



China Telecom Corporation Limited
www.chinatelecom-h.com

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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. 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.

Business Review

Financial Performance

Solid Results (Excl. Connection Fees)

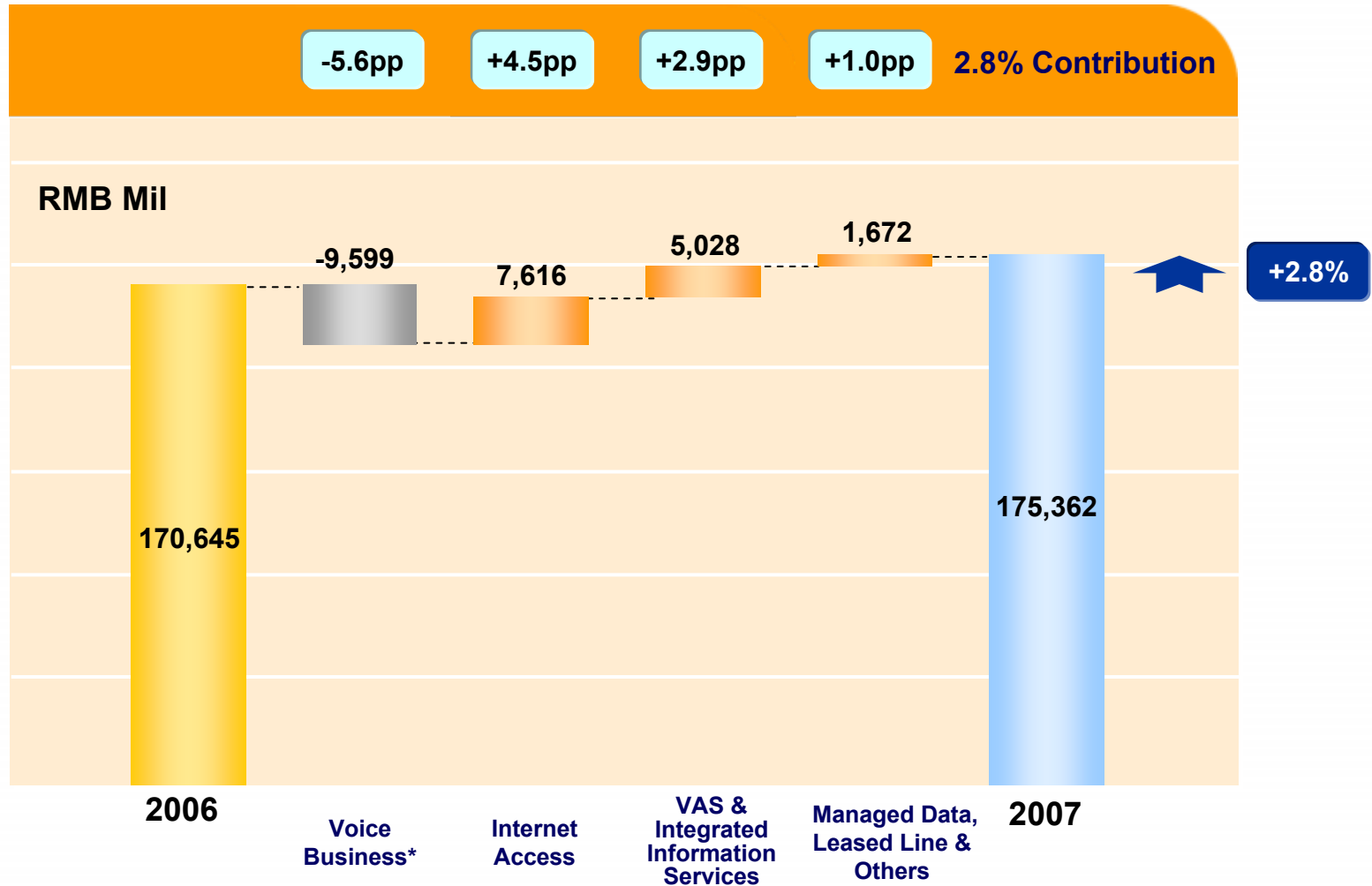
	2006	2007	Growth
Access Lines in Services (Mil)	223.04	220.33	-1.2%
Broadband Subs (Mil)	28.32	35.65	25.9%
Operating Revenue (RMB Mil)	170,645	175,362	2.8%
EBITDA (RMB Mil)	84,866	85,974	1.3%
EBITDA Margin	49.7%	49.0%	-0.7pp
Net Profit* (RMB Mil)	22,270	22,517	1.1%
EPS* (RMB)	0.275	0.278	1.1%
Free Cash Flow** (RMB Mil)	28,991	33,964	17.2%

