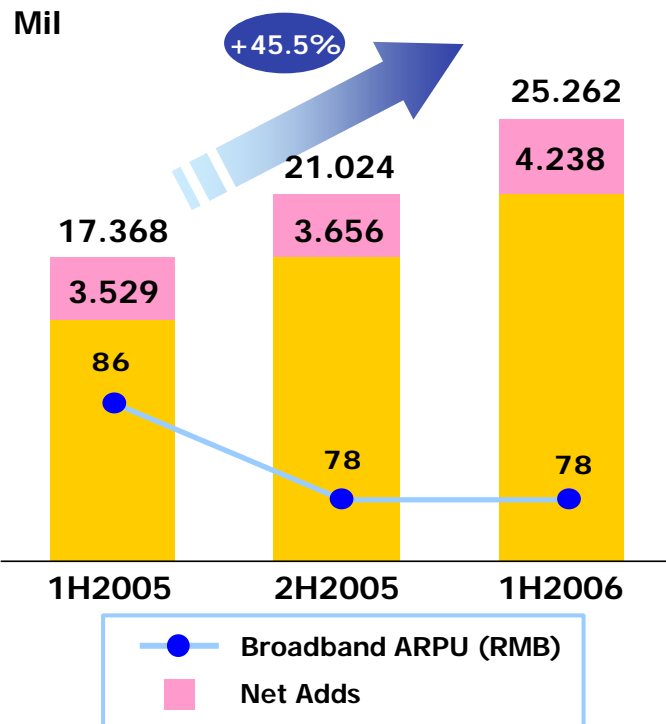


- Enhance differentiated marketing
- Strengthen interactive promotion of access & applications business

