

2012 Interim Results & CDMA Network Acquisition

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.

Presentation by

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1. Overview

2. Business Review

3. Financial Performance

Highlights



Robust full services development optimizing business structure & driving revenue growth above industry average

3G traction fostering mobile scale development with industry-leading mobile revenue growth

Accelerating fibre deployment to boost broadband development and strengthen high bandwidth & high quality edges

Timely seizing the opportunity to acquire mobile network for value enhancement

Solid Revenue Growth to Drive Long-term Value Enhancement

	1H2011 (restated)	1H2012	Change
Operating Revenue (RMB Mil)	120,124	138,021	14.9%
Operating Revenue (Excl. Mobile Terminal Sales) (RMB Mil)	113,740	126,580	11.3%
EBITDA (RMB Mil)	48,501	48,760	0.5%
EBITDA Margin	42.6%	38.5%	-4.1pp
Net Profit (RMB Mil)	9,518	8,814	-7.4%
EPS (RMB)	0.118	0.109	-7.4%
	2011.12	2012.6	Change
Mobile Subs (Mil)	126.47	144.18	17.71
Including: 3G Subs (Mil)	36.29	50.96	14.67
Wireline Broadband Subs (Mil)	76.81	83.70	6.89
Access Lines in Services (Mil)	169.59	167.49	-2.10

Notes: Unless otherwise stated in this presentation

1. All financial data were adjusted to exclude Upfront Connection Fees (1H2011: RMB98 mil; starting from 2H2011, there was no Upfront Connection Fees)
2. EBITDA was calculated before Mobile Network Leasing Fees (Mobile Network Leasing Fees: 1H2011: RMB8,696 mil; 1H2012: RMB11,768 mil)
3. EBITDA Margin = EBITDA / Operating Revenue (Excl. Mobile Terminal Sales)
4. Net Profit represented profit attributable to equity holders of the Company
5. 1H2011 data were restated mainly to include the retrospective impact of adopting IFRS 1 amendment

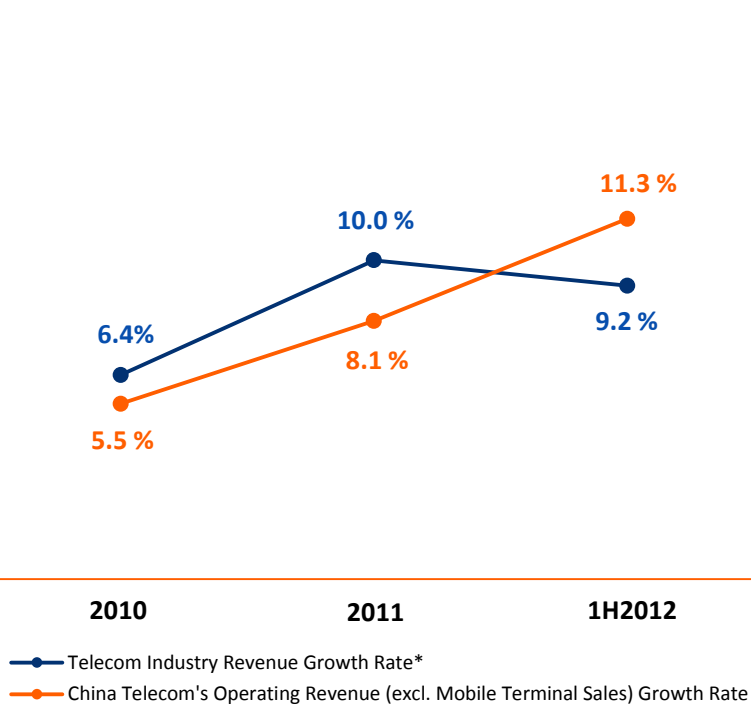
Results On Track as Planned

	2011	1H2012 Progress
Mobile Subs Net Add	35.95 mil	17.71 mil
3G Subs Net Add	24.00 mil	14.67 mil
Wireline Broadband Subs Net Add	13.33 mil	6.89 mil
Mobile ARPU	RMB52.4	RMB52.4
3G ARPU	≈RMB75	≈RMB74
Wireline Revenue	-1.9%	+1.9%
Net Profit	+10.5%	-7.4%

- ❏ Leveraging the iPhone launch, an appropriate increase in marketing initiatives to promote further breakthrough in high-end market & enhance revenue growth. Despite the short-term pressure on company's profitability, it is expected to significantly enhance long-term sustainable growth & value.

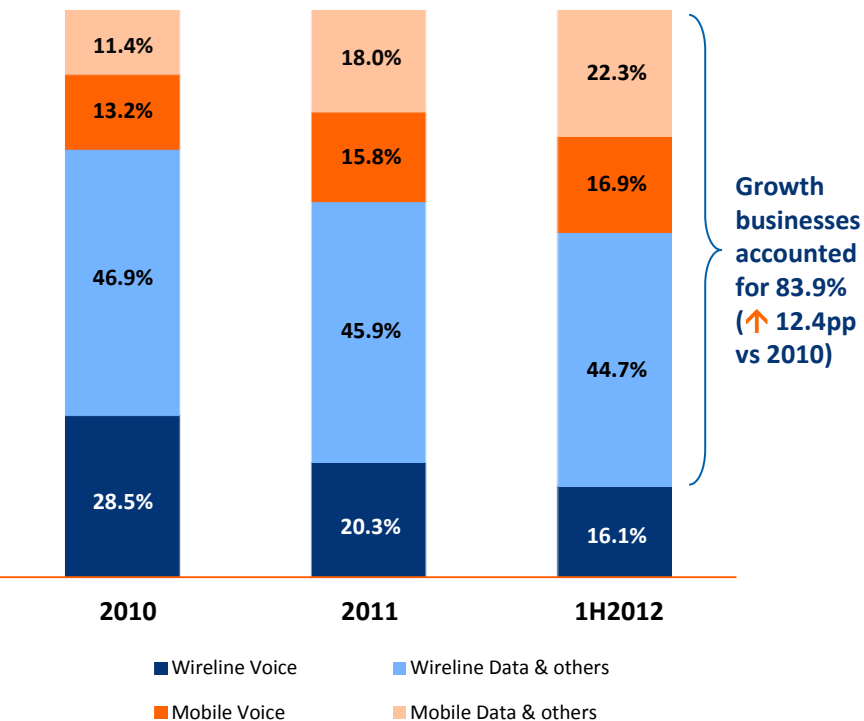
Strategic Transformation Yielding Results

