



2013 Interim Results

China Telecom Corporation Limited

21 Aug 2013 | www.chinatelecom-h.com

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

Mr. Wang Xiaochu

Chairman & CEO

Mr. Yang Jie

President & COO

Madam Wu Andi

EVP & CFO

1. Overview

2. Business Review

3. Financial Performance

Highlights

▶▶ Robust business development optimized revenue structure & drove double-digit revenue & net profit growth

▶▶ Mobile scale expansion with industry-leading mobile revenue growth & enhanced customer value



▶▶ Further strengthened fibre network & service edge to boost broadband growth & long-term competitiveness

▶▶ To deploy LTE trial network timely & appropriately

Solid Growth Momentum

	1H2012	1H2013	Change
Operating Revenue (RMB Mil)	138,021	157,520	14.1%
Operating Revenue (Excl. Mobile Terminal Sales) (RMB Mil)	126,580	139,209	10.0%
EBITDA (RMB Mil)	36,992	50,114	35.5%
EBITDA Margin	29.2%	36.0%	6.8pp
Net Profit (RMB Mil)	8,814	10,213	15.9%
EPS (RMB)	0.109	0.126	15.9%

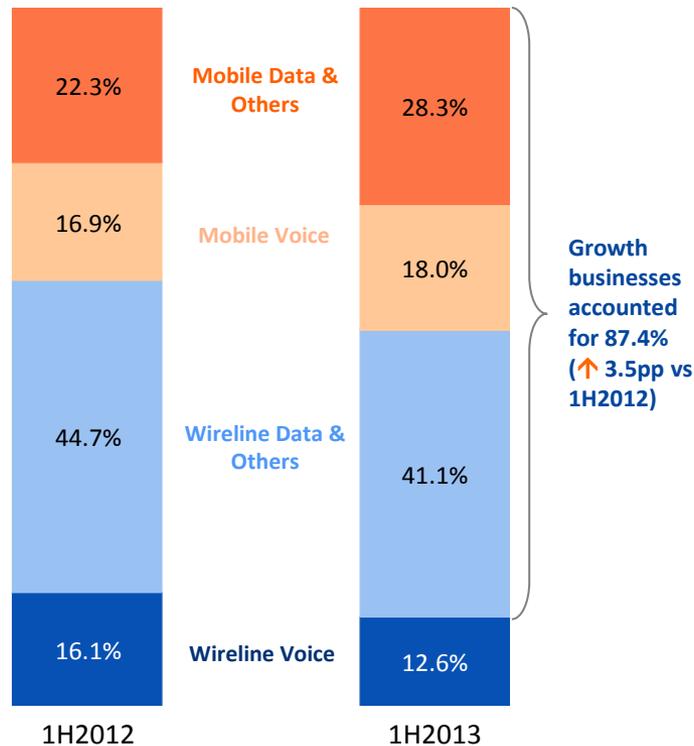
▶▶ **Both revenue & net profit achieved double-digit growth**

Notes: Unless otherwise stated in this presentation

1. Net Profit represented profit attributable to equity holders of the Company
2. EBITDA = Operating Revenue – Operating Expenses + Depreciation & Amortization; 1H2012 EBITDA was arrived at after deducting the Mobile Network Leasing Fee of RMB11.8 bil paid to the parent company in the period. The Company completed the CDMA network acquisition from the parent company by end-2012, resulting in substantial saving of Mobile Network Leasing Fee starting from 2013, while the Company is required to bear the whole amount of mobile network maintenance fee. In 1H2012, the parent company bore its share of mobile network maintenance fee of approximately RMB3 bil.
3. EBITDA Margin = EBITDA / Operating Revenue (Excl. Mobile Terminal Sales)

Deepened Strategic Transformation to Accelerate Growth Momentum

Revenue Structure



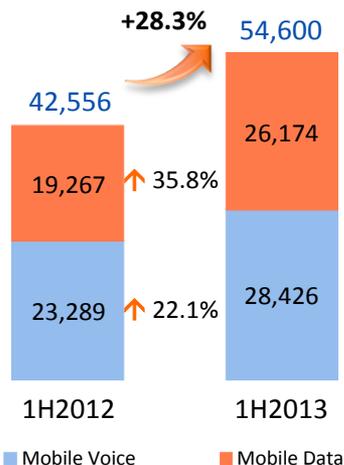
Robust full-services development with increasing mix from growth businesses

