



China Telecom Corporation Limited

28 August 2008

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2008 INTERIM RESULTS

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. 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.

Management Team

Mr. Wang Xiaochu Chairman & CEO

Mr. Shang Bing President & COO

Madam Wu Andi Executive Vice President & CFO

Overview

Business Review

Financial Performance

Overview

Highlights

Deepened strategic transformation to optimize revenue mix

Pro-actively managed challenges to maintain profitable development

Commenced CDMA business acquisition and prepared in advance for full services offering

Optimized CAPEX structure to enhance competitive edges

Solid Results (Excl. Connection Fees)

	2007.12	2008.6*	Growth
Access Lines in Services (Mil)	220.33	214.89	-2.5%
Broadband Subs (Mil)	35.65	39.95	12.1%
	1H2007	1H2008	Growth
Operating Revenue (RMB Mil)	88,091	89,406	1.5%
EBITDA (RMB Mil)	45,108	44,268	-1.9%
EBITDA Margin	51.2%	49.5%	-1.7pp
Net Profit (RMB Mil)	12,090	11,606	-4.0%
EPS (RMB)	0.149	0.143	-4.0%
Free Cash Flow** (RMB Mil)	19,465	21,669	11.3%

Normalized***	
1H2008	Growth
45,968	1.9%
51.4%	0.2pp
12,181	0.8%

Notes: * Included 320,000 Access Lines in Services and 90,000 Broadband Subs of Beijing Telecom, acquisition of which was completed in June 2008

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

*** Normalized results excluded the increase in Network Operations & Support expenses of approximately RMB1,700 Mil (after-tax impact of approximately RMB1,281 Mil) due to snowstorm and earthquake in 1H08, and excluded the income tax savings of RMB706 Mil resulting from the new Income Tax Law

Unless otherwise stated, all financial data used hereinafter are unaudited and include the financial impact of acquisition of Beijing Telecom, but exclude upfront connection fees

IFRS-based Results (Incl. Connection Fees)

	1H2007	1H2008
Operating Revenue (RMB Mil)	89,757	90,434
EBITDA (RMB Mil)	46,774	45,296
EBITDA Margin	52.1%	50.1%
Net Profit* (RMB Mil)	13,756	12,634
EPS (RMB)	0.170	0.156

Note: * Unless otherwise stated, net profit used in this presentation represents profit attributable to equity holders of the Company

Snowstorm & Earthquake Impact in 1H2008

Snowstorm

Asset write-off: RMB370 Mil

Maintenance Cost: RMB200 Mil

CAPEX : RMB960 Mil

Earthquake

Asset write-off: RMB1,000 Mil

Maintenance Cost: RMB130 Mil

CAPEX : RMB1,240 Mil

1H2008 Impact

EBITDA:

↓ RMB1,700 Mil

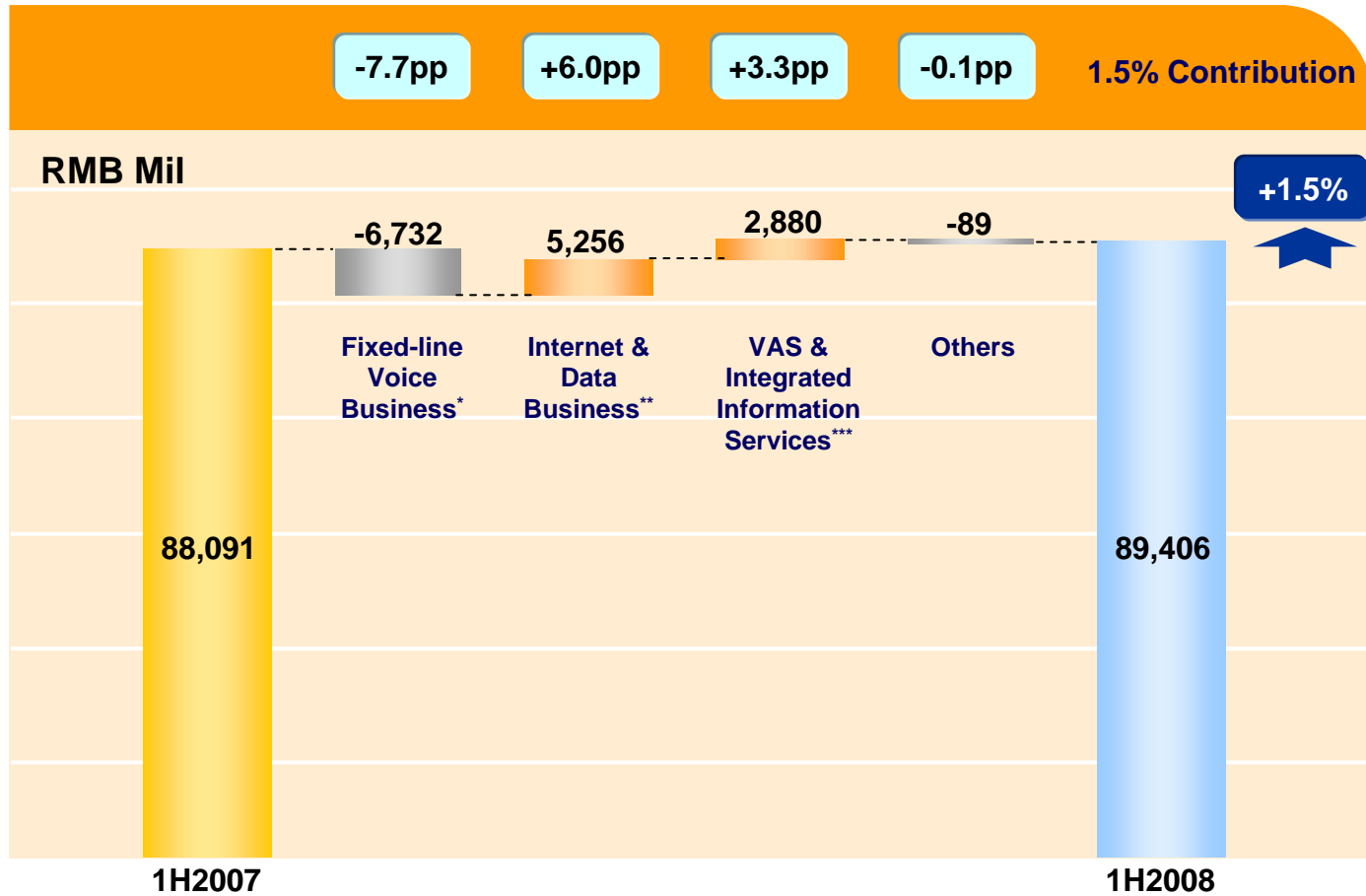
Net Profit:

↓ RMB1,281 Mil

CAPEX plan:

↑ RMB2,200 Mil

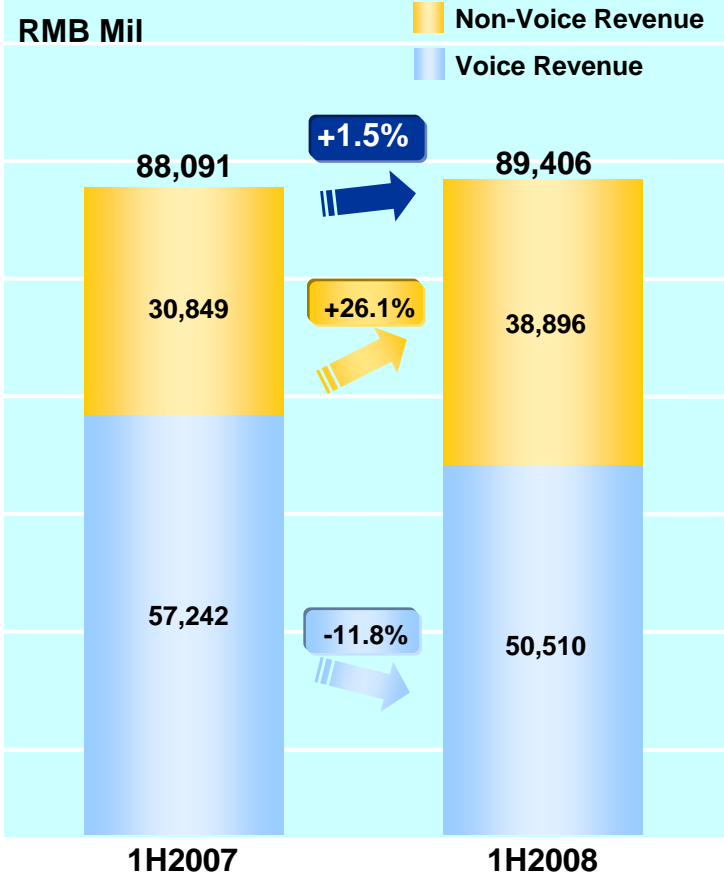
Revenue Growth Drivers



- Notes:
- * Fixed-line Voice Business Revenue includes Monthly Fees, Local Usage Fees, Upfront Installation Fees, DLD/ILD and Interconnection Revenue
 - ** Internet & Data Business includes Internet Access, Managed Data and Leased Line businesses
 - *** VAS & Integrated Information Services includes Fixed-line VAS, Internet VAS, Internet Information Services, Best Tone, Video Applications and IT Services & Applications