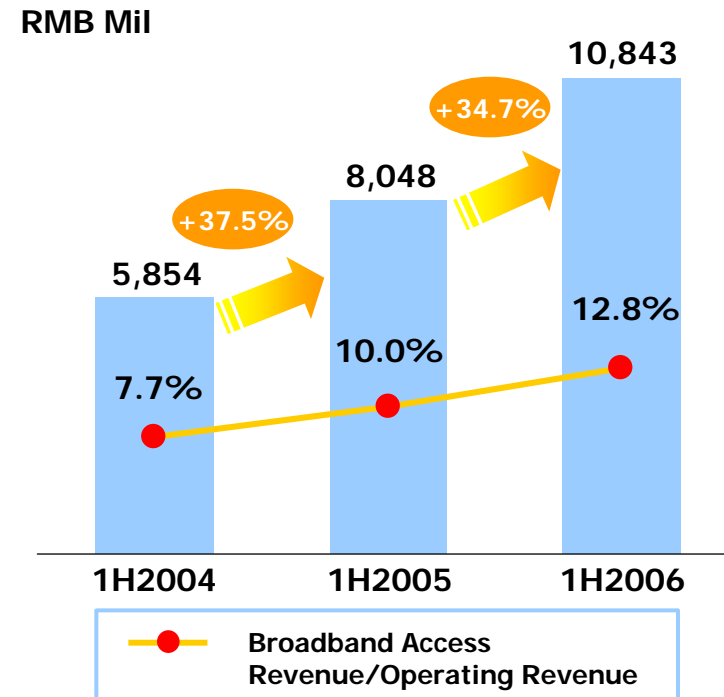
Rapid Broadband Growth



Broadband Subs



Broadband Access Revenue



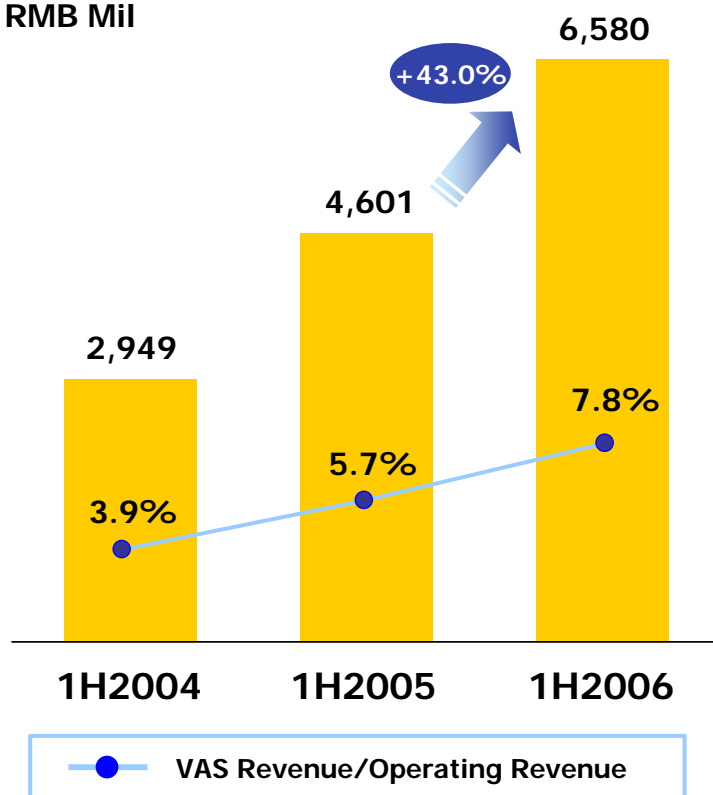
- ☛ Double broadband subscribers in 3-4 years
- ☛ Leverage product bundling (BizNavigator, Internet VAS...) to stimulate broadband usage
- ☛ Moderate ARPU decline via differentiated marketing & product packaging