- ▶ Operating revenue maintained double-digit growth surpassing industry average
- ▶ Mobile as a key growth driver
- ▶ Operating risk of wireline voice further alleviated

Mobile Scale Expansion with Industry-leading Mobile Revenue Growth

Mobile Service Revenue

RMB Mil



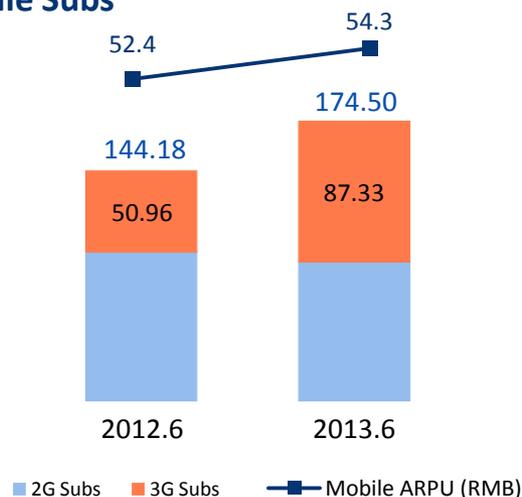
Fully leveraged superior strengths in 3G network & services to rapidly expand mobile subscriber scale & increase customer value

▶ **Fast mobile scale expansion underpinned by superior 3G network, fast proliferating smartphones adoption & mobile Internet applications**

- 3G scale development drove rapid mobile subs expansion reaching 175 mil
- 3G net add: 18.28 mil (1H2013)
3G subs: 87.33 mil
3G subs as % of mobile subs: 50%

Mobile Subs

Mil

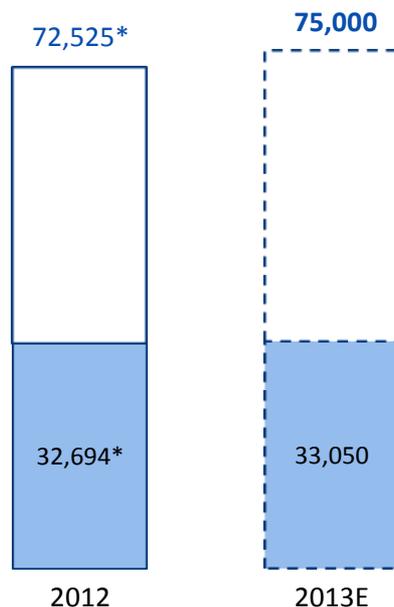


▶ **Data services effectively enhanced customer experience & value, uplifting mobile ARPU by 3.6% yoy**

Proactive Investment to Bolster Future Sustainable Development & Competitiveness

CAPEX

RMB Mil



■ 1H CAPEX

- ▶ Investment tilts towards high-growth, high-return businesses & areas
- ▶ Continue fibre & broadband deployments, enhance 3G network coverage & quality to create superior network strengths for rapid scale expansion
- ▶ To deploy LTE trial network timely & appropriately to grasp opportunity

Note: *2012 figures included mobile CAPEX borne by parent company

To Deploy LTE Trial Network Timely & Appropriately

One Hybrid LTE Network of integrated resources
to boost future sustainable growth & return enhancement

Key Benefits:

- ▶ Allow flexible use of more spectrum resources (TD+FDD) for LTE services to grasp rapidly growing data service opportunities
- ▶ Most of the LTE CAPEX would support both TD & FDD LTE services (incl. infrastructure, towers & core network...) offering more flexibility in long-term development & return enhancement

Major Considerations:

- ▶ To flexibly deploy LTE network with regard to future LTE licensing, data business growth & value chain development, overlaying on existing superior 3G network for long-term integrated operation to enhance customer experience & corporate return:
 - Continue to fully leverage existing superior nationwide 3G network & fibre broadband network
 - LTE deployment would only start from densely populated areas

Grasp Opportunity for Breakthrough in Scale Development

Fast proliferating smartphones adoption

Fabulous mobile Internet applications

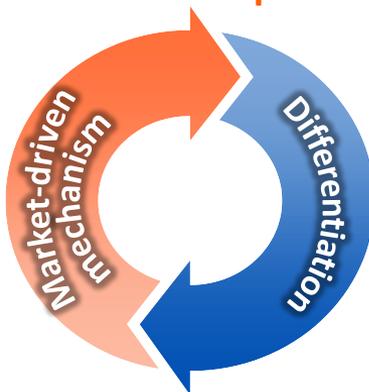
Accelerating industrialization & informatization