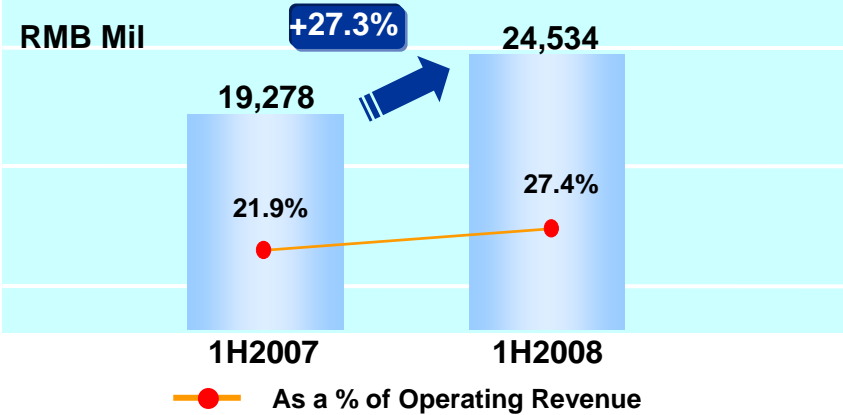
Strategic Transformation Gathering Pace

Steady Aggregate Revenue

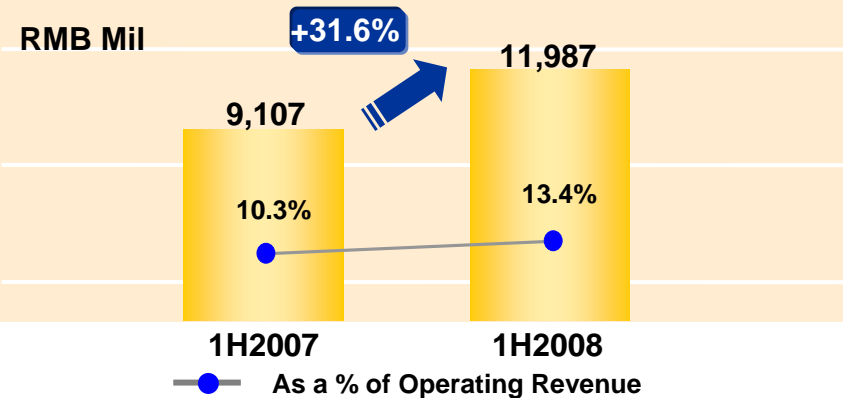


1H2008 Voice ARPU: RMB38.7 ↓ 9.2%

Internet & Data Business



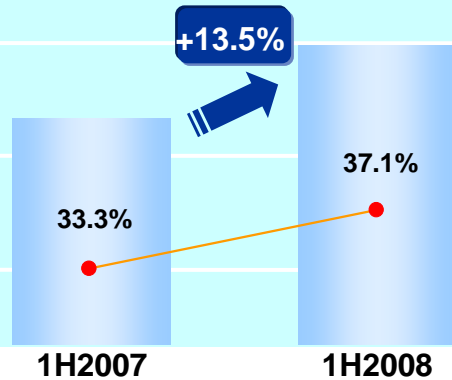
VAS & Integrated Information Services



Customer-focused Operation to Enhance Value

Government & Enterprise Customer

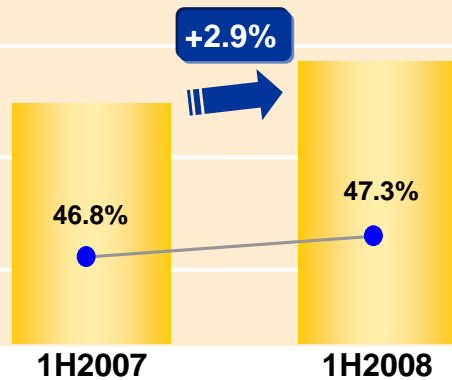
Revenue Growth



● As a % of Total Customer Segment Revenue

Household Customer

Revenue Growth



● As a % of Total Customer Segment Revenue

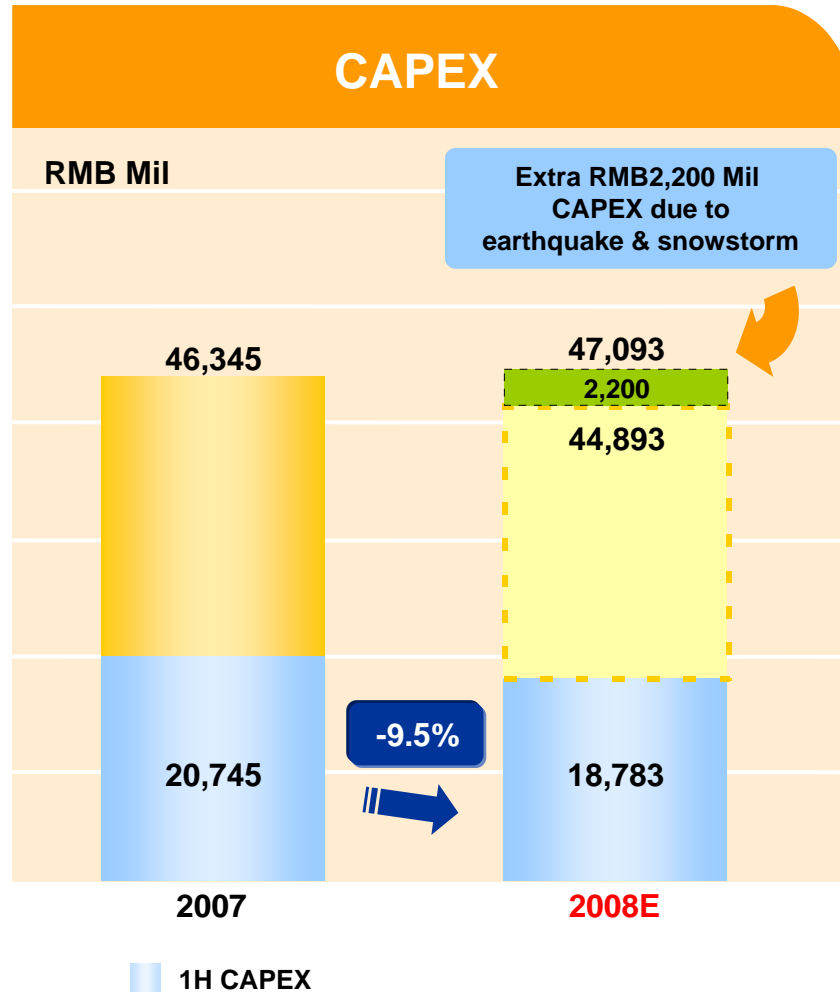
Government & Enterprise

- ☎ Differentiated services for further refined customer segments
- ☎ Enriching “BizNavigator” brand content and customer perception with convergent services & industry applications
- ☎ Enhancing customer value & revenue

Household

- ☎ Enriching “One Home” brand content & value with more content applications, multi-means of access for multi-terminal devices
- ☎ Promoting targeted marketing in key markets
- ☎ Further enhancing tariff perception

CAPEX



Note: Above CAPEX included Beijing Telecom's CAPEX of RMB785 Mil for 1H2007 and RMB853 Mil for 1H2008

Strictly controlling CAPEX to enhance return; optimizing structure to promote development

- ☎ **Aligning investment strategies with business development; strictly controlling investment in traditional business to enhance return**
- ☎ **Tilting investments toward transformation business to drive revenue**
- ☎ **Pro-actively preparing for full services offering**
- ☎ **Incremental mobile business CAPEX to be finalized after attaining relevant approval for CDMA business acquisition**

Near Term Focus

To launch mobile business after attaining relevant approval
for CDMA business acquisition

CDMA Business Acquisition

- Take-over of CDMA business
- Relatively complete customer service system
- Relatively complete CDMA network with stand-alone operation and continuous service capability

Mobile Preparations

- Network transition & optimization
- IT system establishment & enhancement
- Equipment procurement & network construction
- Fixed & mobile services integration
- Distribution channels & international roaming arrangement

Consolidate Fixed-line Business

- Solidify customer base (Government & Enterprise, Household and Individual)
- Strengthen development of transformation business (broadband, VAS & integrated information services)
- Promote product bundling and integrated service

Full Services Offering to Enhance Value

Integrated Information Services Provider

Enrich customer experience
Realize significant synergies
Enhance core competitiveness
Create shareholder value