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

* Excluding the impact of revaluation in 2007 of property, plant & equipment every 3 years (see slide 25)

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

Revenue Growth Drivers



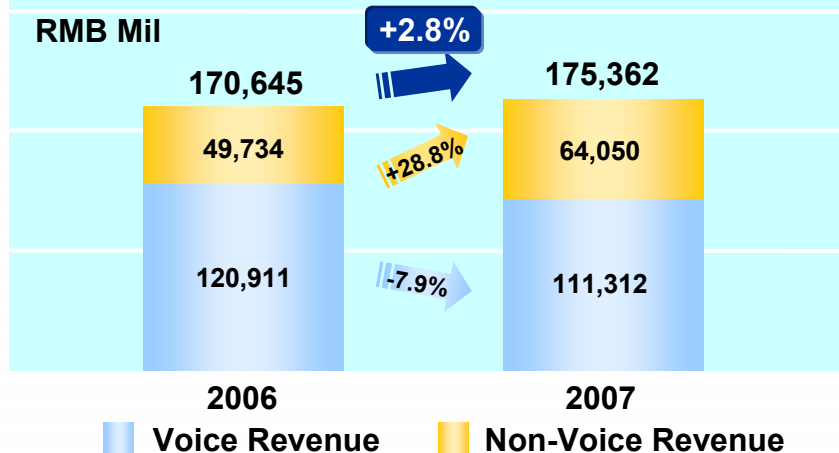
Note: * Voice Business Revenue includes Monthly Fees, Local Usage Fees, Upfront Installation Fees, DLD/ILD and Interconnection Revenue

Revenue Breakdown

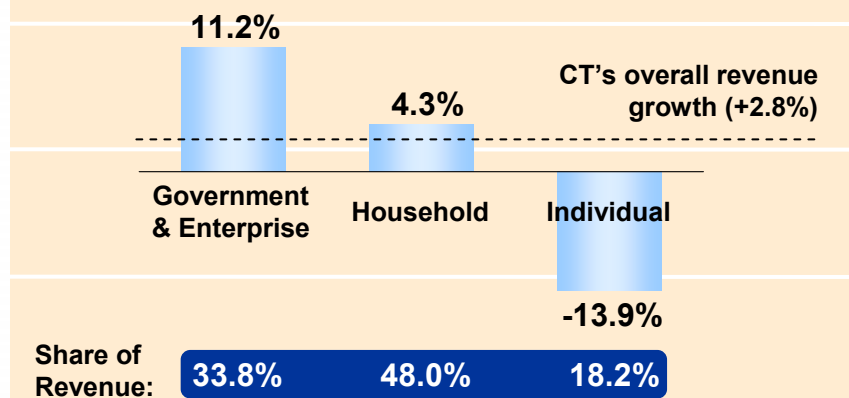
	2006 (RMB Mil)	2007 (RMB Mil)	Growth	Share of Operating Revenue
Local Voice				
Upfront Installation Fees	2,913	2,735	-6.1%	1.6%
Monthly Fees	28,973	25,346	-12.5%	14.4%
Local Usage Fees	46,188	42,343	-8.3%	24.1%
Sub-total	78,074	70,424	-9.8%	40.1%
Long Distance	28,742	27,009	-6.0%	15.4%
Interconnections	14,095	13,879	-1.5%	7.9%
Internet Access	23,724	31,340	32.1%	17.9%
VAS & Integrated Information Services	14,203	19,231	35.4%	11.0%
Managed Data, Leased Line & Others	11,807	13,479	14.2%	7.7%
Total	170,645	175,362	2.8%	100%