Fast Growing VAS



VAS Revenue

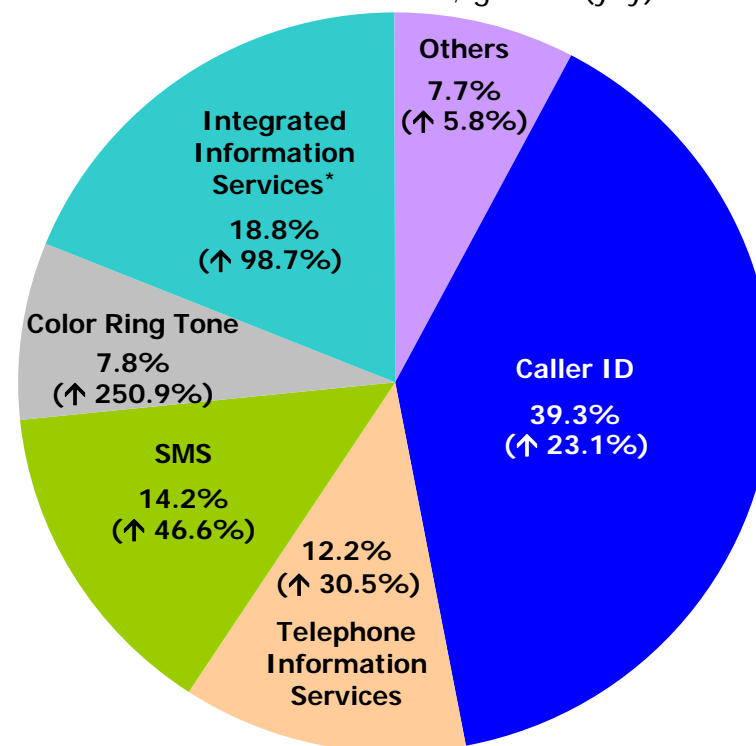
RMB Mil



VAS Revenue Composition

1H2006

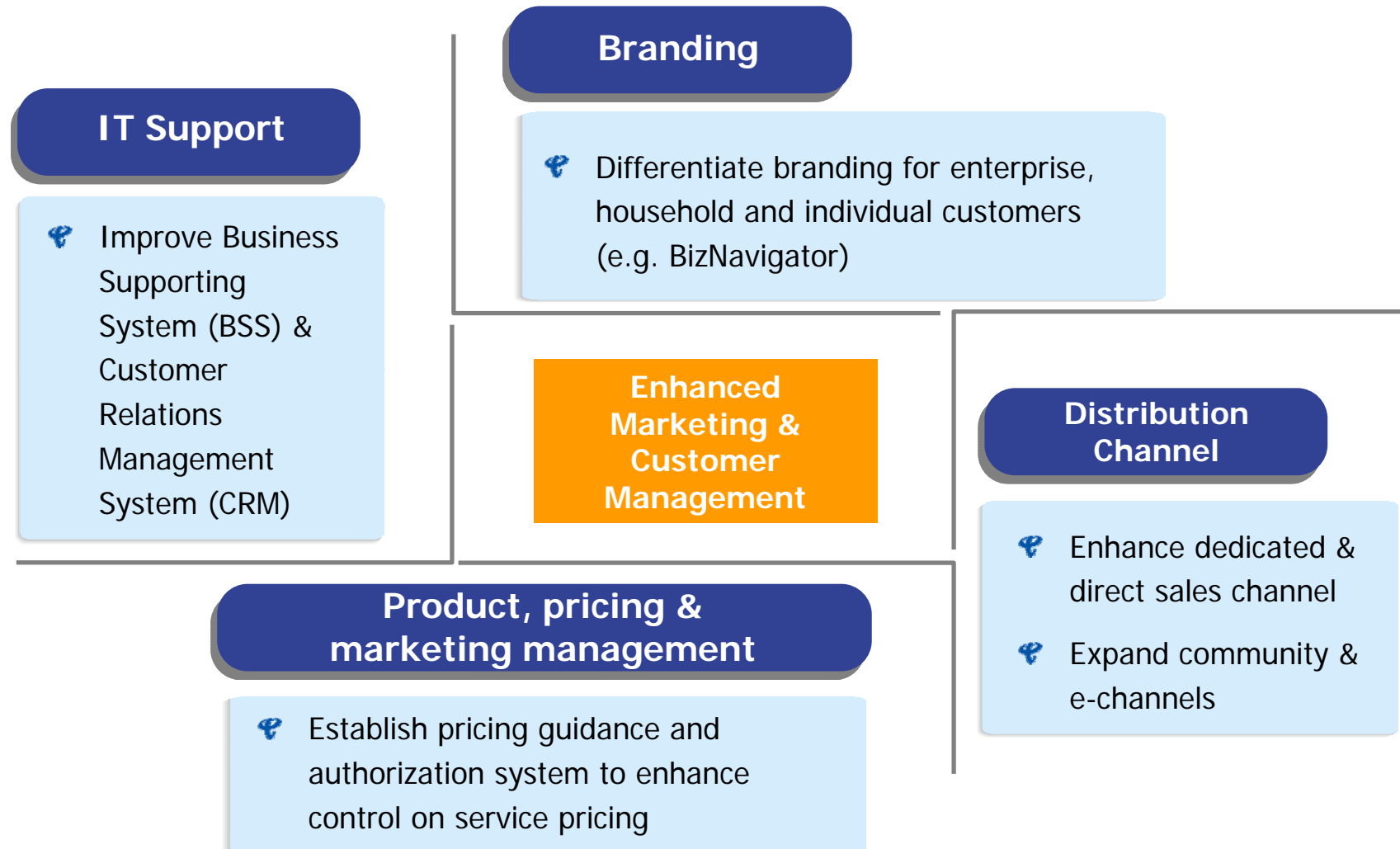
As a % of VAS revenue; growth (yoy)



Note: * Integrated Information Services include Internet VAS, Best Tone, BizNavigator and IT services & applications

