



China Telecom

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

Key Performance Indicators of 2006 (Excl. Connection Fees)



Continuous growth in subscribers, revenue and net profit

	2005	2006	Growth
Access Lines in Service (Mil)	210.09	223.04	6.2%
Broadband Subs (Mil)	21.02	28.32	34.7%
Operating Revenue (RMB Mil)	162,529	170,122	4.7%
EBITDA (RMB Mil)	81,825	84,911	3.8%
EBITDA Margin	50.3%	49.9%	-0.4pp
Net Profit* (RMB Mil)	21,131	22,171	4.9%
EPS (RMB)	0.261	0.274	4.9%
Free Cash Flow** (RMB Mil)	21,801	29,072	33.4%

Note: * Net profit used hereinafter represents profit attributable to equity holders of the company

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

Unless otherwise stated, all financial data used hereinafter exclude upfront connection fees

Revenue Breakdown

	2006 (RMB Mil)	YoY Growth	Share of Operating Revenue
Voice Business	120,826	-1.9%	71.0%
Local Voice	78,074	-3.5%	45.9%
Upfront Installation Fees	2,913	-1.9%	1.7%
Monthly Fees	28,973	-4.5%	17.1%
Local Usage Fees	46,188	-3.0%	27.1%
Long Distance	28,657	-2.5%	16.8%
Interconnections	14,095	9.8%	8.3%
Non-Voice Business	49,296	25.3%	29.0%
Internet Access	23,630	32.3%	13.9%
VAS	14,133	41.7%	8.3%
Managed Data, Leased Line & Others	11,533	0.2%	6.8%
Total	170,122	4.7%	100%

Key Performance Indicators of 1Q 2007



	1Q 2007*	YoY Growth
Access Lines in Service (Mil)	223.78	4.0%
Broadband Subs (Mil)	30.50	31.7%
Operating Revenue (RMB Mil) (Incl. Connection fees)	43,495	1.1%
Excl. Connection Fees		
Operating Revenue (RMB Mil)	42,662	2.2%
EBITDA (RMB Mil)	22,524	0.8%
EBITDA Margin	52.8%	-0.7pp
Net Profit (RMB Mil)	6,140	3.9%

Note: * All data of 1Q 2007 used hereinafter were un-audited



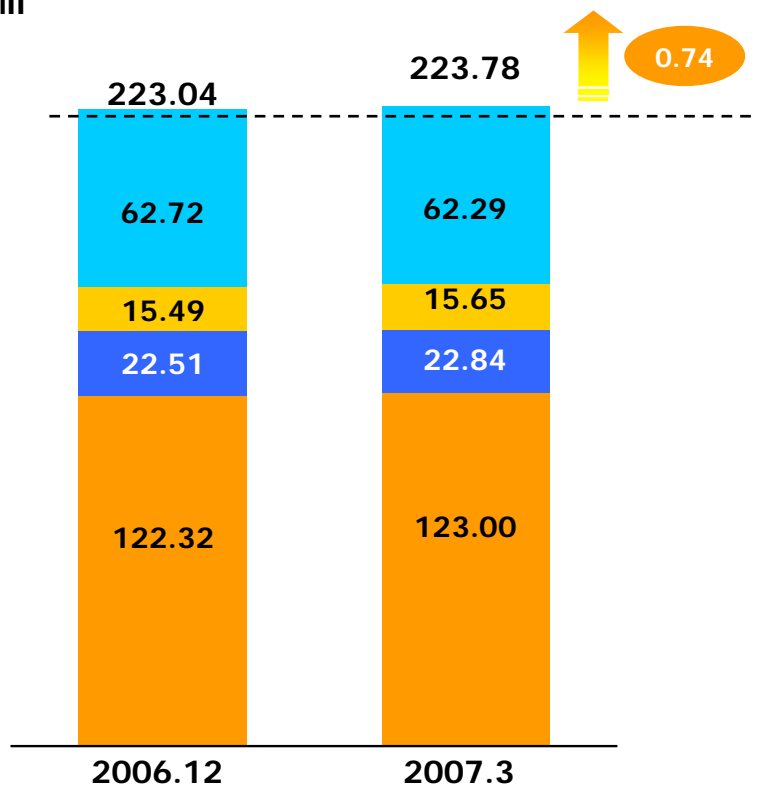
Sustained revenue growth amid increasingly intensified competition, driven by fast growing non-voice business, which offset the continuous decline of voice business

Improving finance management, further controlling cost and optimizing cost structure and, maintaining favorable EBITDA margin and profitability

To strengthen strategic execution, proactively alleviate decline of voice business and ensure strong growth of non-voice business and hence, strive to achieve solid annual results for 2007