Robust full services development with revenue growth surpassing industry average



*Source: Ministry of Industry and Information Technology

Further optimized revenue structure with increasing mix from growth businesses



Timely Acquisition of CDMA Network at a Fair & Reasonable Price

Acquisition Target

- ❏ Certain assets (with book value RMB111.2 bil) & the associated liabilities (with book value RMB30.0 bil) relating to CDMA network held by China Telecommunications Corporation and its Network Branches located in 30 provinces, municipalities & autonomous regions (excluding Xizang Autonomous Region) in the PRC

Consideration

- ❏ Initial Consideration: RMB84.595 bil
- ❏ Price Adjustment
 - Based on the change of the carrying amount of the Acquisition Target during the Relevant Period (from 1 Apr 2012 to 31 Dec 2012) which will not be more than RMB3 bil
- ❏ Initial Consideration & Price Adjustment (“Final Consideration”) were arrived at after arm’s length negotiations with China Telecommunications Corporation & are on normal commercial terms, with reference to various factors

Payment Arrangement

- ❏ RMB25.5 bil (approximately 30% of Initial Consideration) payable within five Business Days after the Completion Date in cash
- ❏ Balance of the Final Consideration (“Deferred Payment”) payable in cash on or before the fifth anniversary of the Completion Date
- ❏ Interest on Deferred Payment: 0.05% premium to the yield of the 5-year super AAA rated Medium Term Notes most recently published by National Association of Financial Market Institutional Investors before the Completion Date (currently approximately 4.40%), and adjusted once a year at the end of each year

Conditions Precedent

- ❏ Including, but not limited to, all required regulatory approvals & approval by the Independent Shareholders at the EGM

Completion Date

- ❏ Expected on 31 Dec 2012

Significant Benefits of CDMA Network Acquisition

- ✓ **Save the rapidly rising leasing fee to enhance shareholders' value and significantly improve EBITDA (post leasing fee)**
- ✓ **Remove the risk of potential increase in mobile network leasing fee rate upon renewal of the Telecom CDMA Lease**
- ✓ **Gain direct control over future CDMA network investment decisions**
- ✓ **Better integrate the mobile network & service offerings to improve operating efficiency**
- ✓ **Enhance transparency of the mobile business operation & significantly reduce the transaction amount of continuing connected transactions in future**

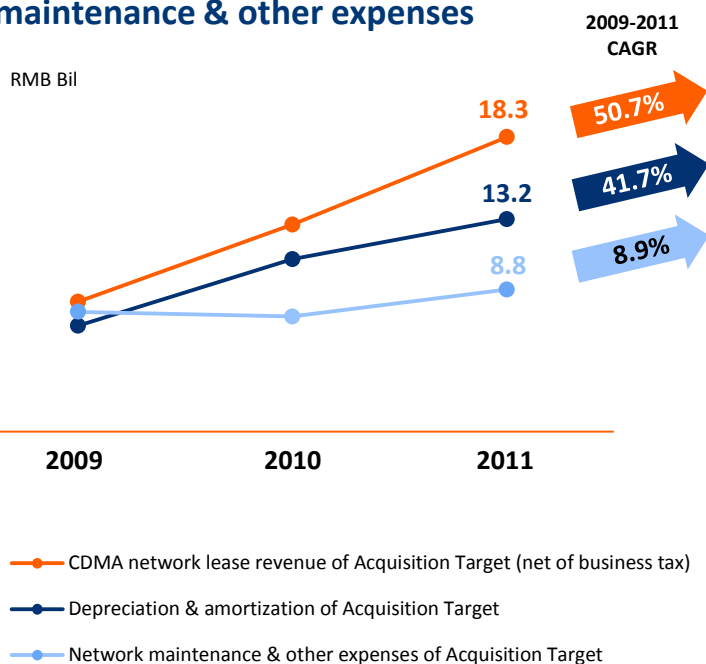
Savings on Rapidly Rising Leasing Fee to Drive Future Profitability

Post acquisition:

- Expected future leasing fee savings > incremental mobile network depreciation & amortization, maintenance & other expenses, finance charges etc arising from the Acquisition

Leasing fee growth outweighs depreciation & amortization, network maintenance & other expenses

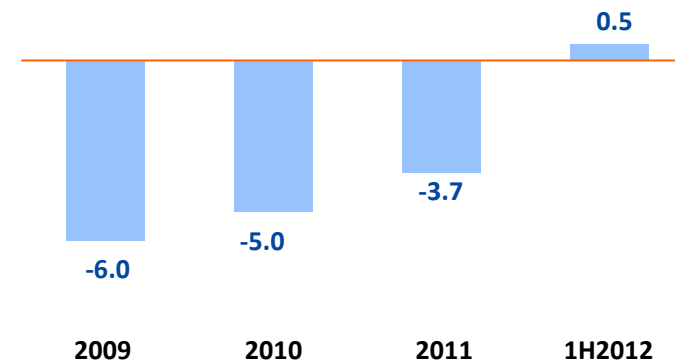
RMB Bil



Leasing fee

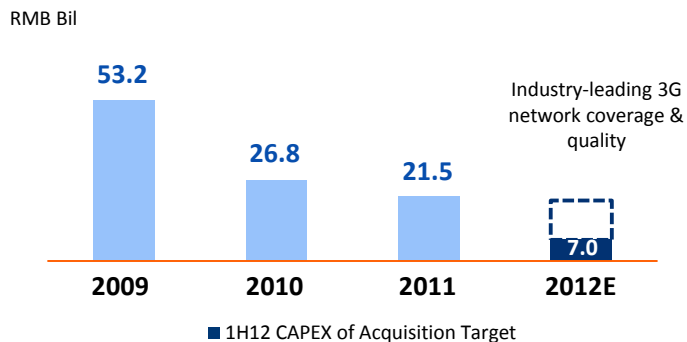
Less: network maintenance & other expenses
Less: depreciation & amortization expenses
(Incremental finance charges arising from the Acquisition are not taken into account)

