



中国电信
CHINA TELECOM

**Presentation at
China Economic Forum 2004, BNP Paribas Peregrine**

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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 filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filing with the SEC.

Agenda



Industry & Corporate Overview

Business Review of China Telecom

Company Strategy



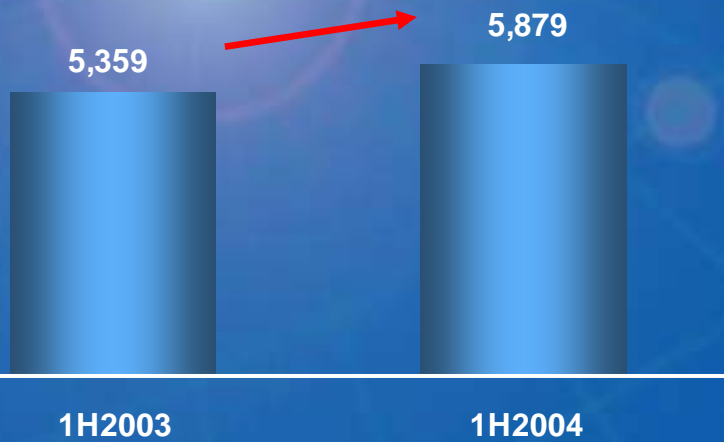
Industry & Corporate Overview

Strong Economic Growth



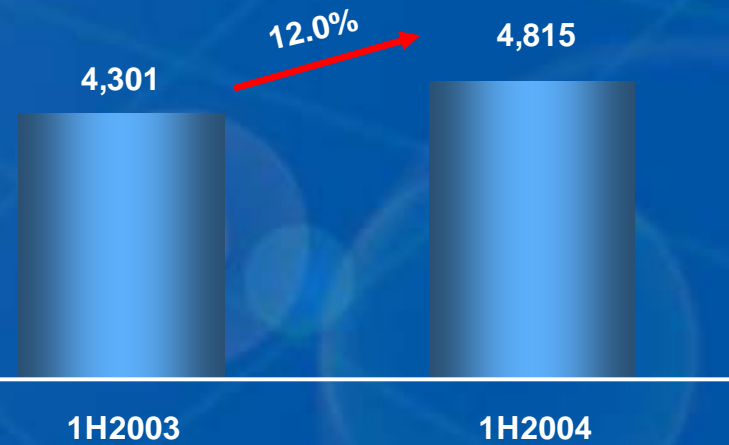
GDP (RMB Billion)

9.7%



Disposable Income Per Capita (RMB)