Comprehensive deployment of VAS with vigorous growth momentum

Fostering Market Competitiveness





F Financial Results

Key Financial Information



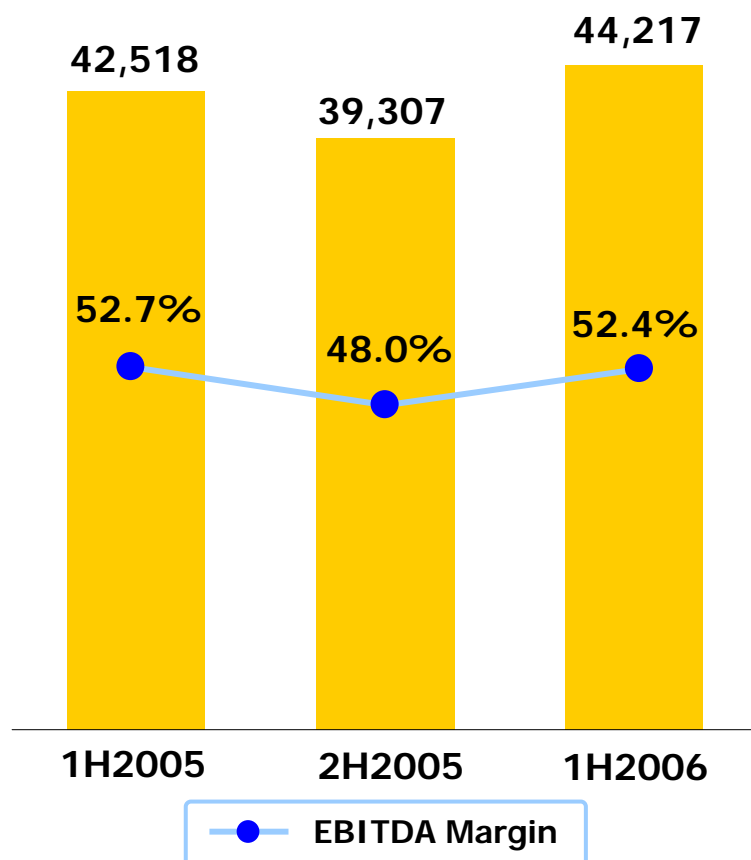
	1H2005 (RMB Mil)	1H2006 (RMB Mil)	Change
Operating Revenue	80,620	84,442	4.7%
Operating Expenses			
Depreciation & Amortization	24,178	25,479	5.4%
Network Operations & Support	13,250	13,512	2.0%
Personnel	13,254	13,315	0.5%
SG&A	9,074	10,407	14.7%
Interconnection & Other Operating Expenses	2,524	2,991	18.5%
	62,280	65,704	5.5%
Operating Profit	18,340	18,738	2.2%
Net Profit	11,293	11,590	2.6%
EBITDA	42,518	44,217	4.0%