Breaking away from constraints of traditional telecommunications operation mindset

Scale Development

- ▶ Mobile
- ▶ Broadband
- ▶ Industry Applications
-

Motivate vitality



Enhance competitiveness



Leader of Intelligent Pipeline

Provider of Integrated Platforms

Participant of Content & Application Development

Strategic Positioning of "Three New Roles"

Leading edges on fibre broadband, 3G networks & services

Clear & effective strategy with strong execution capability

Superior ICT & full-services integrated operating strengths

Superior Strengths

1. Overview

2. Business Review

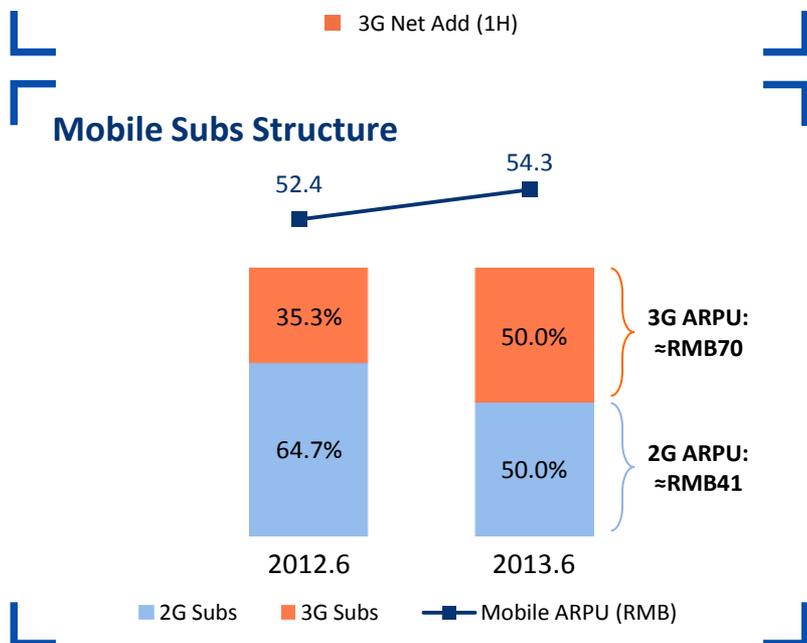
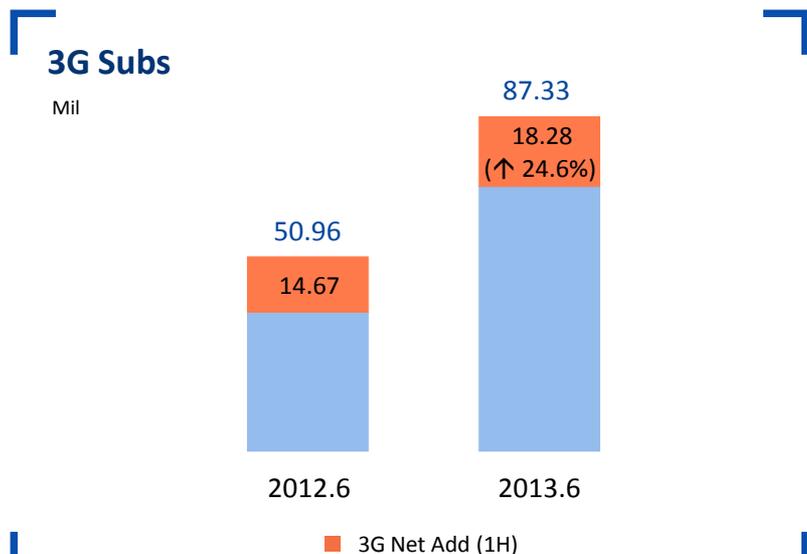
3. Financial Performance