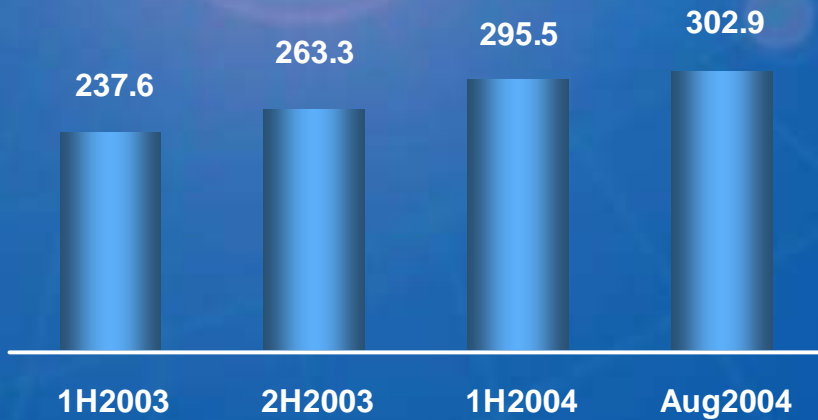
12.0%



Sustained and Rapid Industry Growth



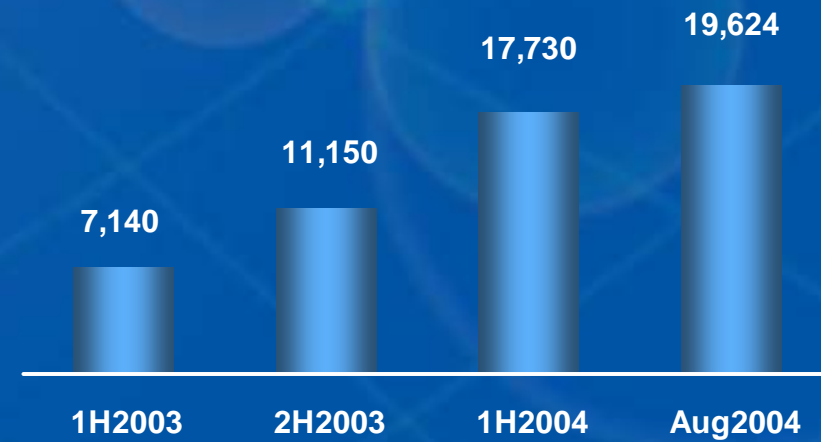
Fixed Access Lines in Service (Million)



Fixed Line Penetration Rates (%)



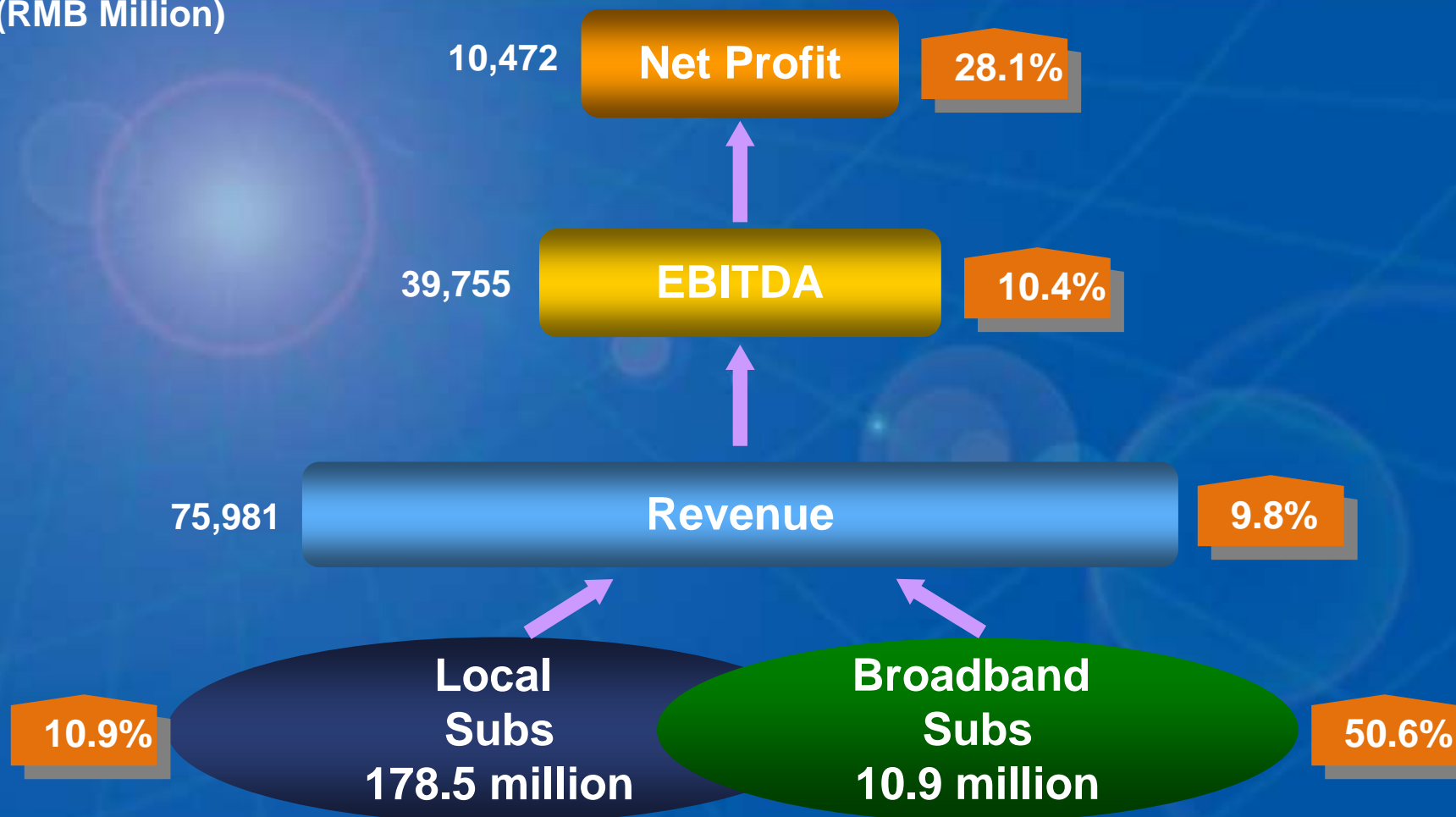
Broadband Subs (Thousand)