Profitability



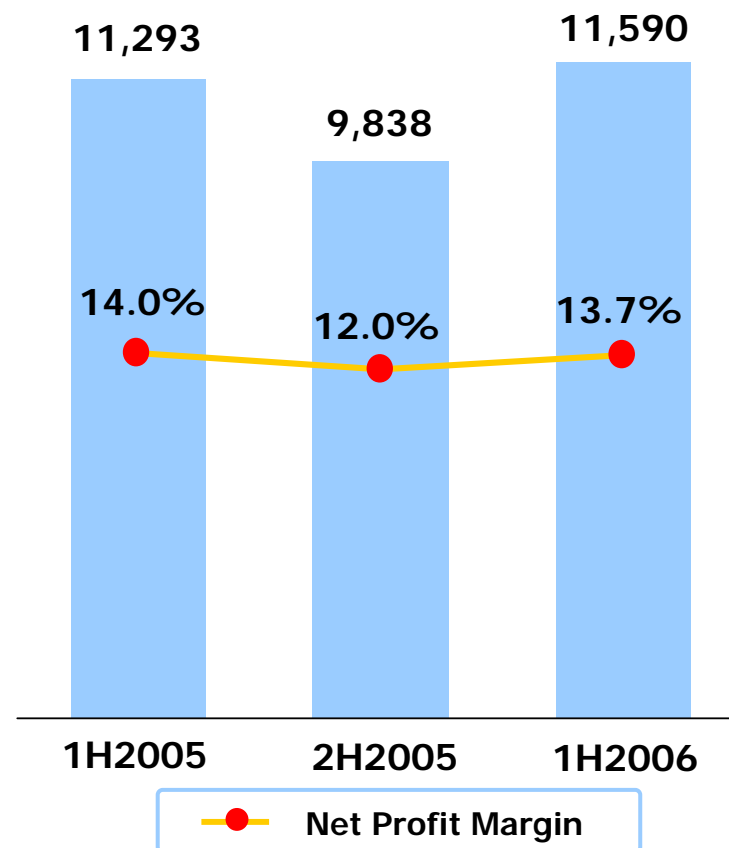
EBITDA

RMB Mil



Net Profit

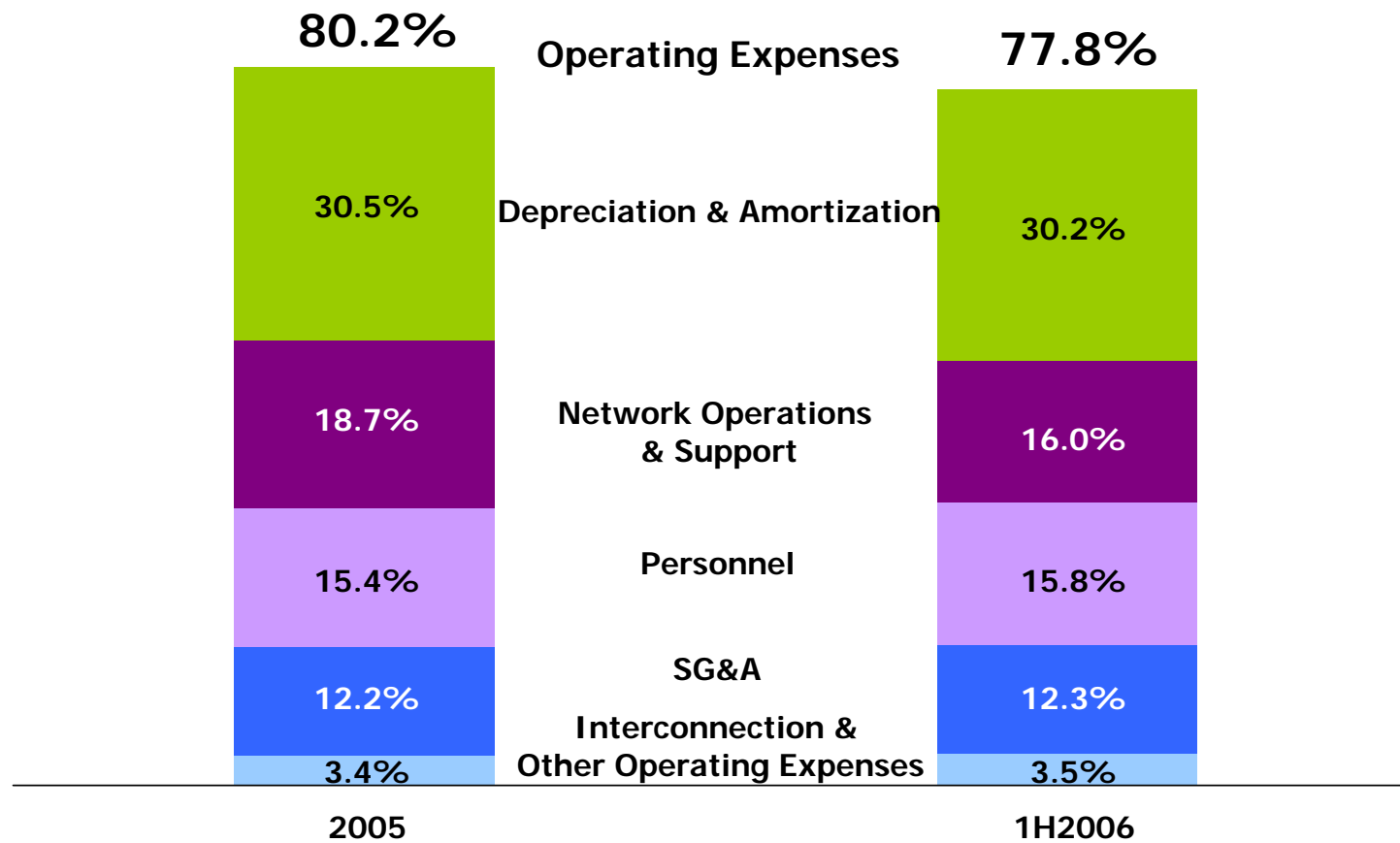
RMB Mil



Cost Structure



Operating Expenses as a % of Operating Revenue



Depreciation & Amortization

Stringent control on CAPEX to reduce depreciation expenses as a percentage of operating revenue continuously