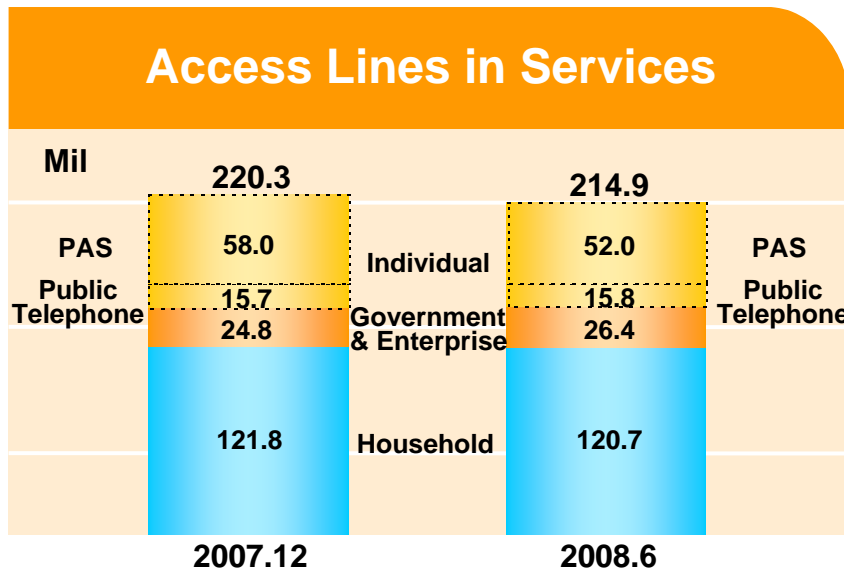
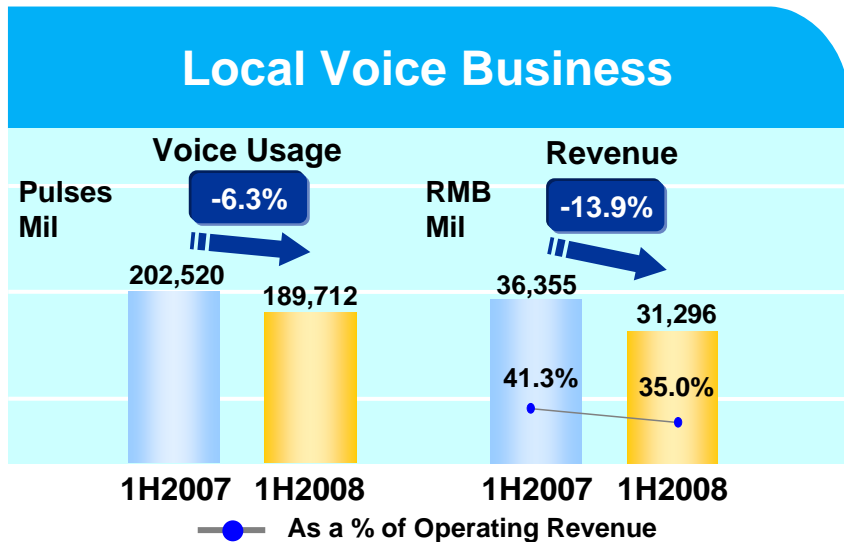


Business REVIEW

Revenue Breakdown

	1H2007 (RMB Mil)	1H2008 (RMB Mil)	Growth	Share of Operating Revenue
Fixed-line Voice	57,242	50,510	-11.8%	56.5%
Upfront Installation Fees	1,415	1,291	-8.8%	1.4%
Monthly Fees	13,326	10,965	-17.7%	12.3%
Local Usage Fees	21,614	19,040	-11.9%	21.3%
Sub-total	36,355	31,296	-13.9%	35.0%
Long Distance	13,993	12,683	-9.4%	14.2%
Interconnections	6,894	6,531	-5.3%	7.3%
Internet Access & Data	19,278	24,534	27.3%	27.4%
Internet Access	14,907	19,509	30.9%	21.8%
Managed Data & Leased Line	4,371	5,025	15.0%	5.6%
VAS & Integrated Information Services	9,107	11,987	31.6%	13.4%
Others	2,464	2,375	-3.6%	2.7%
Total	88,091	89,406	1.5%	100.0%

Local Voice Business

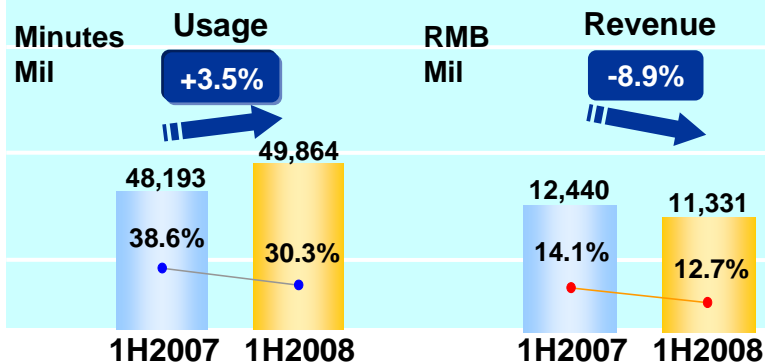


Major Initiatives

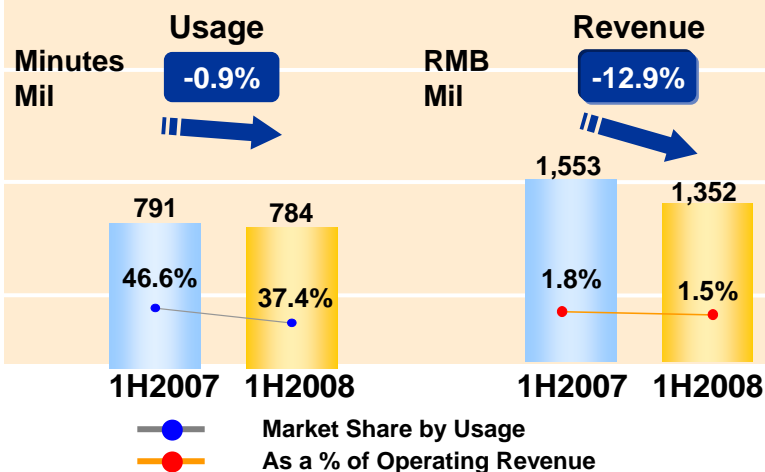
- ✎
Strengthen bundling and integration with non-voice businesses with targeted marketing to Government & Enterprise and Household customers
- ✎
Emphasize profitable development amid intensifying competition with loss of some low-end PAS subs due to effective control of sales expenses