Excellent Financial Results in 1H2004

(RMB Million)



Note: (1) Financial results growth rates are on a year-over-year basis. Subscriber growth rates are since the last reporting period.
(2) Unless otherwise stated, all financial data used herein are un-audited, exclude upfront connection fees, and assume our current service areas have been operated by us since the beginning of 2003.



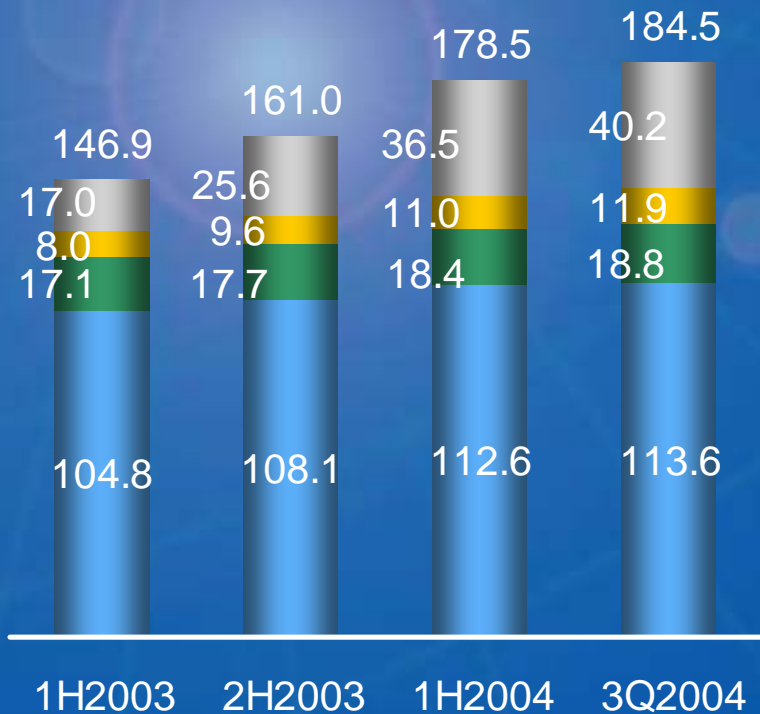
Business Review of China Telecom



Growth in Access Lines in Service

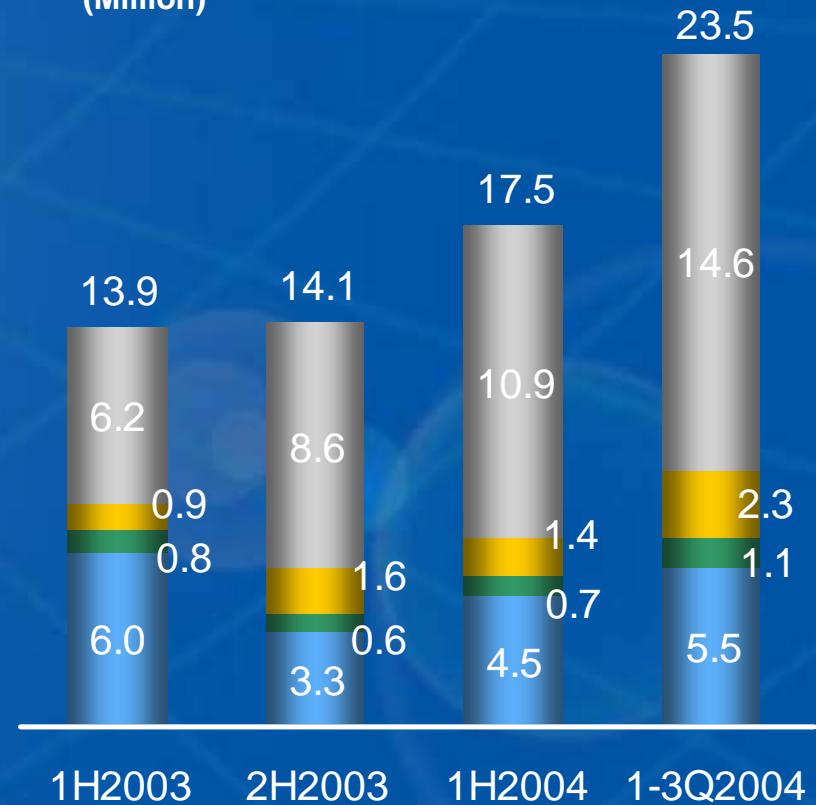
Access Lines in Service

(Million)