Revenue Breakdown

RMB Mil	1H2012	1H2013	Change
Mobile	54,128	72,911	34.7%
Service Revenue	42,556	54,600	28.3%
Voice	23,289	28,426	22.1%
Data	19,267	26,174	35.8%
Others	11,572	18,311	58.2%
Wireline	83,893	84,609	0.9%
Voice	22,241	19,866	-10.7%
Data	57,933	60,851	5.0%
Internet Access	33,978	35,694	5.1%
<i>Incl. Wireline broadband</i>	33,369	35,206	5.5%
VAS & Integrated Information Services	16,343	16,682	2.1%
Lease of Telecommunications Network Resources	7,612	8,475	11.3%
Others	3,719	3,892	4.7%
Total	138,021	157,520	14.1%

- Notes: 1. 1H2013 Wireline Voice Revenue included RMB11,974 mil from local voice, RMB4,409 mil from DLD, RMB659 mil from ILD and RMB2,824 mil from interconnections
2. Mobile Others mainly included revenue from sales of terminals

3G Traction Fostering Mobile Scale with Enhanced Customer Value



Leverage the 3G migration opportunity to enhance customer value & drive mobile scale

- ▶ **Mobile ARPU demonstrated upward trajectory**
 - Fast expansion of 3G subs (half of mobile subs) fostered strong mobile revenue growth & mobile ARPU uplift
- ▶ **Momentum led by smartphones, mobile applications & channel expansion**
 - Improving proliferation & price-performance factors of smartphones
 - Smartphones: ≈ 600 models
 - Sales volume: ≈ 30 mil units (↑83% yoy)
 - Promote mobile applications to drive mobile scale (>40% of mobile net add driven by informatization applications)
 - Reform self-owned outlet's operation to drive performance & accountability of store managers
 - Deepen collaboration with open channels to enhance sales contribution
 - Innovate efficiently-centralized operation of e-commerce channels

Rapidly Growing Mobile Data Traffic & Revenue

Mobile Data Revenue

RMB Mil



■ Mobile Data Revenue as % of Mobile Service Revenue

3G Handset Subs Monthly Average Data Traffic

MB



Mobile data emerges as a key revenue driver leveraging solid implementation of data traffic operation to promote data usage growth

▶ Key Initiatives

- Innovate mobile data products & packages, e.g. data top-up card, industry-first “DIY” mobile package & data-only package
- Reinforce user coaching on 3G applications & targeted marketing
- Accelerate development & use of self-operated mobile Internet applications
- Leverage our open platforms & close collaboration with mobile Internet partners to actively promote app development

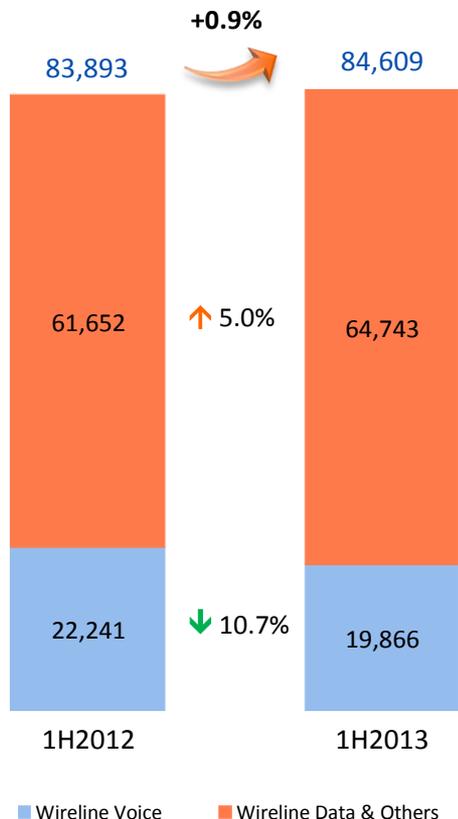
▶ Mobile handset Internet access revenue: ≈ RMB10 bil (↑ ≈ 1x yoy)

- Cultivated customer habit in data usage with aggregate 3G handset data traffic ↑ ≈2x yoy

Resilient Wireline Performance

Wireline Revenue

RMB Mil



- ▶ Perseverance in strategic transformation effectively led to increased contribution from Wireline Data & Others, driving steady wireline revenue
- ▶ Leveraged fibre network & ICT service strengths to accelerate development of growth businesses (wireline broadband, VAS & integrated information services, etc.) & effectively offset Wireline Voice revenue decline
- ▶ Alleviated Wireline Voice revenue decline via integrated packages; declining revenue contribution from Wireline Voice effectively mitigated operating risks