RMB Bil



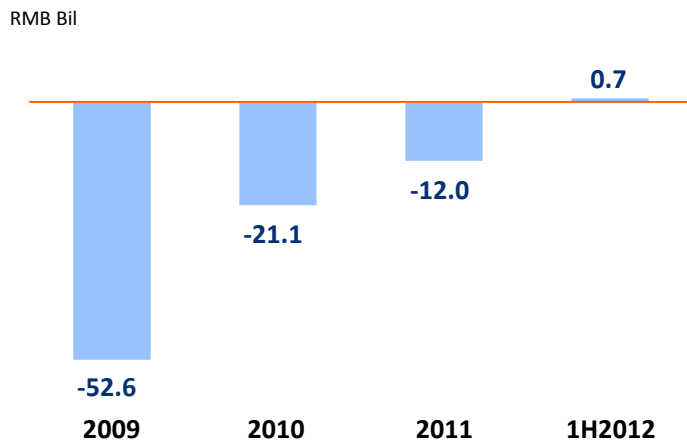
Highly Effective Mobile CAPEX to Boost Future Cash Flow

CAPEX of Acquisition Target



Leasing fee

Less: CAPEX of Acquisition Target
Less: network maintenance & other expenses
(Incremental finance charges arising from the Acquisition are not taken into account)



Highly effective mobile CAPEX

- Industry-leading 3G network coverage, quality & capacity
- Cost-efficient 2G to 3G CDMA network upgrade (mainly software upgrade)
- Integrated 2G & 3G mobile operation at highly-efficient 800MHz spectrum band

Robust mobile service revenue growth & highly effective mobile CAPEX to boost future cash flow

- Post-acquisition:
 - Expected future leasing fee savings > incremental cash outlay of mobile CAPEX, network maintenance & other expenses, finance charges etc arising from the Acquisition

Promote Scale Development for Value Creation

Scale Development
Accelerate full services expansion for profitability enhancement

Leadership in Innovation

- 📶 3G smartphones
- 📶 Fibre broadband products
- 📶 Mobile Internet applications
- 📶 Industry informatization applications

Leadership in Services

- 📶 Service brands
- 📶 3G services
- 📶 Superior broadband services
- 📶 Fully integrated service system



Superior Strengths

Nationwide intelligent & IP-based integrated broadband networks

- 📶 EVDO
- 📶 WiFi
- 📶 FTTx
- 📶 IP network

Superior full services operating capability

- 📶 To promote more integrated & differentiated services & products
- 📶 All-round sales & marketing channel

Rapidly proliferating 3G smart devices

- 📶 3G handsets ≈580 models (↑80 models)
- 📶 Smartphones ≈240 models (↑40 models)

Superior ICT service strength & highly integrated multi-services platform

- 📶 Innovative integrated applications for industries & businesses
- 📶 Leading Internet data centre services



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Revenue Breakdown

RMB Mil	1H2011 (restated)	1H2012	Change
Mobile	37,786	54,128	43.2%
Service Revenue	31,139	42,556	36.7%
Voice	18,002	23,289	29.4%
Data	13,137	19,267	46.7%
Others	6,647	11,572	74.1%
Wireline	82,338	83,893	1.9%
Voice	26,462	22,241	-16.0%
Data	52,383	57,933	10.6%
Internet Access	30,212	33,978	12.5%
<i>Incl. Wireline Broadband</i>	29,755	33,369	12.1%
VAS & Integrated Information Services	15,220	16,343	7.4%
Managed Data & Leased Line	6,951	7,612	9.5%
Others	3,493	3,719	6.5%
Total	120,124	138,021	14.9%

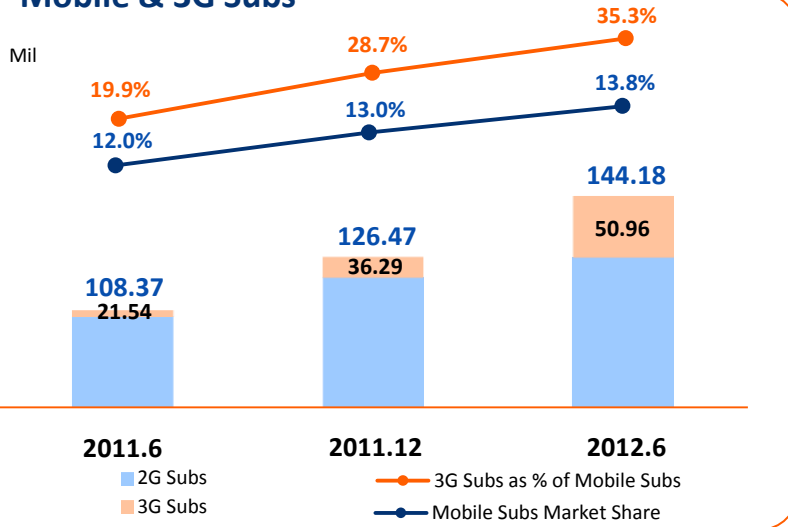
Notes: 1. 1H2012 Wireline Voice Revenue included RMB13,334 mil from local voice, RMB5,031 mil from DLD, RMB777 mil from ILD and RMB3,099 mil from interconnections

2. Mobile Others mainly included revenue from sales of terminals

3. 1H2011 data were restated mainly to include the retrospective impact of adopting IFRS 1 amendment

3G Traction Driving Strong Mobile Momentum

Mobile & 3G Subs



Leverage terminal sales to promote single product development
Expand open channel to increase subscriber scale

Efficient Centralized Sales

- “e-Surfing Young” subs: 8.49 mil (net add: 2.37 mil)
- “Enjoy” 3G packages subs: 15.83 mil (net add: 7.94 mil)
- Non-bundle mobile net add under efficient centralized packages as a % of total mobile net add: >30%