New Access Lines in Services

(Million)



■ Residential ■ Enterprise ■ Public Telephone ■ Wireless Local Access



Growth in Local Telephone Usage

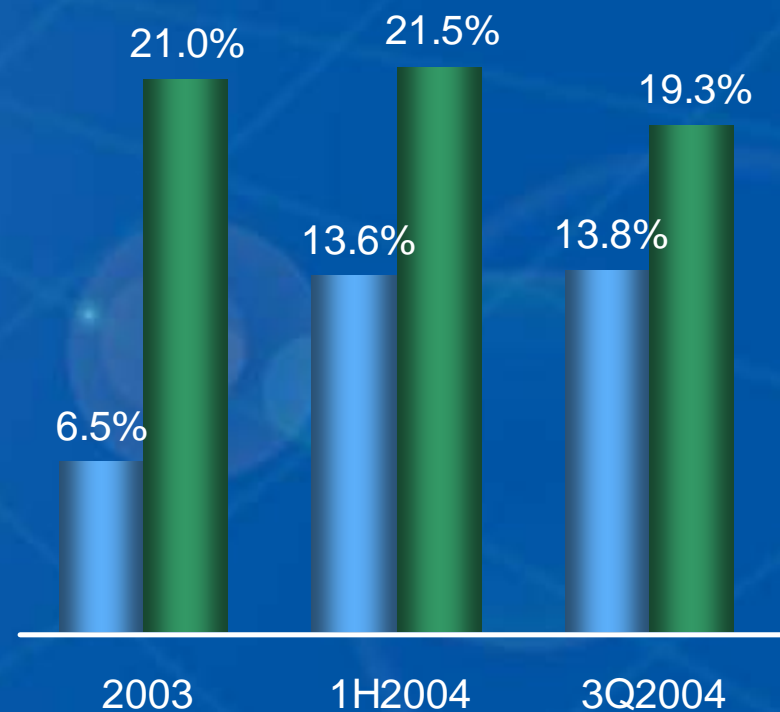
Local Telephone Usage

(Pulses in Million)



- Local Voice Usage
- Local Dial-up Usage
- YoY Growth Rate of Local Voice Usage (excluding dial-up usage), vs. 1-3Q2003

Realizing Early Results of Usage-based Marketing Initiatives



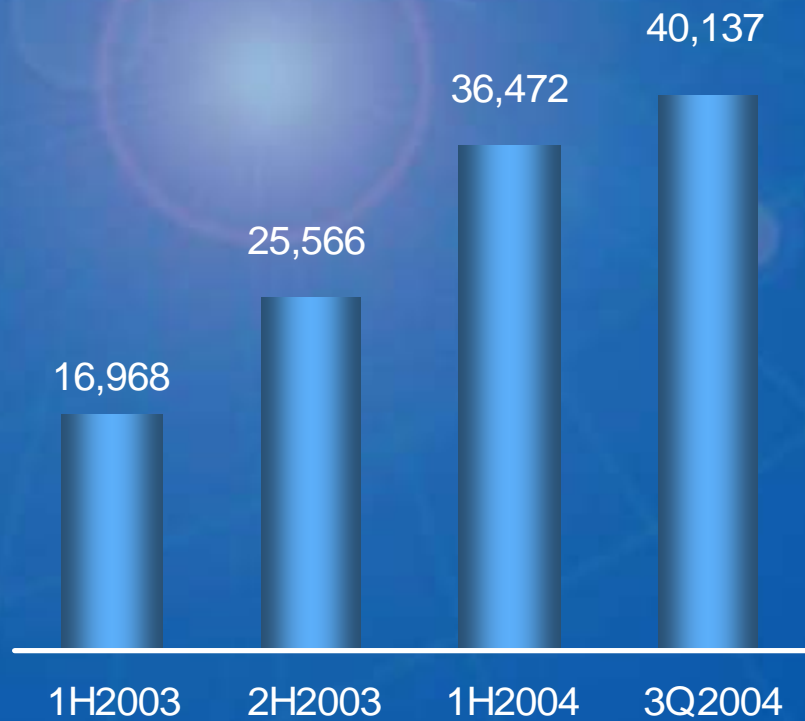
- YoY Growth Rate of Local Voice Usage (excludes dial-up usage)
- YoY Growth Rate of Local Telephone Subscribers