Long Distance Business

Domestic Long Distance



International Long Distance

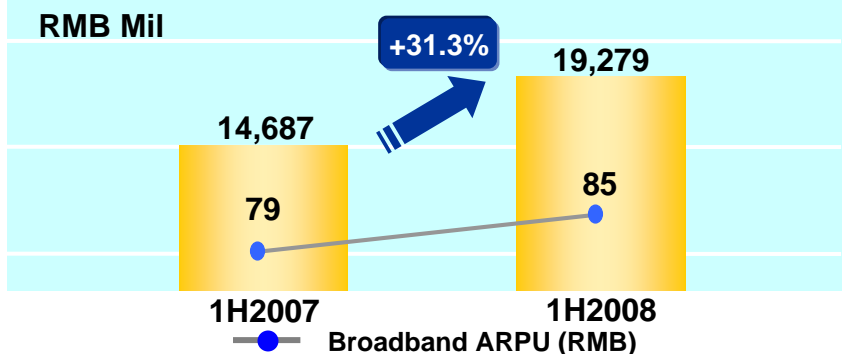


Major Initiatives

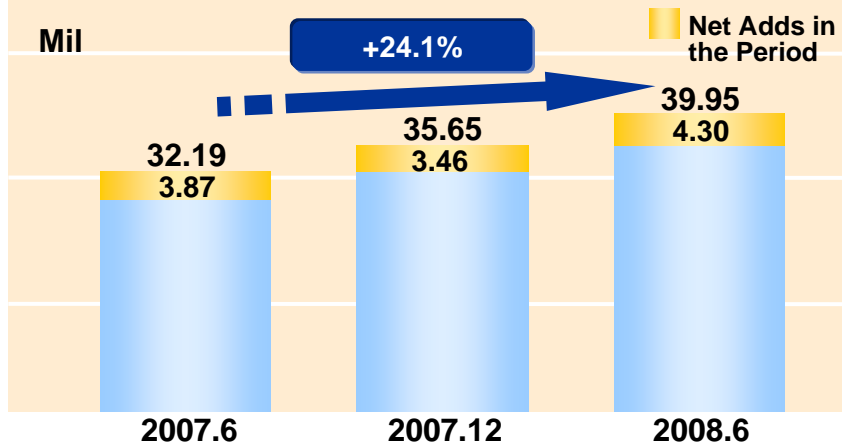
- Enhancing tariff packages and sales model to stimulate customers' consumption and usage amid intensifying market competition

Broadband Business

Broadband Access Revenue



Subscribers



Major Initiatives

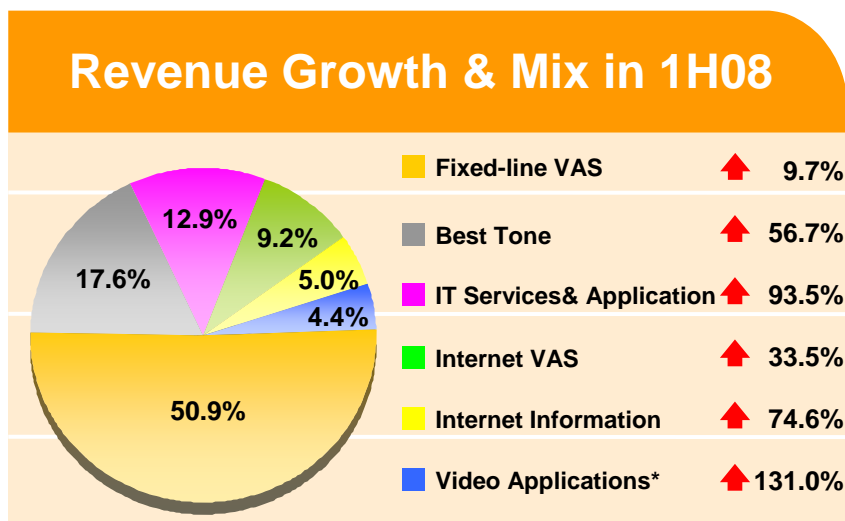
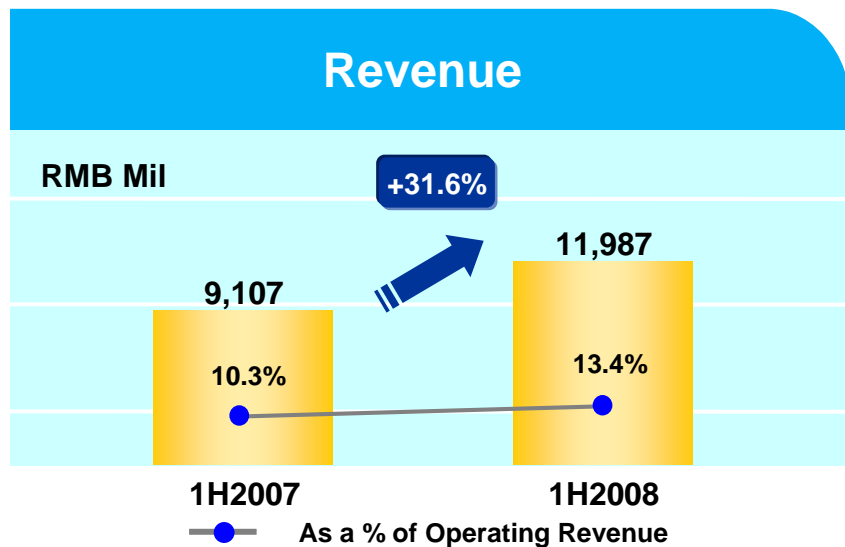
Broadband Roaming:

- ☛ Launching broadband account operation with nationwide WIFI roaming services (>15,000 WIFI hotspots) via “e8-2” package

Driving Access with Applications:

- ☛ Promoting to “OneHome” customers one-stop services and applications (communications, treasury management, broadcasting, customer services, information, entertainment...)