Proactively Managing Voice Challenges

Steady Aggregate Revenue



Revenue Growth by Customer Segments in 2007



Major challenges in voice business

- Rapidly declining mobile voice tariff (-17.7% yoy) & new means of communications
 - Voice revenue ↓ 7.9%
 - Voice ARPU: RMB41.8 ↓ 10.1%

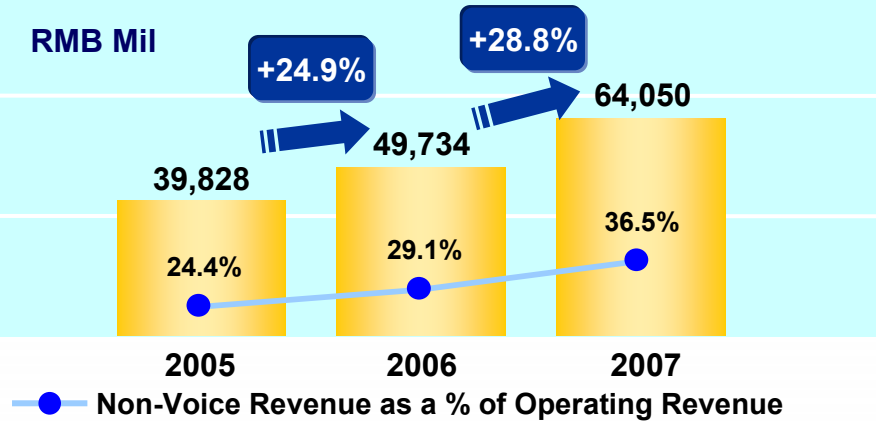
Major initiatives

- Strengthen integrated development of voice and non-voice businesses to improve voice services' value to customers and mitigate voice revenue decline
- Target at key customer segments like government & enterprise and household customers
- Strictly control marketing expense on low-end customers to ensure return

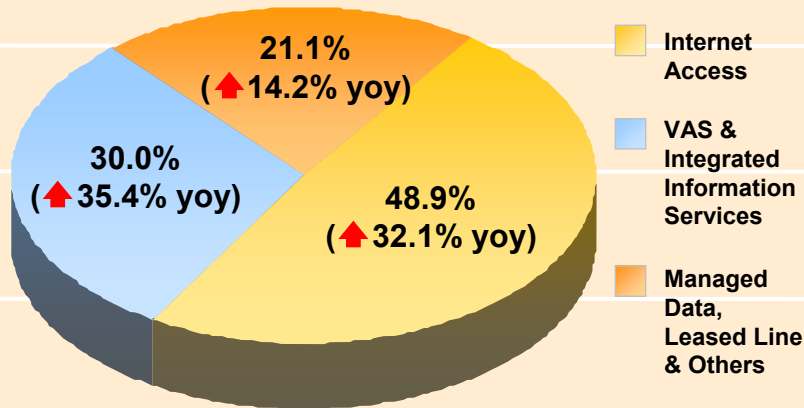
Strategic Transformation Gaining Momentum

Non-Voice Revenue

RMB Mil



Non-Voice Revenue Composition in 2007



Accomplishments

- Robust non-voice revenue growth supported steady aggregate revenue and healthy fundamental
- Optimized revenue structure effectively alleviated operating risk

Non-voice revenue as a % of operating revenue:

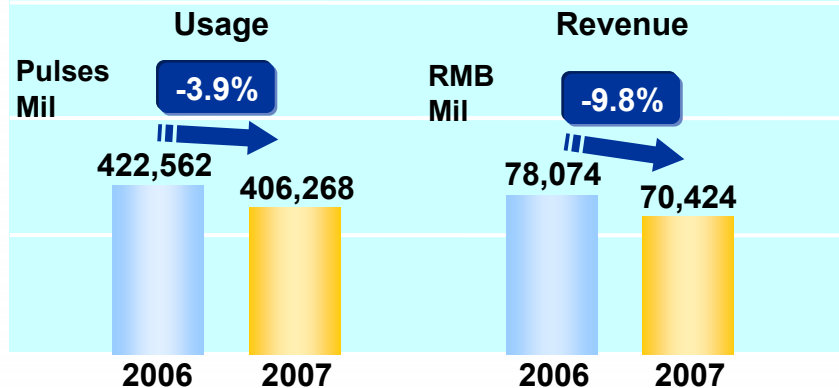
06: ▲ 4.7pp

07: ▲ 7.4pp

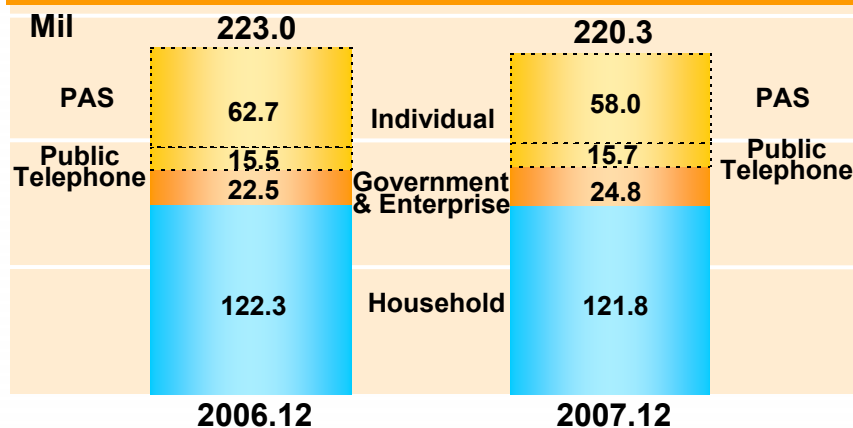
- Enhanced core competitiveness & sustainable development

Local Voice Business

Local Voice Business



Access Lines in Services



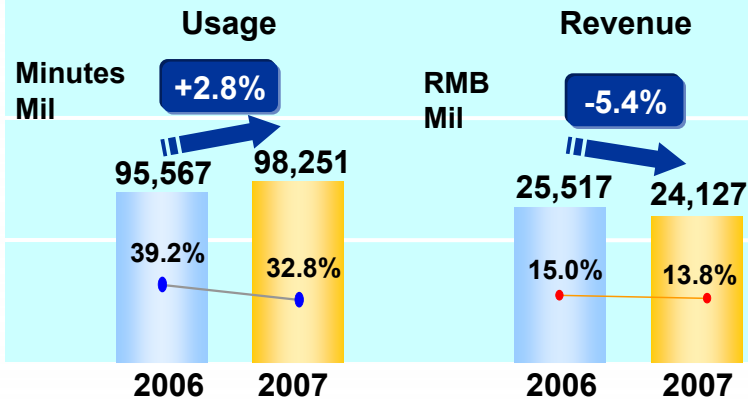
Consolidating Traditional Businesses via effective bundling with Transformation Businesses

- Government & Enterprise customers: Promoting "BizNavigator" to stabilize usage
-Revenue \uparrow 11.2% yoy
- Household customers: Leveraging "One Home" to consolidate household market
-Revenue \uparrow 4.3% yoy
- Individual customers: Severe challenge due to intensified mobile substitution especially on PAS
-Revenue \downarrow 13.9% yoy