Sustained Solid Growth in Wireline Broadband Amid Mounting Competition

Wireline Broadband Revenue

RMB Mil



— Wireline Broadband ARPU (RMB)

Leverage network strengths & unmatched service quality to enhance customer growth, satisfaction & value by promoting bandwidth upgrade with a lower unit bandwidth pricing

▶▶ Benefiting from subscriber growth, wireline broadband revenue maintained robust growth: **↑5.5% yoy**

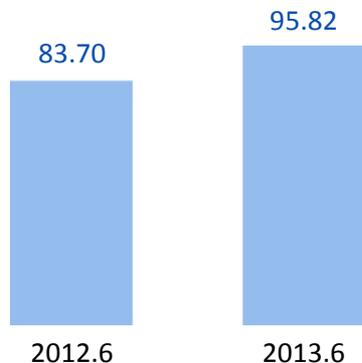
▶▶ Effectively enhanced customer experience & satisfaction with customer access bandwidth upgrade & lower unit bandwidth pricing, albeit moderate ARPU decline of 8.9% yoy

▶▶ Differentiated service offerings

- High-end: quality & high speed
- Mainstream: appealing price & bandwidth upgrade

Subscribers

Mil



Comprehensive Development of Wireline VAS & Integrated Information Services

Revenue

RMB Mil



Actively expand VAS & Integrated Information Services
to nurture new growth engines &
pull core businesses growth

▶ **Wireline VAS & Integrated Information Services Revenue: RMB16.7 bil (↑2.1% yoy)**

- IDC Revenue: RMB3.7 bil (↑25.7% yoy)
- ICT Revenue: RMB5.2 bil (↑9.7% yoy)

IDC Revenue

RMB Mil



▶ **Efficiently centralized development of cloud & IDC services**

- Strengthen open service capability of the cloud platforms & expand cloud VAS leveraging strategic deployment of cloud data centres
- Consolidate IDC resources & unify pricing to sharpen edges
- Optimize products & applications to drive data revenue

Near-term Priorities

Step up scale development

- ▶ Leverage network strengths & service excellence to accelerate integrated operation & scale expansion of three core services: mobile, wireline broadband & informatization applications

Promote market-oriented & differentiated development

- ▶ Deploy market-oriented mechanism to enhance productivity & boost vibrancy; sharpen edge by developing differentiated products & services via perseverance in innovation

To drive profitable scale development through dual-leadership in innovation & services

Expedite the incubation & development of new businesses

- ▶ Establish organization & decision-making mechanism for new businesses with reference to Internet enterprise model and progressively implement market-oriented resources allocation & incentive system

Improve four capabilities & efficiency

- ▶ Further boost the capabilities of innovation, service, efficiently-centralized management & operation to improve service quality & sustainable competitive edge, enhancing operating efficiency & return