Access Lines in Service

Mil

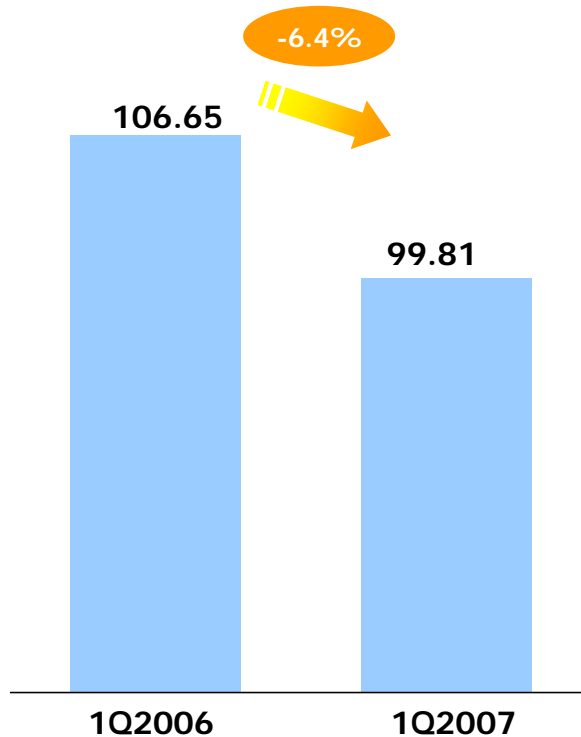


■ Residential	■ Public Phones
■ Enterprise	■ PAS

- ☛ Total access lines in services reached 223.78 million in 1Q 2007, with net adds of 0.74 million and an increase of 0.3% over the end of 2006
- ☛ Residential, enterprise, public phones and PAS accounted for 55%, 10%, 7% and 28% of total access lines respectively, as of March 31, 2007
- ☛ Strategic focus further skewed towards enterprise and high-end residential customers, which has low share of total access lines while making significant contribution to revenue and profit

Local Voice Usage

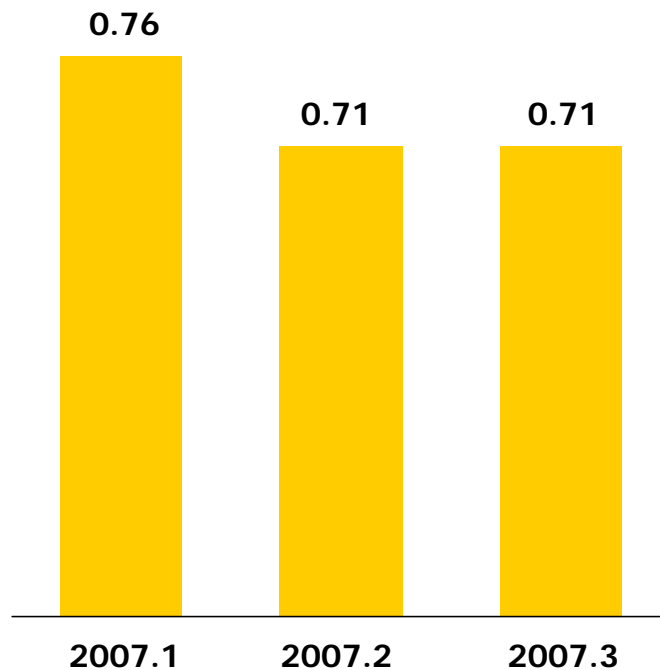
Pulses Bil



- ☛ A decrease of 6.4% of local voice usage and continuous decline of voice business revenue in 1Q 2007, amid intensified competition, especially mobile operators' free incoming call packages promotion
- ☛ High regard for development trend of voice business with various measures to alleviate decline of voice business and mitigate its negative impact on total revenue
- ☛ Major initiatives to consolidate voice business include:
 - Offer "Voice + Internet Access" package
 - Develop VAS like Color Ring Tone and Best Tone
 - Innovate intelligent network based services
 - Promote informatization to stimulate wireline usage

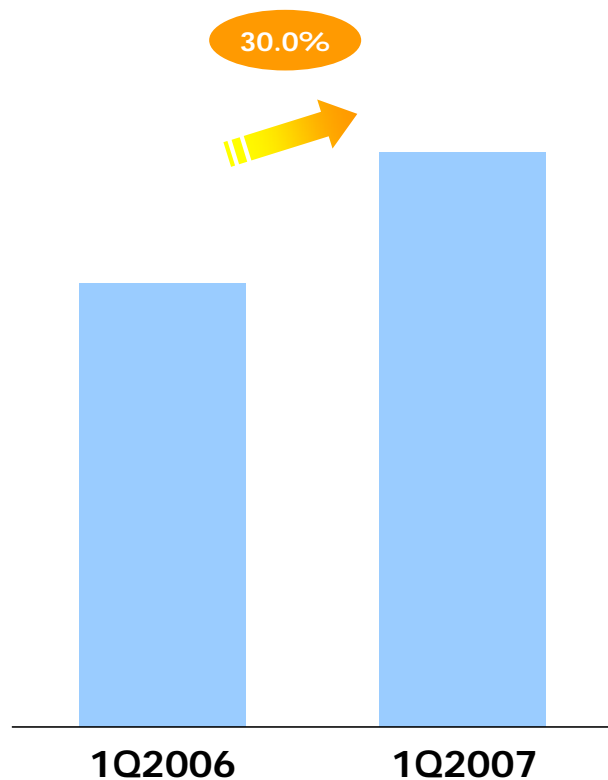
Broadband Subs Net Add

Mil



- ☛ Total broadband subs reached 30.50 million, with net adds of 2.18 million in 1Q 2007
- ☛ Broadband access ARPU in 1Q 2007 remained relatively stable
- ☛ Boost revenue by scale development of efficient and quality broadband business. Major tactics include:
 - Accelerate network optimization
 - Strengthen differentiated marketing of broadband business
 - Promote household customer brand of “One Home”
 - Further enhance customers’ high-speed online experience