Rich Selection of Smartphones

- Smartphone: ≈240 models (↑ 40 models)
Sales volume: ≈16 mil units (↑ 2x yoy)
- Smartphone subs: ≈30 mil
Penetration (as a % of 3G subs): ≈60%

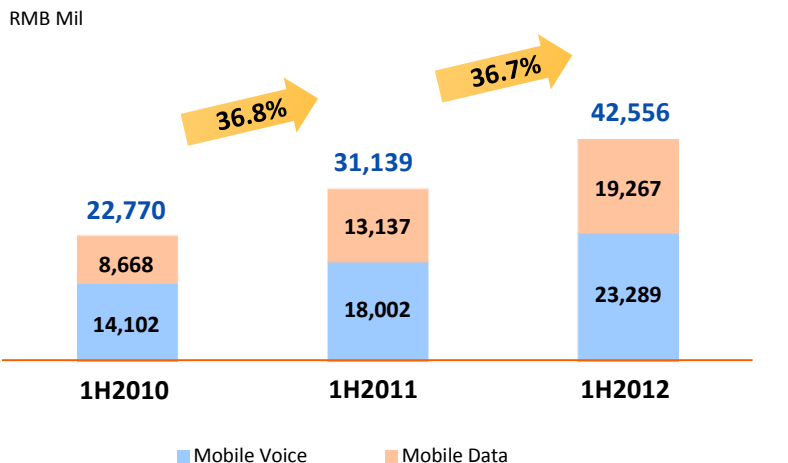
Proliferating Applications

- Open up cooperation capability with about 400 partners
- Registered users of product center services: ↑ 2x yoy

Leading Network Quality

- Industry-leading on 3G network coverage, download speed, connection rate, etc., according to independent 3rd party assessment

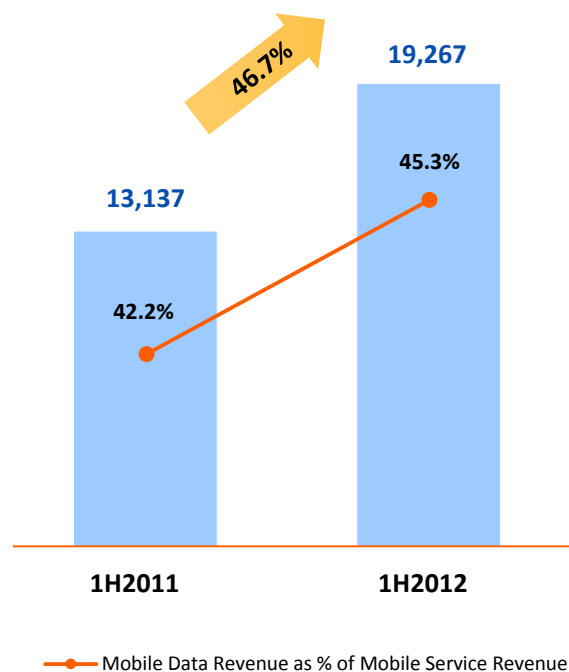
Mobile Service Revenue



Rapid Growing & Industry-Leading Mobile Data Contribution

Mobile Data Revenue

RMB Mil



Leverage data traffic operation to promote rapid mobile data growth (a key revenue growth driver)

Key initiatives

- Strengthen the development & promotion of applications
- Reinforce user coaching on 3G applications

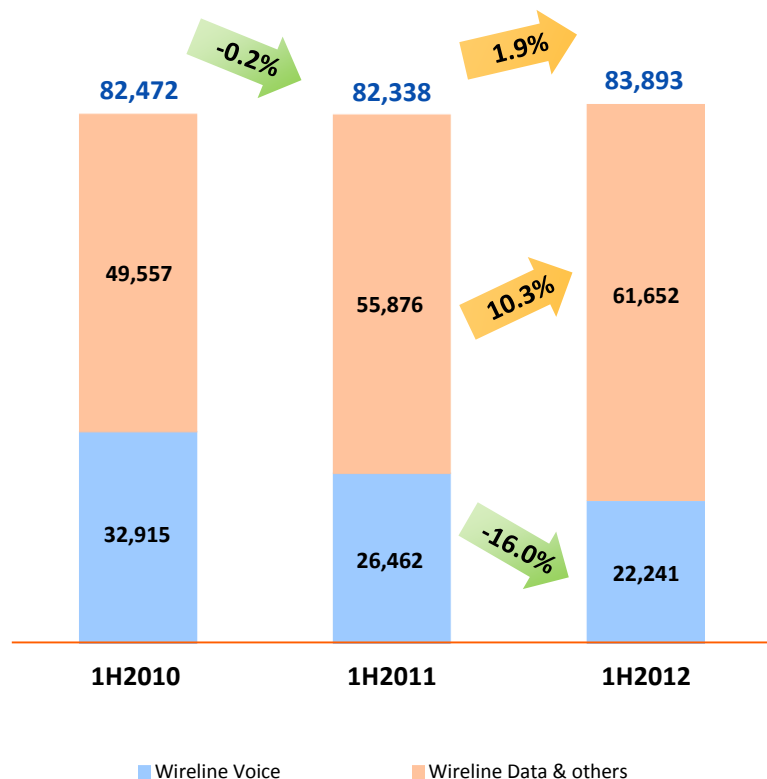
Mobile data revenue as a % of mobile service revenue accounting for 45.3%, leading in the industry

- Cultivating customer habit in data usage to steadily increase 3G handset data traffic per user per month to 111MB
- Mobile Internet access revenue reached RMB8.8 bil, accounting for >20% of mobile service revenue

Resilient Wireline Business

Wireline Revenue

RMB Mil



Subscribers

	2011.12	2012.6
Access Lines in Services (Mil)		
Household	108.0	106.8
Government & Enterprise	36.8	38.0
Public Telephone	13.9	13.6
PAS	10.9	9.1
Total	169.6	167.5
Wireline Broadband Subs (Mil)	76.8	83.7