VAS & Integrated Information Services



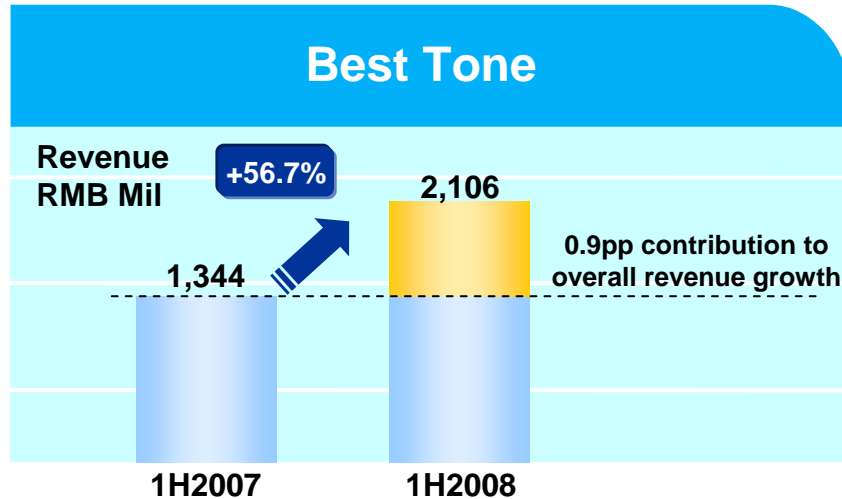
Major Initiatives

- ☞
Promoting scale & diversified development
- ☞
Leveraging professional and centralized operation and emphasizing co-operation along value chain to accelerate the development of new services and strengthen core competitiveness of integrated information services

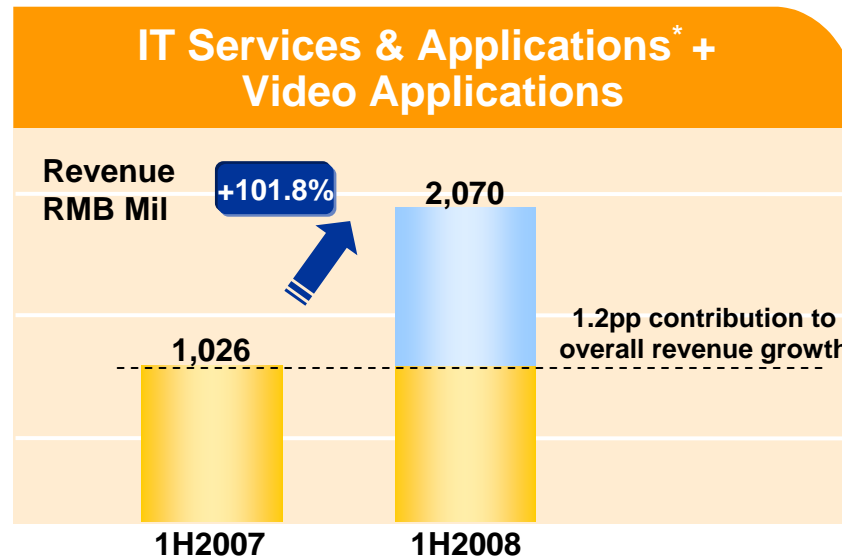
Note: * Video Applications include video conferencing, video monitoring and IPTV

Fast Growing Businesses

Best Tone



IT Services & Applications* + Video Applications



Best Tone

- ☎ Enriching information content and enhancing brand awareness
- ☎ Advancing co-operation to enhance commerce & travel servicing capability

IT Services & Applications* + Video Applications

- ☎ Targeting mid-to-high end Government & Enterprise customers
- ☎ Leveraging existing customer base and network resources; focusing on profitable business opportunities
- ☎ Enhancing system integration, outsourcing and consultation services capabilities

Note: * IT Services & Applications Revenue excluded third parties equipment sales

Customer-focused Differentiated Operation

Leveraging premier customer brands to promote mobile service penetration and to enrich customer experience



Focus on mid-to-high end urban customers

Add-in mobile service

Innovative mobile communications in the Internet era to provide seamless information experience



Develop mobile Internet applications

Establish differentiated services

- Leverage mobile resources acquired via CDMA business acquisition and integrate with fixed-line resources
- Optimize network coverage and improve service quality
- Lower operating expenses via synergies
- Establish full services offering operation system