Network Operations & Support

Strengthen centralized management on network maintenance to enhance quality & capability

Strict cost control and enhanced balancing to ensure stable EBITDA margin

Personnel

Control personnel expenses growth below revenue growth, progressively improving competitiveness of remuneration scheme to attract and retain talents

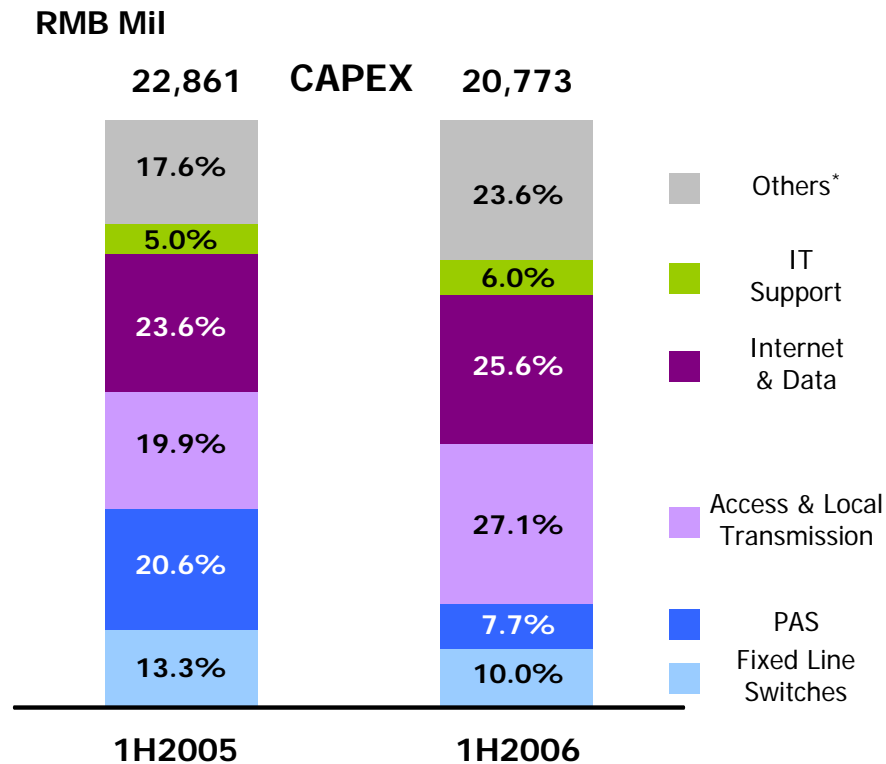
SG&A

Increase investment to retain and gain customers, more promotion & marketing for growth business

Optimized CAPEX Structure



CAPEX Composition



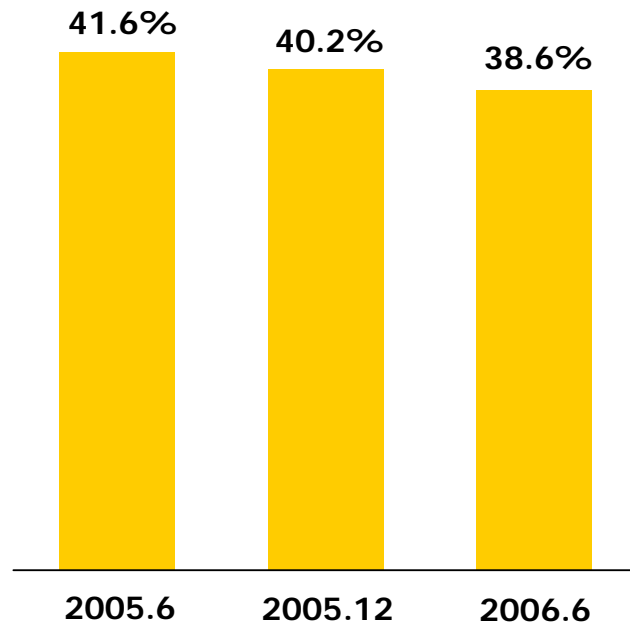
Note: * Others include communication infrastructure and other capital expenditure