Wireless Local Access Service



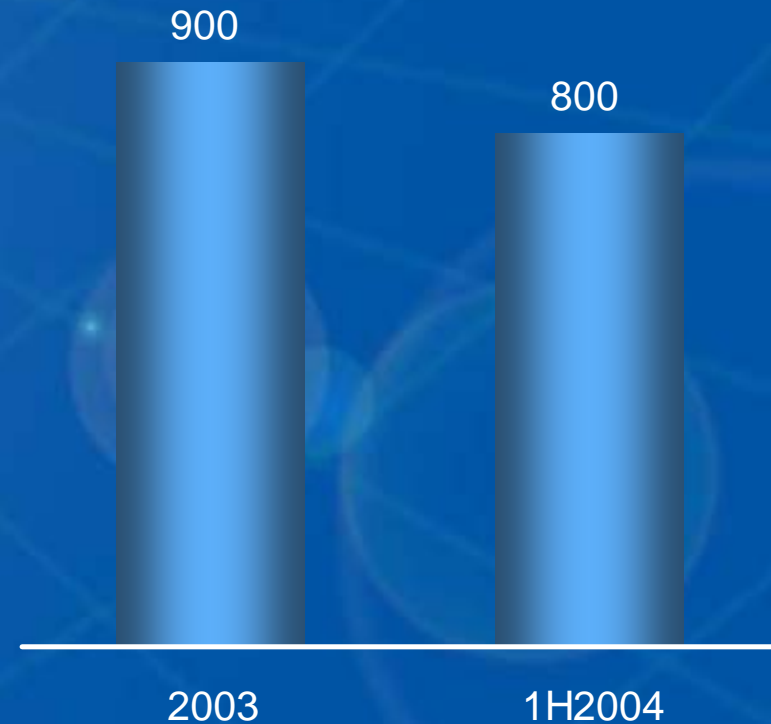
Wireless Local Access
Service Subs

(Thousand)



Per Sub Investment

(RMB per Sub)





Broadband Continues Rapid Growth

Broadband Subs

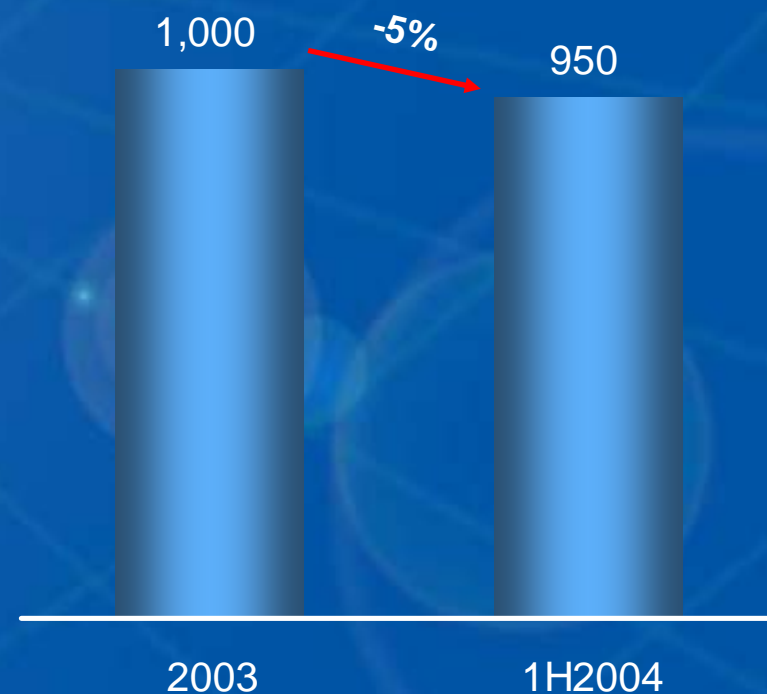
(Thousand)