1. Overview

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3. Financial Performance

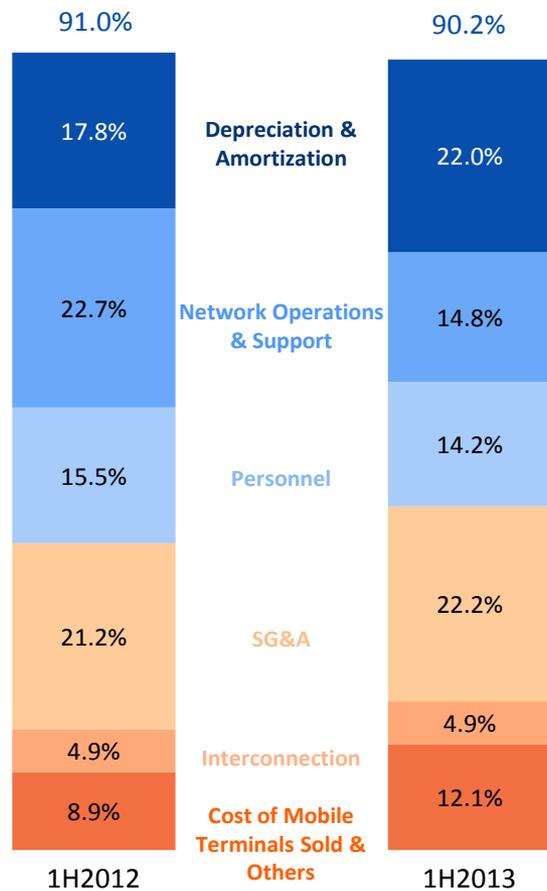
Key Financial Information

RMB Mil	1H2012	1H2013	Change
Operating Revenue	138,021	157,520	14.1%
Operating Expenses	125,569	142,099	13.2%
Depreciation & Amortization	24,540	34,693	41.4%
Network Operations & Support	31,258	23,385	-25.2%
Personnel	21,453	22,306	4.0%
SG&A	29,309	34,968	19.3%
<i>Incl.: Mobile Handset Subsidies</i>	<i>11,544</i>	<i>14,075</i>	<i>21.9%</i>
Interconnection & Others	19,009	26,747	40.7%
<i>Incl.: Wireline Interconnection</i>	<i>1,948</i>	<i>1,823</i>	<i>-6.4%</i>
<i>Mobile Interconnection</i>	<i>4,785</i>	<i>5,964</i>	<i>24.6%</i>
<i>Cost of Mobile Terminals Sold</i>	<i>10,847</i>	<i>17,500</i>	<i>61.3%</i>
Operating Profit	12,452	15,421	23.8%
Net Profit	8,814	10,213	15.9%
Free Cash Flow	8,548	13,839	61.9%

- Notes: 1. 1H2012 Network Operations & Support Expense included Mobile Network Leasing Fee of RMB11,768 mil. The Company completed the CDMA network acquisition from the parent company by end-2012, resulting in substantial saving of Mobile Network Leasing Fee starting from 2013.
2. Free Cash Flow = EBITDA – CAPEX – Income Tax Expenses

Stringent Cost Control to Boost Operating Efficiency

Operating Expenses as % of Operating Revenue

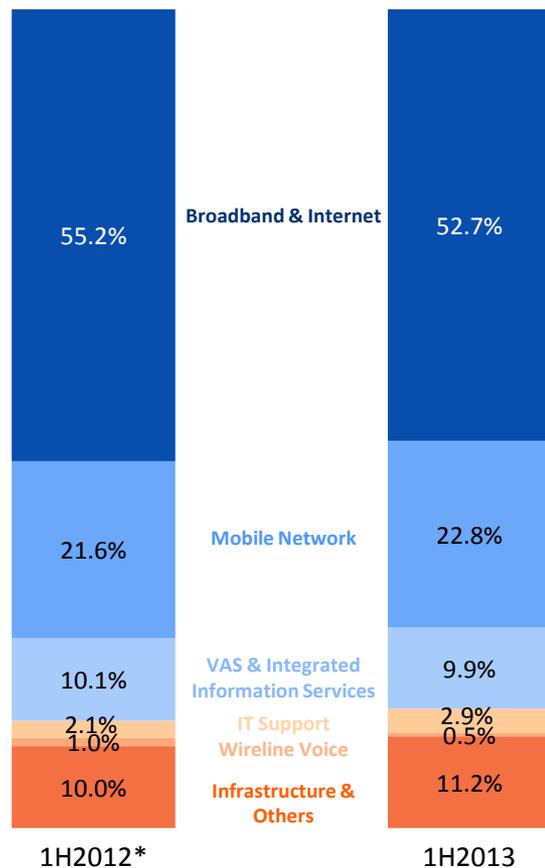


Optimize resources allocation to promote profitable scale development

- ▶▶ **Depreciation & Amortization:** ↑ 4.2pp (mainly due to assuming depreciation & amortization of mobile network subsequent to CDMA network acquisition at the end of 2012)
- ▶▶ **Network Operations & Support:** ↓ 7.9pp (mainly due to substantial saving of mobile network leasing fee subsequent to CDMA network acquisition)
- ▶▶ **Personnel:** ↓ 1.3pp
- ▶▶ **SG&A:** ↑ 1.0pp (mainly due to appropriate increase in sales initiatives to promote robust full services scale development)
- ▶▶ **Interconnection:** flat
- ▶▶ **Cost of Mobile Terminals Sold & Others:** ↑ 3.2pp (mainly due to increased procurement & sale of high-end & benchmarking smartphones)