- Decreased CAPEX for fixed line switches to enhance operating return
- Decreased CAPEX for PAS, persisting in profit-oriented development
- Increased CAPEX for access and local transmission to strengthen "last mile" advantage
- Increased CAPEX for Internet and data, optimizing resources allocation for growth business
- Increased CAPEX for IT support to foster integrated services capability

Solid Financial Strength

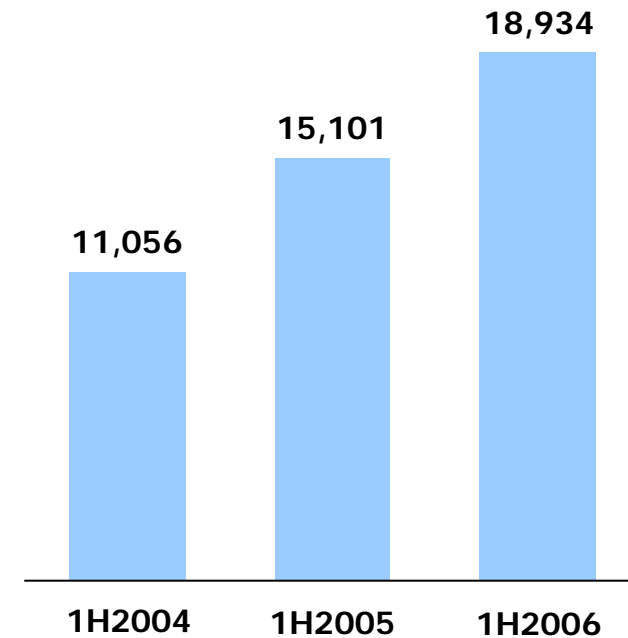


Total Debt/ Total Capitalization



Free Cash Flow

RMB Mil



Solid financial strength and strong cash flow well support the Company's sustainable growth and continuously enhance shareholders' value

