



Management discussion and analysis

According to paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), save as disclosed herein, the Company confirms that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company’s 2010 Annual Report.

Purchase, sale or redemption of securities

During the six-month period ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

Directors’ and supervisors’ interests and short positions in shares, underlying shares and debentures

As at 30 June 2011, none of the Directors or Supervisors had any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”).

As at 30 June 2011, the Company has not granted its Directors or Supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures.

Change in directors and supervisors

On 20 May 2011, the term of office of the third session of the Board of Directors and the Supervisory Committee expired. All directors of the third session of the Board of Directors were re-elected as the Board of Directors of the fourth session at the annual general meeting held on that date. All four supervisors representing shareholders of the third session of the Supervisory Committee were also re-elected as the supervisors of the fourth session of the Supervisory Committee. On the same date, Mr. Du Zuguo has been elected at the annual general meeting as a supervisor of the fourth session of the Supervisory Committee. Mr. Ma Yuzhu, the employee elected supervisor of the third session of the Supervisory Committee retired as supervisor of the Company on 20 May 2011 and was succeeded by Mr. Mao Shejun. Due to change in work arrangement, Mr. Shang Bing has resigned as the president, chief operating officer and executive director of the Company on 13 July 2011, and has been appointed as deputy minister of Ministry of Industry and Information Technology of the People’s Republic of China.

Save as those disclosed above, there is no other information for the Directors or Supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors and Supervisors are available on the website of the Company (www.chinatelecom-h.com).

Other Information (Continued)

Material interests and short positions in shares and underlying shares of the company

As at 30 June 2011, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings (excluding the Directors and Supervisors) in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of the respective type of shares in issue (%)	Percentage of the total number of shares in issue (%)	Capacity
China Telecommunications Corporation	57,377,053,317 (Long position)	Domestic shares	85.57%	70.89%	Beneficial owner
Guangdong Rising Assets Management Co., Ltd	5,614,082,653 (Long position)	Domestic shares	8.37%	6.94%	Beneficial owner
Commonwealth Bank of Australia	1,524,752,000 (Long position)	H shares	10.99%	1.88%	Interest of controlled corporation
JPMorgan Chase & Co.	1,398,823,090 (Long position)	H shares	10.08%	1.73%	85,896,265 shares as beneficial owner; 167,008,000 shares as investment manager; and 1,145,918,825 shares as security interest holder/approved lending agent
	49,264,024 (Short position)	H shares	0.35%	0.06%	47,264,024 shares as beneficial owner; 2,000,000 shares as investment manager
	1,145,918,825 (Shares available for lending)	H shares	8.26%	1.42%	Security interest holder/ approved lending agent
Blackrock, Inc	1,031,731,831 (Long position)	H shares	7.43%	1.27%	Interest of controlled corporation
	80,466,883 (Short position)	H shares	0.58%	0.099%	Interest of controlled corporation
RFS Holdings B.V.	907,191,530 (Long position)	H shares	6.54%	1.12%	Interest of controlled corporation
	1,180,327,134 (Short position)	H shares	8.51%	1.46%	Interest of controlled corporation
Templeton Investment Counsel, LLC	693,347,861 (Long position)	H shares	5.00%	0.86%	Investment manager

Save as stated above, as at 30 June 2011, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.



Audit committee

The audit committee has reviewed with management and the Company's international auditor, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Company's Interim Report for the six months ended 30 June 2011.

Compliance with the code on corporate governance practices

The Company has attached great importance to corporate governance. We continued to make efforts in improving the Company's internal control mechanisms, strengthening information disclosure and enhancing the Company's transparency, developing corporate governance practices and protecting shareholders' interests to the maximum degree.

The roles of Chairman and Chief Executive Officer of the Company were performed by the same individual, for the six months period ended 30 June 2011. In the Company's opinion, through supervision of the Board and Independent Non-executive Directors, and effective control of the Company's internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can achieve the goal of improving the Company's efficiency in decision-making and execution, and effectively capture business opportunities. Many international leading corporations also have a similar arrangement.

Save as stated above, the Company has been in compliance with all the code provisions as set out in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules throughout the six months period ended 30 June 2011.

Compliance with model code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors. Further to the specific enquiries made by the Company to all Directors, they have confirmed their compliance with the Model Code throughout the period from 1 January 2011 to 30 June 2011.

Forward-looking statements

Certain statements contained in this report 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 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.