Financial Performance

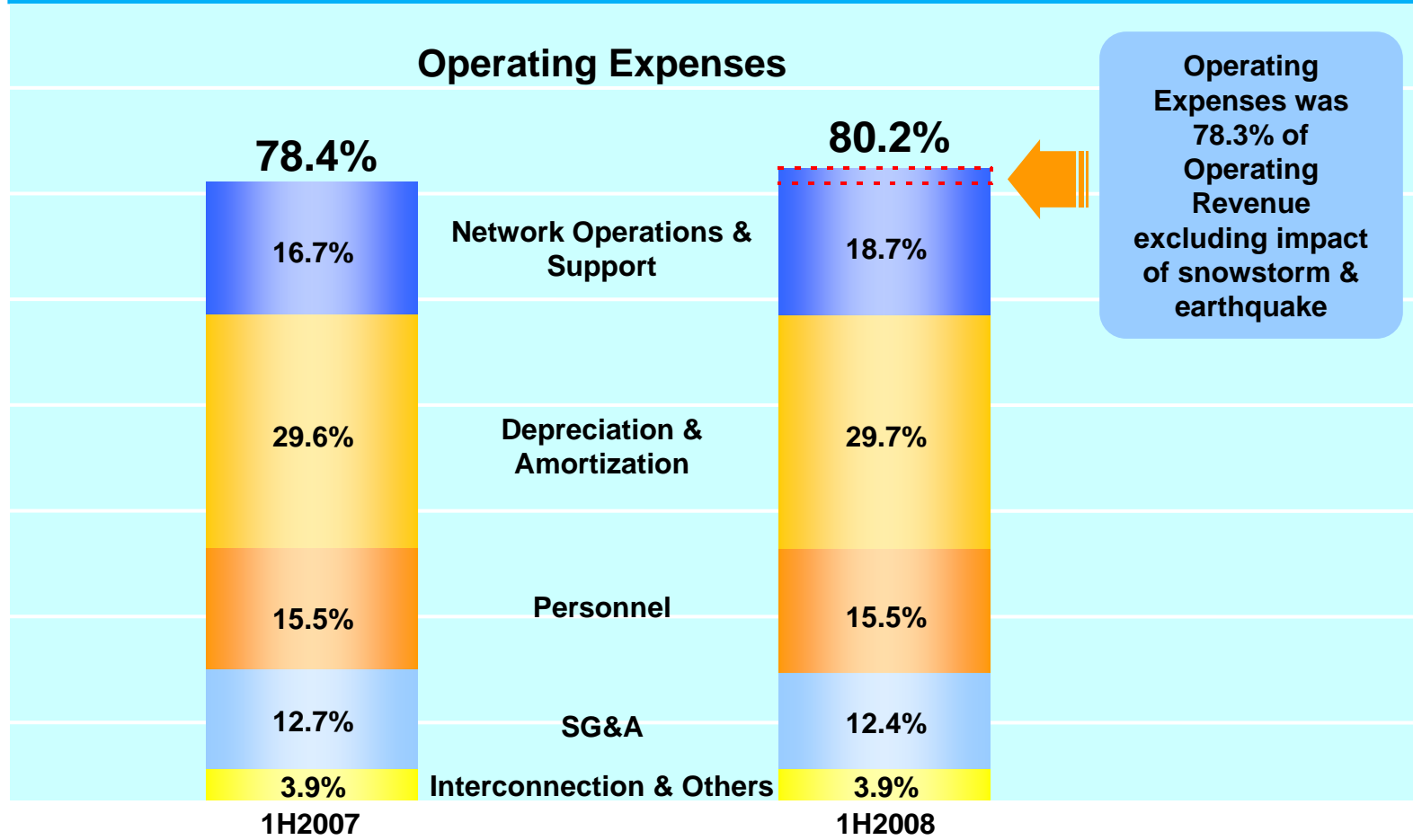
Key Financial Information

	1H2007 (RMB Mil)	1H2008 (RMB Mil)	Growth
Operating Revenue	88,091	89,406	1.5%
Operating Expenses			
Depreciation & Amortization	26,089	26,544	1.7%
Network Operations & Support	14,725	16,670	13.2%
Personnel	13,667	13,857	1.4%
SG&A	11,157	11,103	-0.5%
Interconnection & Others	3,434	3,508	2.2%
Sub-total	69,072	71,682	3.8%
Operating Profit	19,019	17,724	-6.8%
Net Profit	12,090	11,606	-4.0%
EBITDA	45,108	44,268	-1.9%

Note: Figures on this slide included the impact of snowstorm, earthquake and new Income Tax Law

Cost Structure

Operating Expenses as a % of Operating Revenue



Optimized Resource Allocation to Sustain Development

Cost Initiatives

- **Depreciation & Amortization**
Strengthened asset precision management to enhance resources utilization
- **Network Operations & Support**
Improved network maintenance quality to support continuous development
- **Personnel**
Enhanced employees' incentives
- **SG&A**
Controlled PAS handset subsidies & tilted investments toward profitable businesses & targeted customer segments

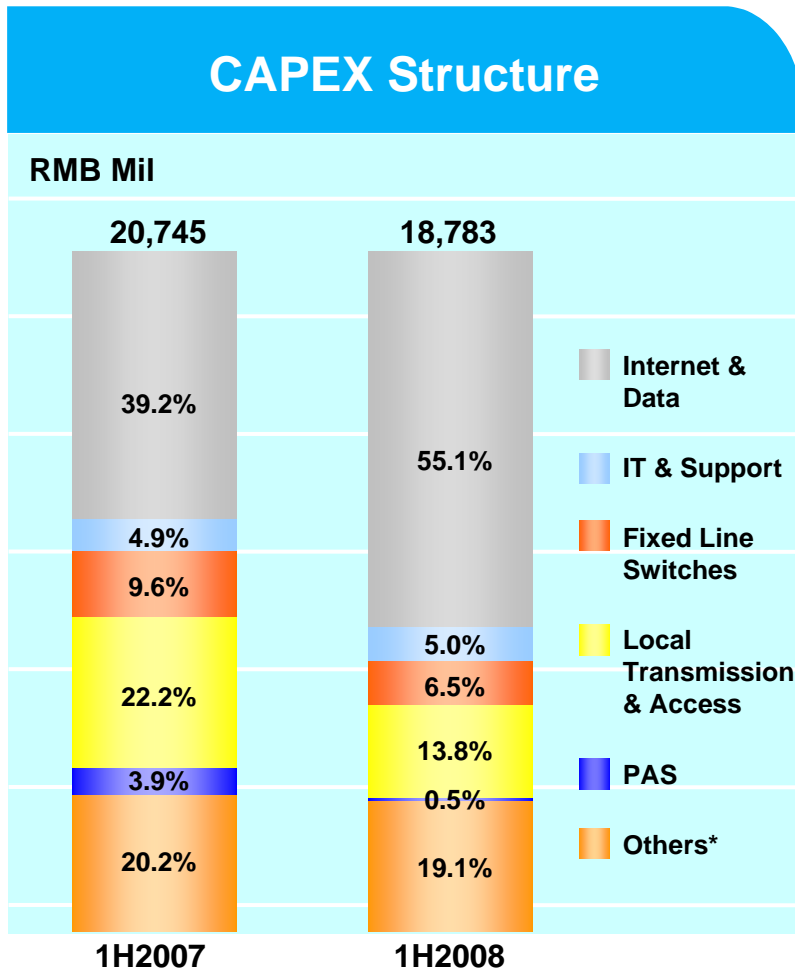
Maintained
EBITDA margin
relatively stable

1H2008 Results

- **Depreciation & Amortization**
RMB26,544 Mil (maintained stable as a % of operating revenue)
- **Network Operations & Support***
RMB14,970 Mil (+1.7% yoy; maintained stable as a % of operating revenue)
- **Personnel**
RMB13,857 Mil (+1.4% yoy; maintained stable as a % of operating revenue)
- **SG&A**
RMB11,103 Mil (-0.5% yoy; -0.3 pp as a % of operating revenue)

Note: * Excluded the impact of RMB1,700 Mil due to snowstorm and earthquake

Enhanced CAPEX Structure



Note: * Others include communication infrastructure and other capital expenditure