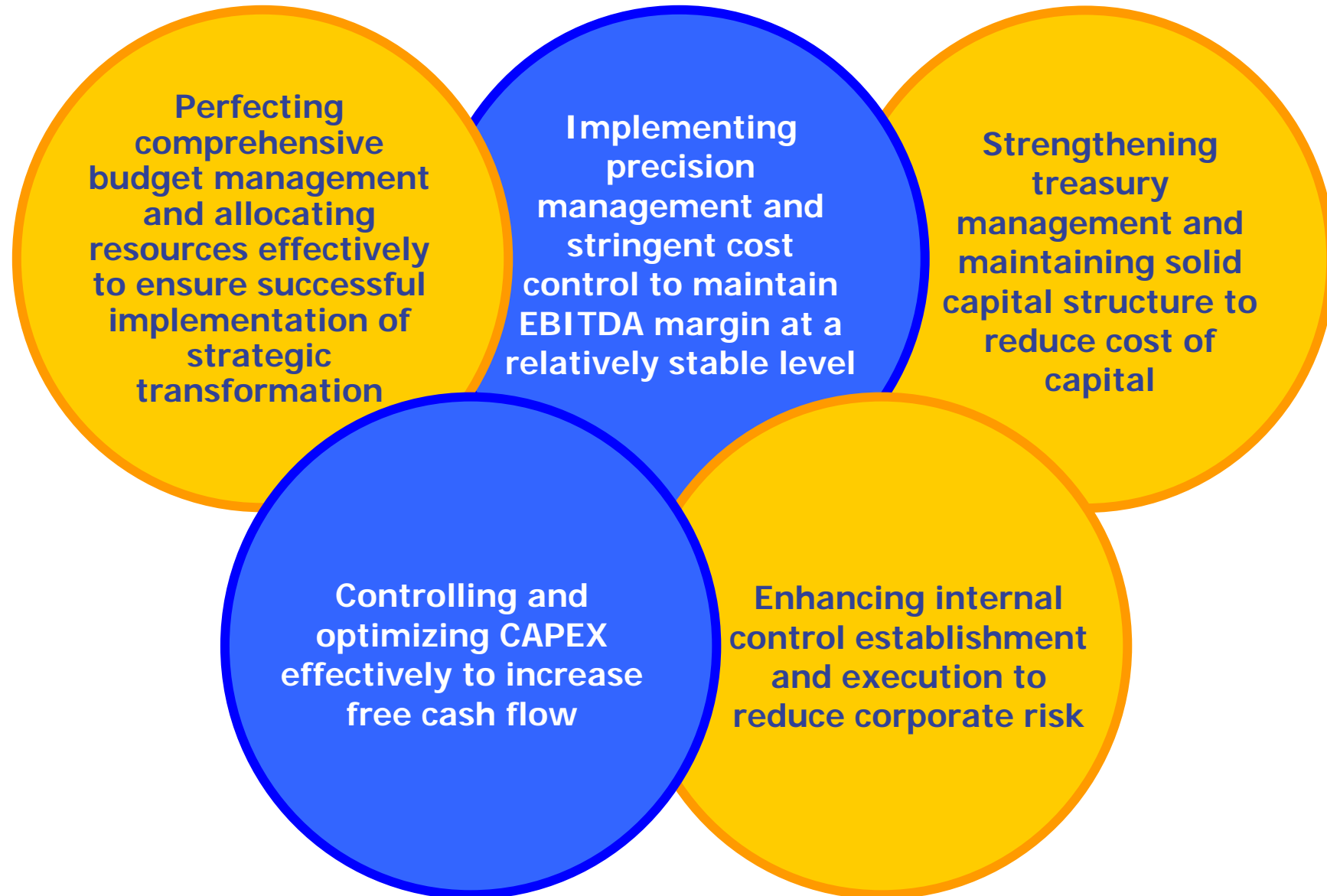
Strengthen Internal Control



Continue to strengthen internal control per international best practices, Sarbanes-Oxley Act (Section 404) and Hong Kong Listing Rules



Maximize Shareholders' Value



‘ *Connecting The World* ’



中国电信
CHINA TELECOM

用户至上 用心服务 Customer First Service Foremost

客户服务热线 10000
Customer Hotline

Thank You

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**Appendix 1: Extracted from unaudited statement of income
for the 6 months ended 30 June 2006
(incl. upfront connection fees)**



RMB Mil

	Unaudited 1H2005	Unaudited 1H2006
Operating Revenue	84,023	86,936
Upfront Connection Fees	3,403	2,494
Operating Expenses	(62,280)	(65,704)
Net Finance Costs	(2,468)	(2,592)
Investment Loss, Share of Profit from Associates	(6)	(13)
Profit Before Taxation	19,269	18,627
Income Tax	(4,556)	(4,510)
Profit for the Period	14,713	14,117
Attributable to:		
Equity Holders of the Company	14,696	14,084
Minority Interests	17	33

Appendix 2: Extracted from unaudited balance sheet
as at 30 June 2006
(incl. upfront connection fees)



RMB Mil

	Audited 31.12.2005	Unaudited 30.6.2006
Current Assets	36,663	44,001
Non-Current Assets	380,473	374,628
Total Assets	417,136	418,629
Current Liabilities	156,976	165,309
Non-Current Liabilities	77,199	62,539
Total Liabilities	234,175	227,848
Total Equity	182,961	190,781
Equity Attributable to Equity Holder of the Company	181,517	189,323
Minority Interests	1,444	1,458

**Appendix 3: Detailed operating revenue breakdown
for the 6 months ended 30 June 2006
(incl. upfront connection fees)**



RMB Mil	Unaudited 1H2005	Unaudited 1H2006
Upfront Connection Fees	3,403	2,494
Local Voice Business	40,810	39,772
Upfront Installation Fees	1,479	1,458
Monthly Fees	15,326	14,936
Local Usage Fees	24,005	23,378
DLD	12,918	12,889
ILD	1,705	1,562
Internet Access	8,538	11,154
Managed Data	1,481	1,492
Leased Line	2,265	2,098
Interconnections	6,141	6,975
VAS	4,601	6,580
Other Businesses	2,161	1,920
Total	84,023	86,936