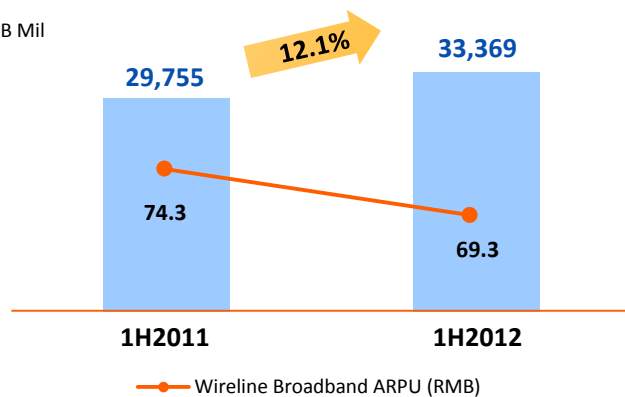
Voice Usage

	1H2011	1H2012
Local Usage (Pulses Mil)	105,522	87,811
DLD Usage (Minutes Mil)	27,591	21,245
ILD Usage (Minutes Mil)	576	489

Fast Growing Wireline Broadband Service with Enhanced Competitiveness

Wireline Broadband Revenue

RMB Mil



Leverage network strengths to enhance customer experience & value by promoting bandwidth upgrade with a lower unit bandwidth pricing

Key initiatives

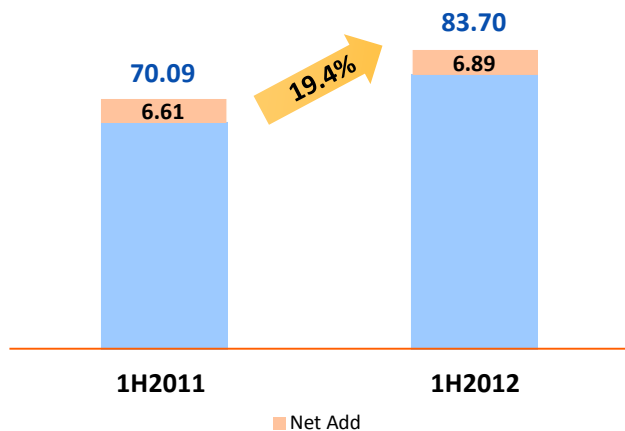
- Increase access bandwidth capability
- Enrich bandwidth intensive contents & applications
- Provide quality service

Enhanced Services

- 4Mbps+ subs: >60% (↑ 10pp yoy)
- FTTH subs: 9.31 mil (↑ 4.55 mil yoy)
- Ranked No. 1 in customer satisfaction in the industry with significant edges in broadband installation & maintenance*