Highly Effective Investment to Strengthen Network Edge

CAPEX Structure



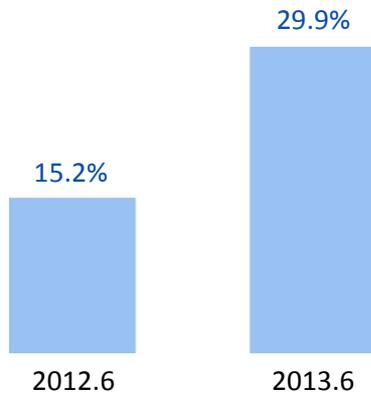
**Effectively support fast business expansion
& sharpen core competence**

- ▶▶ **Further implement “Broadband China, Fibre Cities” Project**
 - 2011-13: Intensive phase of fibre network upgrade as planned to push general coverage in cities with ≥ 20 Mbps customer access bandwidth
- ▶▶ **Further enhance 3G network coverage & quality**
 - 3G network investment focuses on optimization & capacity expansion in high data traffic areas, creating superior network coverage & customer experience on the move

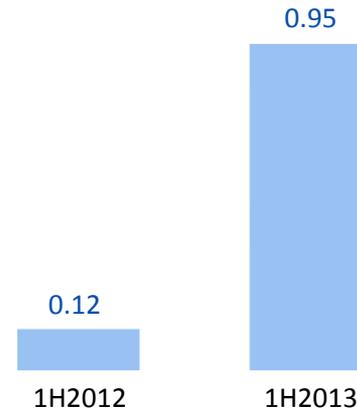
Note: * 1H2012 CAPEX included mobile capex borne by parent company

Optimized Capital Structure to Enhance Value

Total Debt / Total Capitalization



Net Debt / Simple Annualized EBITDA



- ▶▶ Leverage CDMA network acquisition at the end of 2012 to gear up & optimize capital structure for corporate value enhancement

Proactive Financial Transformation to Bolster Profitable Scale Development

Drive profitable scale development to maximize corporate, customers' & shareholders' values

Implement “market share gain & value creation-based” resources allocation system

Optimize cost & investment structure with resources tilting towards key businesses & high-value customers to enhance return

Timely refine performance evaluation metrics of both long-and-short-terms to foster motivation

Strengthen centralized capital management & establish market-oriented internal capital deployment mechanism; activate asset utilization to improve capital & asset return

Strengthen market-driven mechanism with comprehensive promotion of “sub-dividing performance evaluation units” focusing on sub-branches, business outlets & network investment

Thank You!



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Managed Company
in Asia 2013"*



*"No. 1 Asia's Overall
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please contact our Investor Relations Department at
ir@chinatelecom-h.com or visit www.chinatelecom-h.com

Appendix 1

Extracted from unaudited consolidated statement of comprehensive income for 6 months ended 30 Jun 2013

RMB Mil	1H2012	1H2013
Operating Revenue	138,021	157,520
Operating Expenses	(125,569)	(142,099)
Net Finance Costs	(873)	(2,615)
Investment Income, Share of Profit from Associates	90	700
Profit Before Taxation	11,669	13,506
Income Tax	(2,797)	(3,225)
Profit for the Period	8,872	10,281
Equity Holders of the Company	8,814	10,213
Non-controlling Interests	58	68

Appendix 2

Extracted from unaudited consolidated statement of financial position as at 30 Jun 2013

RMB Mil	2012.12.31	2013.06.30
Current Assets	65,210	61,285
Non-current Assets	479,862	477,657
Total Assets	545,072	538,942
Current Liabilities	193,461	183,066
Non-current Liabilities	85,581	84,791
Total Liabilities	279,042	267,857
Total Equity	266,030	271,085
Equity Attributable to Equity Holders of the Company	265,069	270,204
Non-controlling Interests	961	881

Appendix 3 Selected Operating Metrics for 1H2013

Subscriber (Mil)	2012.12	2013.06	Change
Mobile Subs	160.62	174.50	13.88
Incl: 3G Subs	69.05	87.33	18.28
Wireline Broadband Subs	90.12	95.82	5.70
Access Lines in Services	163.00	159.60	-3.40
Incl: Household	103.49	100.84	-2.65
Government & Enterprise	38.74	39.44	0.70
Public Telephone	13.26	12.87	-0.39
PAS	7.51	6.45	-1.06

	1H2012	1H2013	Change
Wireline Voice Usage			
Local Usage (Pulses Mil)	87,811	74,234	-15.5%
Long Distance Usage (Minutes Mil)	21,734	17,155	-21.1%
Mobile Voice Usage (Minutes Mil)	240,149	289,234	20.4%