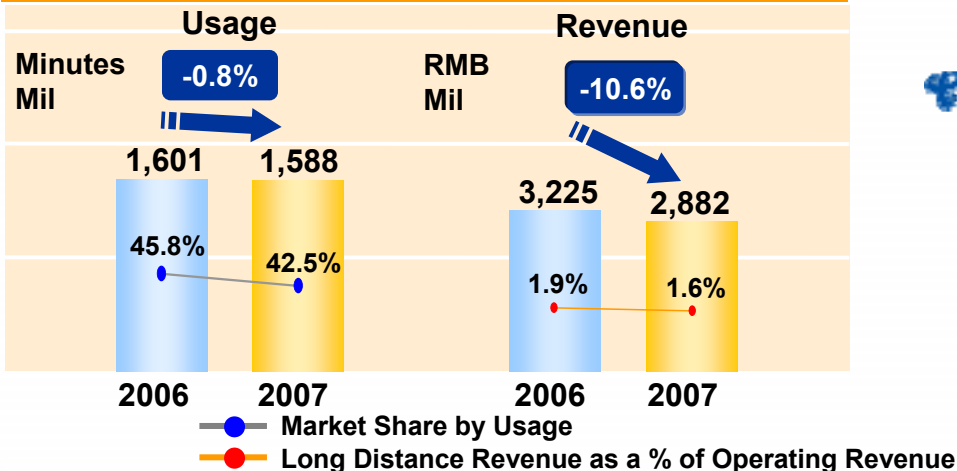
To strengthen bundled packages to consolidate high-end PAS subs while strictly controlling marketing expense on low-end customers to ensure return

Long Distance Business

Domestic Long Distance



International Long Distance

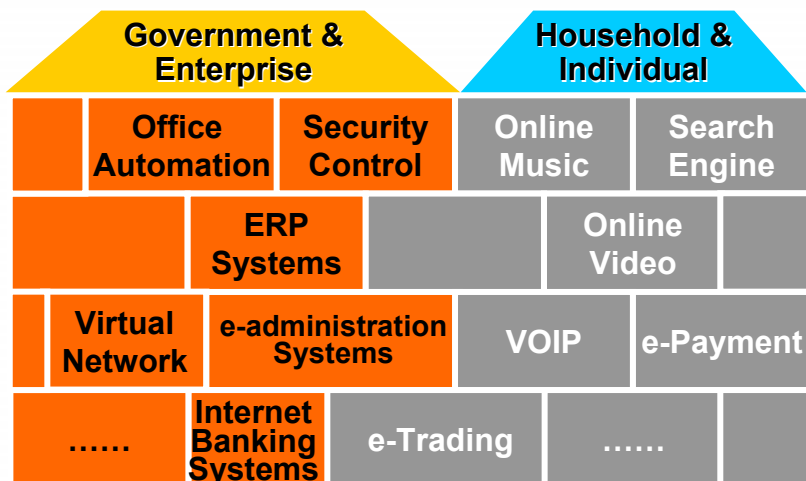
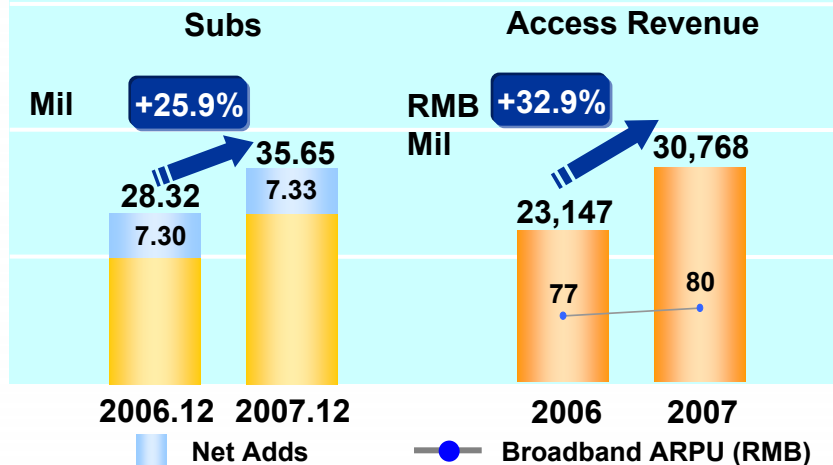


Consolidating Long Distance Business

- Intensified competition in long distance market led to continuous decline in average unit price; avoiding direct price competition and stimulating long distance usage by customized bundling packages
 - DLD usage \uparrow 2.8% yoy
 - ILD usage relatively stable
- Leveraging flexible strategies to promote integrated development of voice and integrated information services