Subscribers

Mil

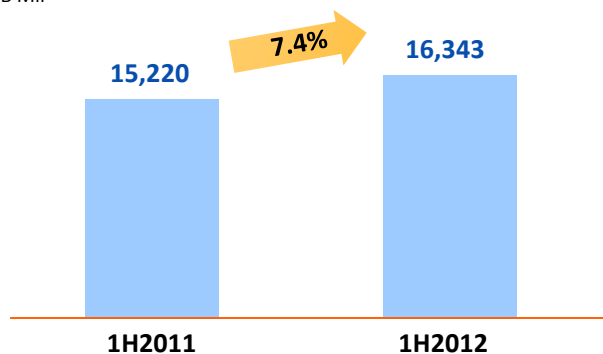


*Source: Ministry of Industry and Information Technology

Robust Wireline VAS & Integrated Information Services

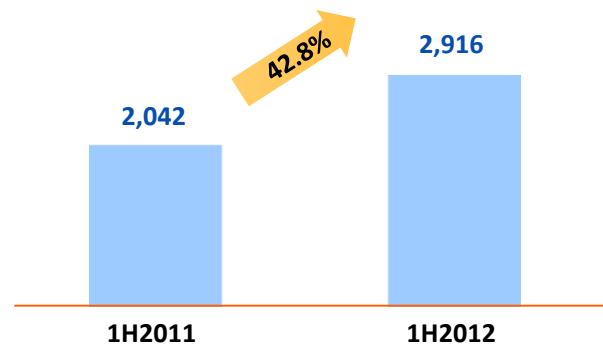
Revenue

RMB Mil



IDC Revenue

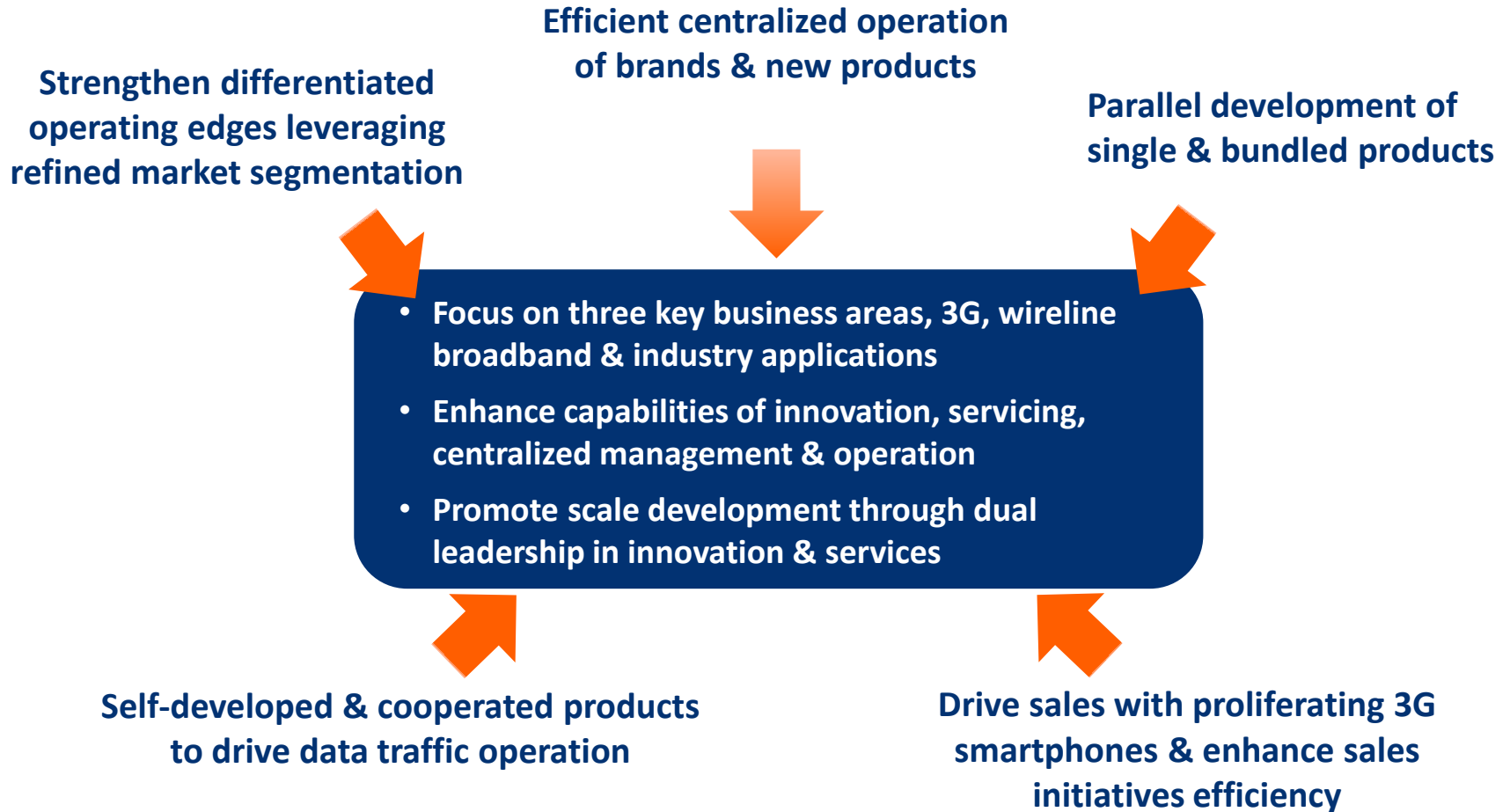
RMB Mil



Leverage IDC & ICT strengths for full-scale cloud service roll-out to foster new growth driver

- 1H2012 Wireline VAS & Integrated Information Services Revenue: RMB16.3 bil (↑7.4% yoy)
 - IDC Revenue: RMB2.92 bil (↑ 42.8% yoy)
 - ICT Revenue: RMB4.70 bil (↑ 21.8% yoy)
- Efficient centralized management of IDC business
 - Consolidate IDC resource & unify pricing to sharpen edges
- Establish cloud service operating unit for comprehensive R&D and planning
 - Further growing & expanding IDC business into cloud hosting, cloud storage & cloud computing
 - Embarking on cloud platform & cloud applications to drive data revenue

Near-term Priorities





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Key Financial Information

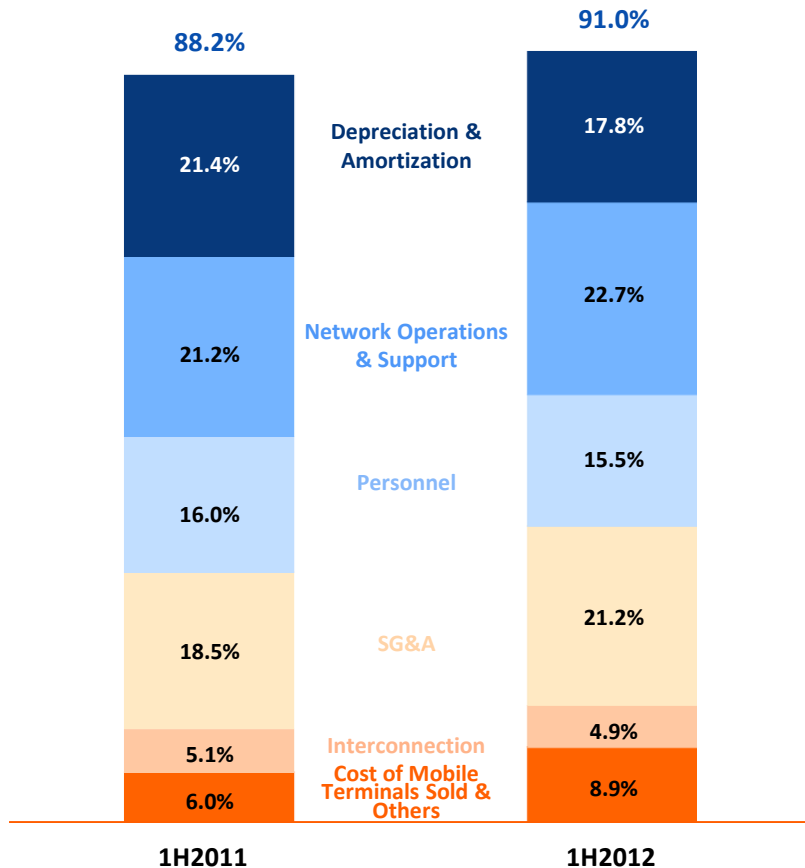
RMB Mil	1H2011 (restated)	1H2012	Change
Operating Revenue	120,124	138,021	14.9%
Operating Expenses	105,987	125,569	18.5%
Depreciation & Amortization	25,668	24,540	-4.4%
Network Operations & Support	25,501	31,258	22.6%
<i>Incl.: Mobile Network Leasing</i>	<i>8,696</i>	<i>11,768</i>	<i>35.3%</i>
Personnel	19,237	21,453	11.5%
SG&A	22,207	29,309	32.0%
<i>Incl.: Mobile Handset Subsidies</i>	<i>7,684</i>	<i>11,544</i>	<i>50.2%</i>
Interconnection & Others	13,374	19,009	42.1%
<i>Incl.: Wireline Interconnection</i>	<i>2,450</i>	<i>1,948</i>	<i>-20.5%</i>
<i>Mobile Interconnection</i>	<i>3,731</i>	<i>4,785</i>	<i>28.2%</i>
<i>Cost of Mobile Terminals Sold</i>	<i>5,803</i>	<i>10,847</i>	<i>86.9%</i>
Operating Profit	14,137	12,452	-11.9%
Net Profit	9,518	8,814	-7.4%
Free Cash Flow	15,522	8,548	-44.9%

Notes: 1. Free Cash Flow = EBITDA – Mobile Network Leasing Fee – CAPEX – Income Tax Expenses