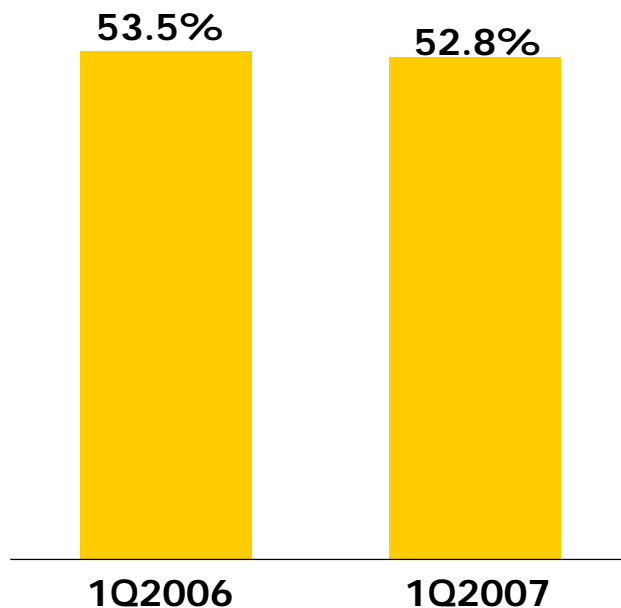
Growth of VAS



- ☛ VAS is one of the transformation businesses that is used to extract wireline usage value and prompt revenue growth
- ☛ A promising prospect of VAS business benefited by the informatization trend of the government, enterprise and family as well as diversified modern communication and information needs

Maintaining Relatively Stable EBITDA Margin

EBITDA Margin

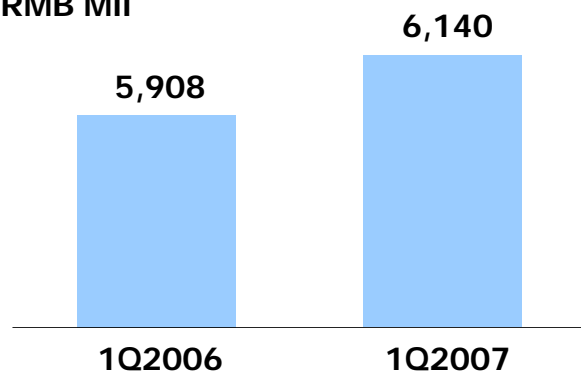


- ☛ Relatively high level of EBITDA margin of 52.8% in 1Q 2007
- ☛ Further strengthen budget management, cost control and optimize cost structure:
 - Stabilize network operations and support expenses
 - Effectively control personnel expenses
 - Strive to decrease administration expenses
 - Improve effectiveness of sales expenses

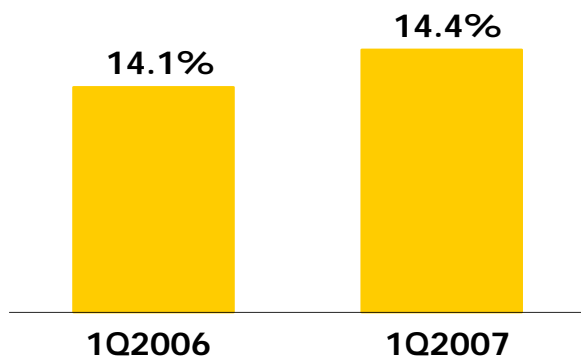
Steadily Increasing Net profit

Net Profit

RMB Mil



Net Profit Margin



- Net profit reached RMB 6.14 billion in 1Q 2007, with an increase of 3.9%, and net profit margin of 14.4%, up 0.3pp over 1Q 2006
- While striving to ensure sustained revenue growth, further optimize cost structure and strengthen cost control, to improve investment return and maintain stable free cash flow



- 1** Strengthen development of transformation business to enhance revenue growth and consolidate voice business via integrated development
- 2** Innovate new products and services; strengthen customer brand-oriented operation to enhance customers' perception and product value
- 3** Further reduce CAPEX while optimizing CAPEX structure to upgrade network's capabilities on providing integrated and differentiated services
- 4** Enhance operating efficiency and free cash flow through value management
- 5** Actively apply for full services offering (Triple-play) while proactively making preparation by strengthening talents pool, financial position, network capabilities and branding system

 Foster sustainable development and proactively prepare for future comprehensive services convergence offering

‘ *Connecting The World* ’

Thank You

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