- BoP Broadband Subs
- New Broadband Subs

ADSL Per Sub Investment

(RMB per Sub)





Company Strategy

Challenges



Management Initiatives

Business Strategies

Mobile Substitution

Innovative Marketing

Not an Integrated Services Provider

Management Initiatives



Sales and Marketing Reengineering

- Refine channel management and improve channels' execution capability
- Targeted product bundling marketing and improve brand value
- Restructure sales and marketing operations along products, markets and sales dimensions

Financial Management & Internal Control

- Comprehensive budget management
- Rationalize cost structure
- Standardize internal control policies, implement internal control responsibility system

Change Management

- Performance evaluation centered on value creation
- BPR implementation yield early results

Next Generation IT System

- CTG–MBOSS supports comprehensive technology infrastructural development and improved IT management
- MSS is targeted at internal financial, HR & ERP IT requirements

Business Strategies



Local Telephone (including PHS)

- Continue to develop traditional wire-line telephone service and PHS
- Leverage integrated services to market service packages
- Further channel development, strengthen marketing and preservation of existing customer base

Broadband

- Maintain rapid subscriber growth
- Develop broadband application services
- Build a quality brand name and reputation

Value-added Services

- Improve management, new product development, expand and standardize partnership cooperation and strengthen supporting infrastructure and service
- Intensify marketing

Summary



Realized Very Satisfactory Financial Result Through Continued Reform and Innovation

Subscribers and Services Usage Maintained Healthy Growth in 3Q2004

Strengthen Financial Management, Disciplined Operating Expenses and Capital Expenditures Control

Confident on the Performance in 2004



Thank You!

For more details, please click onto China Telecom's corporate website at www.chinatelecom-h.com



Operating Revenue — Appendix I

(RMB Million)	1H2003	1H2004	% Change
Installation Fees	1,301	1,432	10.1%
Monthly Fees	13,829	15,023	8.6%
Local Usage Fees	22,486	24,072	7.1%
Domestic Long Distance	12,693	13,145	3.6%
International Long Distance	1,951	1,906	-2.3%
Internet	4,355	6,602	51.6%
Managed Data	1,628	1,524	-6.4%
Interconnections	4,095	5,013	22.4%
Leased Line Services	2,608	2,112	-19.0%
Other	4,236	5,152	21.6%
Total Operating Revenue (Excluding Upfront Connection Fees)	69,182	75,981	9.8%

Extract from unaudited consolidated statement of income for the 6 months ended 30 June 2004 — Appendix II



(RMB Million)	1H2003	1H2004
Operating Revenues	69,182	75,981
Operating Expenses	55,840	59,481
Depreciation and amortization	22,666	23,255
Network operations and support	14,336	13,284
SG&A	6,955	9,457
Personnel	10,342	11,689
Others	1,541	1,796
Operating Profit	13,342	16,500
Net Finance Costs	1,728	2,341
Taxation	3,333	3,681
Profit attributable to shareholders	8,172	10,472
EBITDA	36,008	39,755

Extract from unaudited consolidated balance sheet at 30 June 2004 — Appendix III



(RMB Million)	Audited at 31 December 2003	Unaudited at 30 June 2004
Cash and Cash Equivalents	12,721	16,710
Other Current Assets	20,372	22,478
Non-current Assets	370,849	372,524
Total Assets	<u>403,942</u>	<u>411,712</u>
Current Liabilities	149,135	161,809
Non-current Liabilities	102,744	103,440
Total Liabilities	<u>251,879</u>	<u>265,249</u>
Minority Interests	1,269	1,349
Shareholders' Equity	<u>150,794</u>	<u>145,114</u>
Total Debt	138,925	153,244
Total Capital	337,589	341,582
Total Debt / Total Capital	41.2%	44.9%
Net Debt	126,204	136,534