2. 1H2011 data were restated mainly to include the retrospective impact of adopting IFRS 1 amendment

Effective Cost Initiatives Driving Sustainable Growth

Operating Expenses as % of Operating Revenue



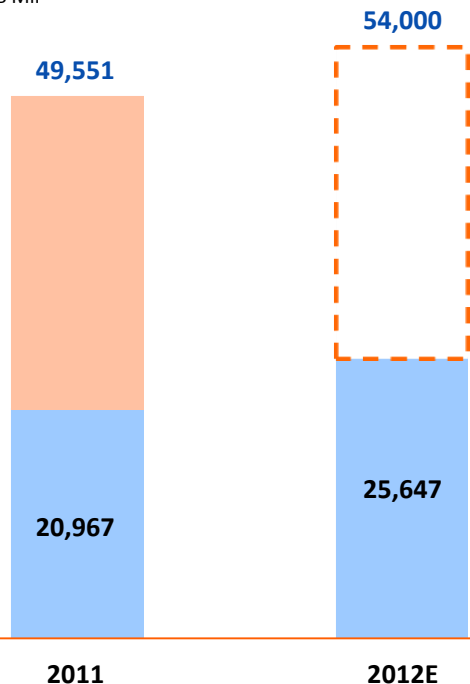
Rational resources allocation & effective costs deployment to fuel scale expansion

- Depreciation & Amortization: ↓ 3.6pp, benefiting from prudent CAPEX control
- Network Operations & Support: ↑ 1.5pp (mainly due to the fast increase in mobile network leasing fee)
- Personnel: ↓ 0.5pp
- SG&A: ↑ 2.7pp (mainly due to appropriate increase in sales initiatives to promote robust full services development)
- Interconnection: ↑ 8.9% yoy (mainly due to the growth in mobile subscriber base & voice traffic, leading to increase in mobile interconnection expense)
- Cost of Mobile Terminals Sold & Others: ↑ 2.9pp (mainly due to increased procurement & sale of benchmarking smartphones)

Proactive Investment to Foster Network Edges & Business Growth

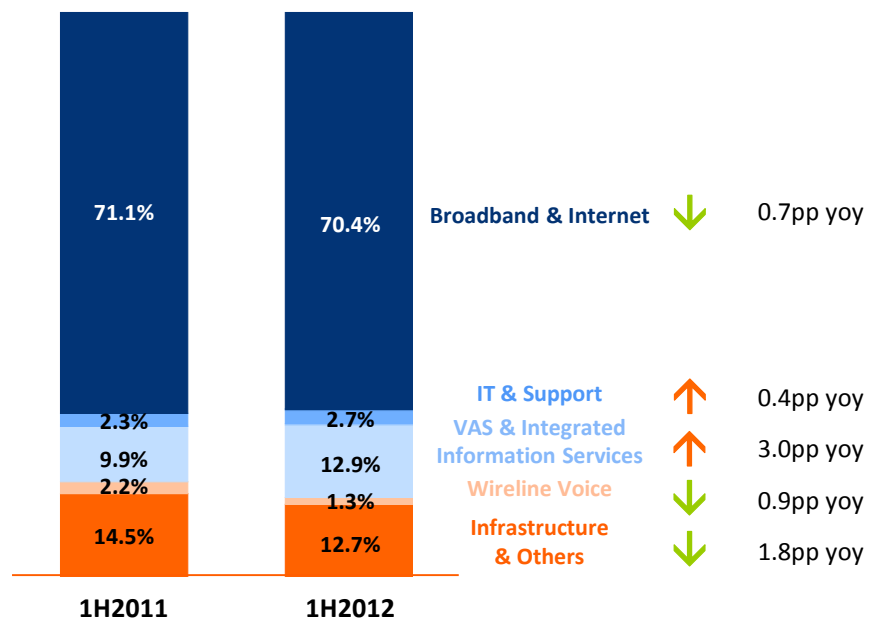
CAPEX

RMB Mil



■ 1H CAPEX

CAPEX Structure

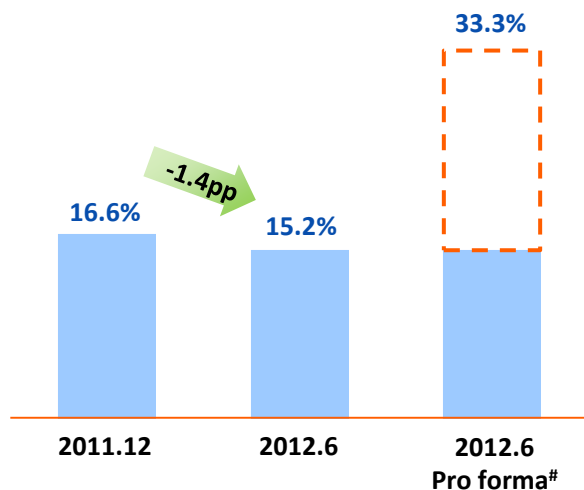


Notes:

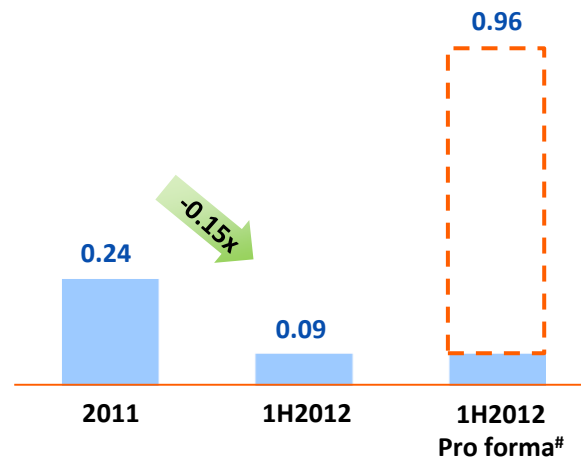
1. Broadband & Internet included data network, transmission network, broadband access equipment & cable
2. IT & Support included enterprise informatization services
3. VAS & Integrated Information Services included VAS platform & ICT
4. Wireline Voice included switches, voice access equipment & cable
5. Infrastructure & Others included air-conditioning supply facilities, conduits, buildings, minor purchases, R&D, etc.