Broadband Business

Broadband

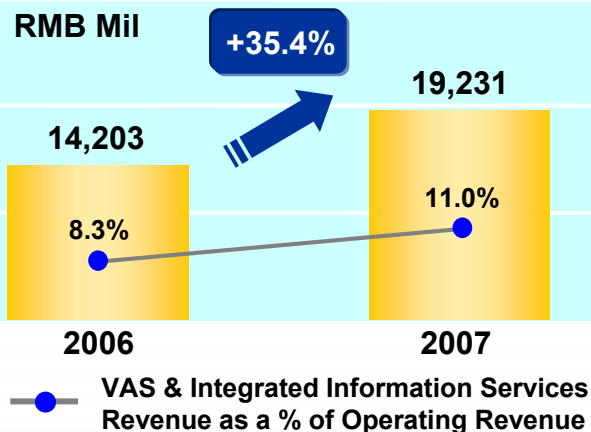


Profitable Scale Development with Differentiated Operations

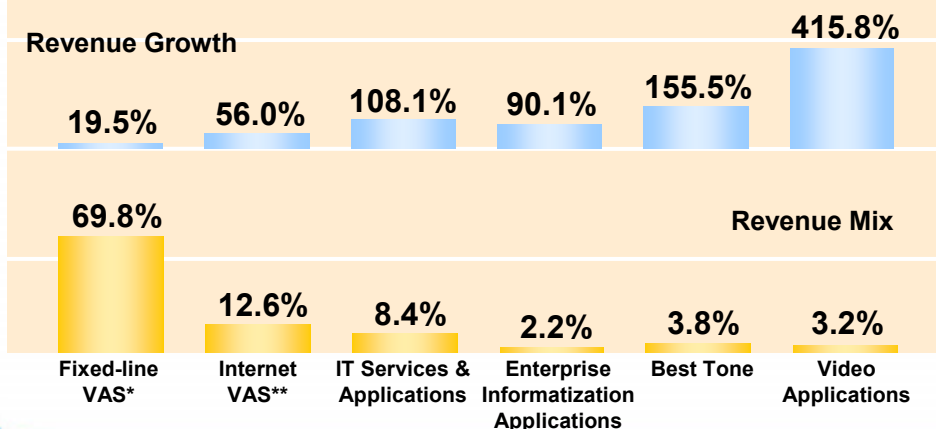
- ☛ Broadband subs \uparrow 7.33 mil with ARPU slightly increased to RMB 80 in 2007
- ☛ To realize wireless access roaming for broadband subs by enriching means and convenience of access
- ☛ To fully implement broadband account number operation & promote co-operation and customization of terminal devices, Internet applications and content
- ☛ To strengthen interactive promotion of Internet access & application businesses

VAS & Integrated Information Services

Revenue



Revenue Growth & Mix in 2007



Strategies

- Fixed-line VAS: Focus on services like fixed-line color ring-tone, fixed-line payment, phone-radio... to increase VAS penetration and promote scale development
- Internet VAS: Integrate VNet with content resources and enrich Internet applications like searching, digital music, One Home customer terminals... to enhance customer brand value and stimulate consumption
- Integrated Information Services: Consolidate telephone number resource services and explore demand from government & enterprise customers to promote the scale development of Best Tone and IT Services & Applications

Note: * Fixed-line VAS mainly includes Caller-ID, Telephone Information Services, SMS & Color Ring Tone
 **Internet VAS mainly includes VNet, IDC, IP/VPDN