Enhanced CAPEX structure to support strategic transformation

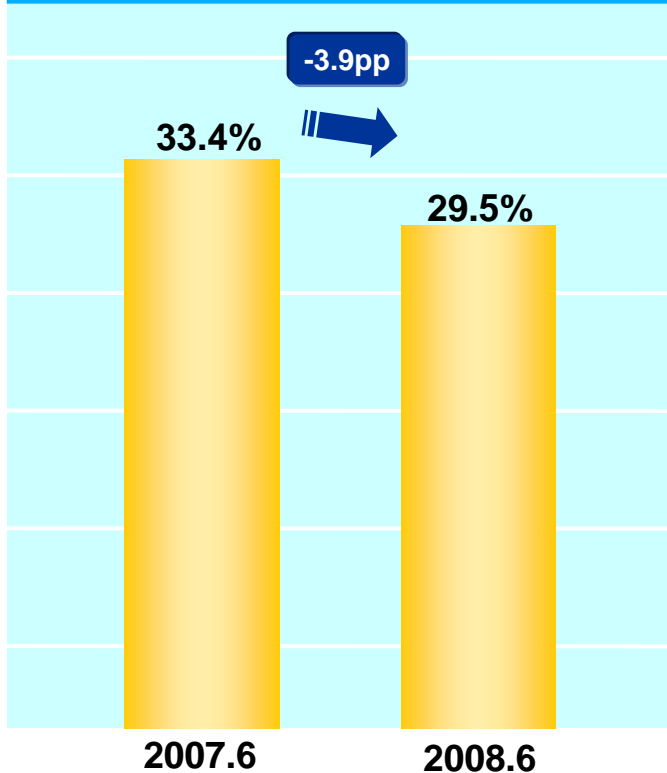
- Internet & Data ▲ 27.3% yoy
- IT & Support ▼ 7.6% yoy
- Fixed Line Switches ▼ 38.7% yoy
- Local Transmission & Access ▼ 43.7% yoy
- PAS ▼ 88.4% yoy
- Others ▼ 14.4% yoy

Tilting investment toward transformation business & strictly controlling CAPEX on fixed-voice business & infrastructure facilities

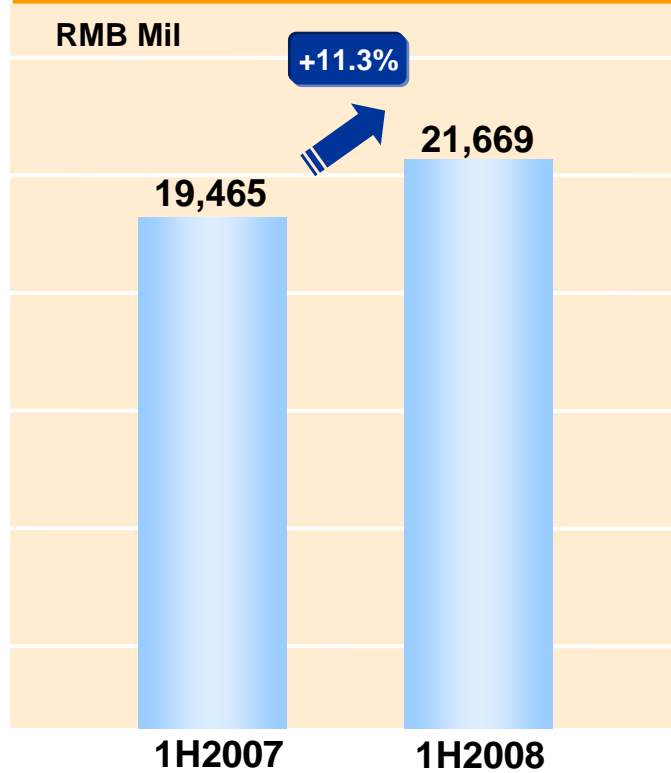
Enhancing network support capability for transformation business

Solid Capital Structure & Financial Strength

Total Debt / Total Capitalization



Free Cash Flow



Solid financial fundamental and strong free cash flow proactively equip the Company to capture future growth opportunities

Innovative Measures to Support Full Services Offering

Precision resource allocation by tilting resource toward high value customers and key businesses to support transformation

Strengthening centralized financial management leveraging corporate structure reform to improve treasury management and asset utilization

Further optimizing CAPEX & cost structure to effectively control financial risks

Rational resource allocation to fixed and mobile services leveraging existing resource & capability to drive synergy & promote profitable scale development of mobile business

**Deepening
value
management
to enhance
shareholders'
value**

Thank
YOU

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Appendix 1

Extracted from unaudited income statement
for the 6 months ended 30 June 2008 (incl. upfront connection fees)

RMB Mil	Unaudited 1H2007 (Restated)*	Unaudited 1H2008
Operating Revenue	89,757	90,434
Upfront Connection Fees	1,666	1,028
Operating Expenses	(69,072)	(71,682)
Net Finance Costs	(2,013)	(2,289)
Investment Loss, Share of Profit from Associates	9	30
Profit Before Taxation	18,681	16,493
Income Tax	(4,898)	(3,816)
Profit for the Year	13,783	12,677
Equity Holders of the Company	13,756	12,634
Minority Interests	27	43

Note: * Restated to include the financial impact of acquisition of Beijing Telecom

Appendix 2

Extracted from unaudited balance sheet as at 30 June 2008
(incl. upfront connection fees)

RMB Mil	Unaudited 31.12.2007 (Restated)*	Unaudited 30.6.2008
Current Assets	44,110	53,208
Non-current Assets	369,221	358,885
Total Assets	413,331	412,093
Current Liabilities	140,245	130,020
Non-current Liabilities	47,114	55,790
Total Liabilities	187,359	185,810
Total Equity	225,972	226,283
Equity Attributable to Equity Holders of the Company	224,521	224,797
Minority Interests	1,451	1,486

Note: * Restated to include the financial impact of acquisition of Beijing Telecom

Appendix 3

Detailed operating revenue breakdown for the 6 months ended 30 June 2008 (incl. upfront connection fees)

RMB Mil	Unaudited 1H2007 (Restated)*	Unaudited 1H2008
Upfront Connection Fees	1,666	1,028
Local Voice Business	36,355	31,296
Upfront Installation Fees	1,415	1,291
Monthly Fees	13,326	10,965
Local Usage fees	21,614	19,040
DLD	12,440	11,331
ILD	1,553	1,352
Interconnections	6,894	6,531
Internet Access	14,907	19,509
Managed Data & Leased Line	4,371	5,025
VAS & Integrated Information Services	9,107	11,987
Others	2,464	2,375
Total	89,757	90,434

Note: * Restated to include the financial impact of acquisition of Beijing Telecom