Solid Financial Strength Facilitating CDMA Network Acquisition

Total Debt / Total Capitalization



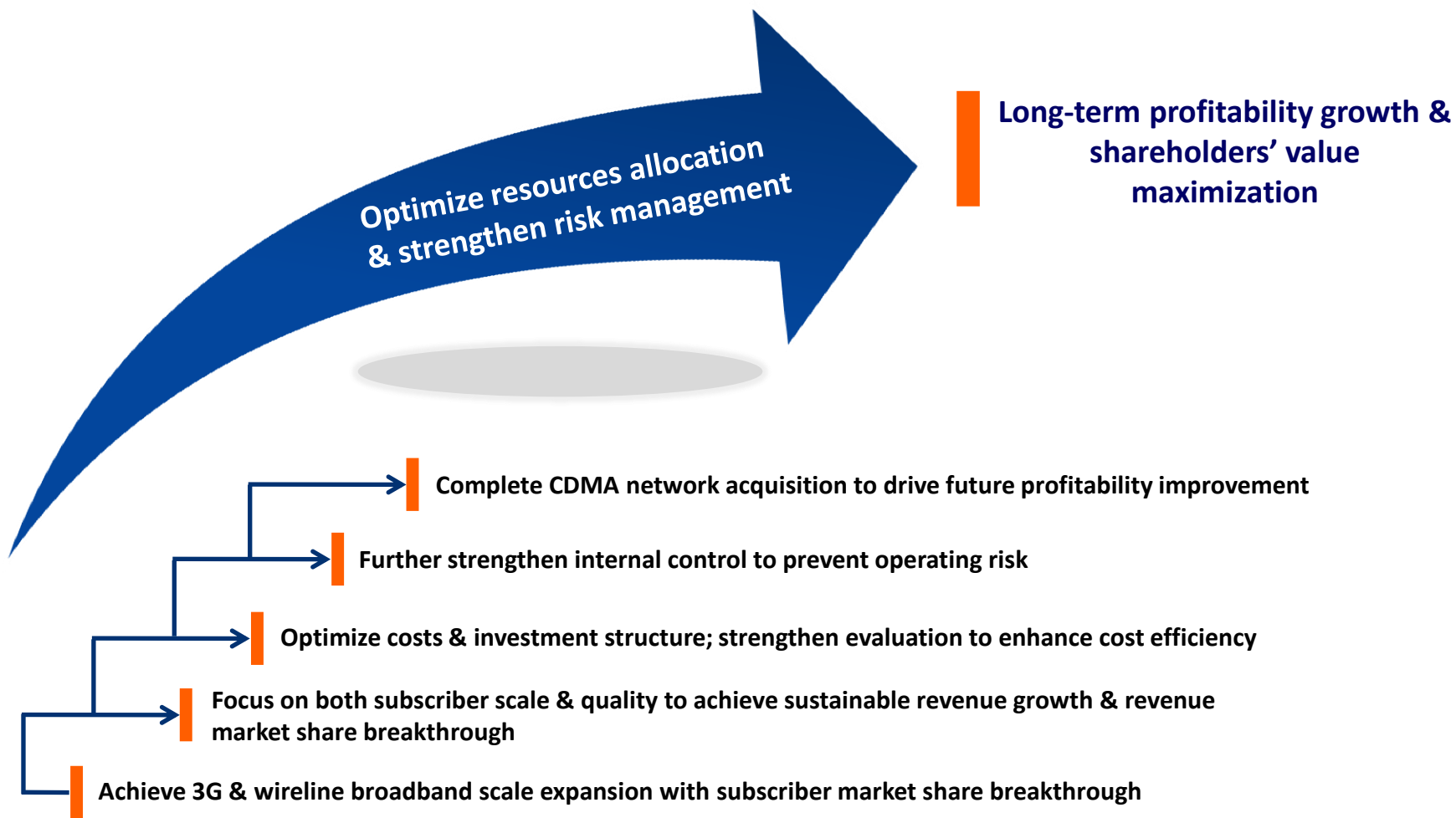
Net Debt / Simple Annualized EBITDA



Assume net debt to increase by RMB84.6 bil due to CDMA network acquisition (for illustration only)

Improve capability in resources deployment & rationalize capital structure to ensure solid financial strength post CDMA network acquisition

Scale Development to Drive Future Profitability & Value



Thank You!

For further information & enquiries,
please contact our Investor Relations Department at
ir@chinatelecom-h.com or visit www.chinatelecom-h.com



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Managed Company in Asia"*



*"No.1 Best Managed Company
in Asia"*



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Telecom
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*"The Most Honored Company,
Telecom Sector"*

Appendix 1

Extracted from unaudited consolidated statement of comprehensive income for the 6 months ended 30 Jun 2012 (incl. upfront connection fees)

RMB Mil	1H2011 (restated)	1H2012
Operating Revenue	120,222	138,021
Upfront Connection Fees	98	-
Operating Expenses	105,987	125,569
Net Finance Costs	1,309	873
Investment Income, Share of Profit from Associates	47	90
Profit Before Taxation	12,973	11,669
Income Tax	3,316	2,797
Profit for the Period	9,657	8,872
Equity Holders of the Company	9,616	8,814
Non-controlling Interests	41	58

Note: 1H2011 data were restated mainly to include the retrospective impact of adopting IFRS 1 amendment

Appendix 2

Extracted from unaudited consolidated statement of financial position as at 30 Jun 2012 (incl. upfront connection fees)

RMB Mil	2011.12.31 (restated)	2012.6.30
Current Assets	59,581	73,698
Non-current Assets	359,570	360,187
Total Assets	419,151	433,885
Current Liabilities	127,262	139,547
Non-current Liabilities	34,979	34,328
Total Liabilities	162,241	173,875
Total Equity	256,910	260,010
Equity Attributable to Equity Holders of the Company	256,122	259,171
Non-controlling Interests	788	839

Note: 2011 data were restated mainly to include the retrospective impact of adopting IFRS 1 amendment