Business Review

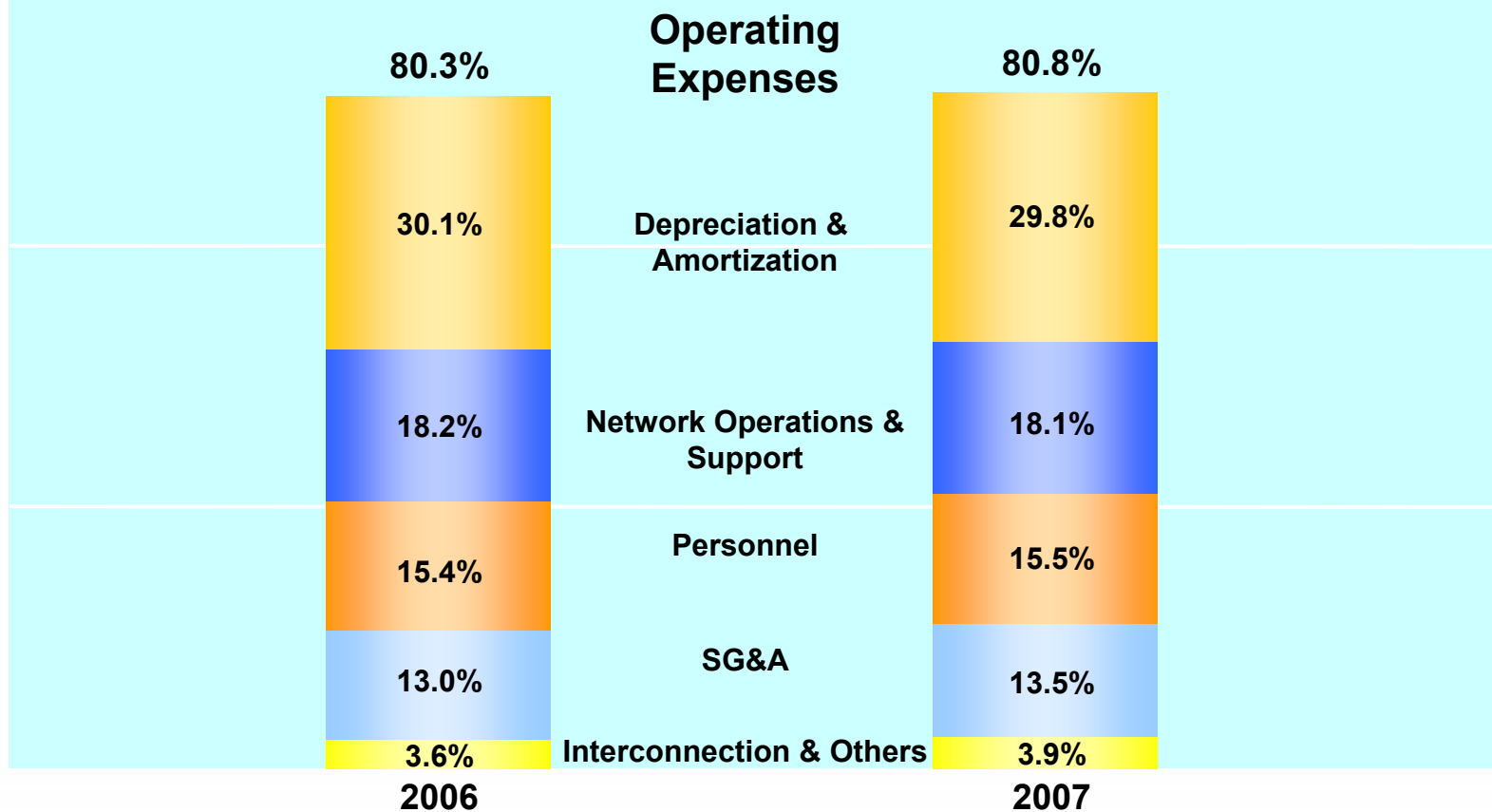
Financial Performance

Key Financial Information

	2006 (RMB Mil)	2007 (RMB Mil)	Change
Operating Revenues	170,645	175,362	2.8%
Operating Expenses			
Depreciation & Amortization	51,301	52,257	1.9%
Network Operations & Support	31,055	31,622	1.8%
Personnel	26,210	27,242	3.9%
SG&A	22,259	23,667	6.3%
Interconnection & Others	6,255	6,857	9.6%
Sub-total	137,080	141,645	3.3%
Operating Profit	33,565	33,717	0.5%
Net Profit	22,270	22,517	1.1%
EBITDA	84,866	85,974	1.3%

Cost Structure

Operating Expenses as a % of Operating Revenue



Optimized Cost Structure to Support Business Development

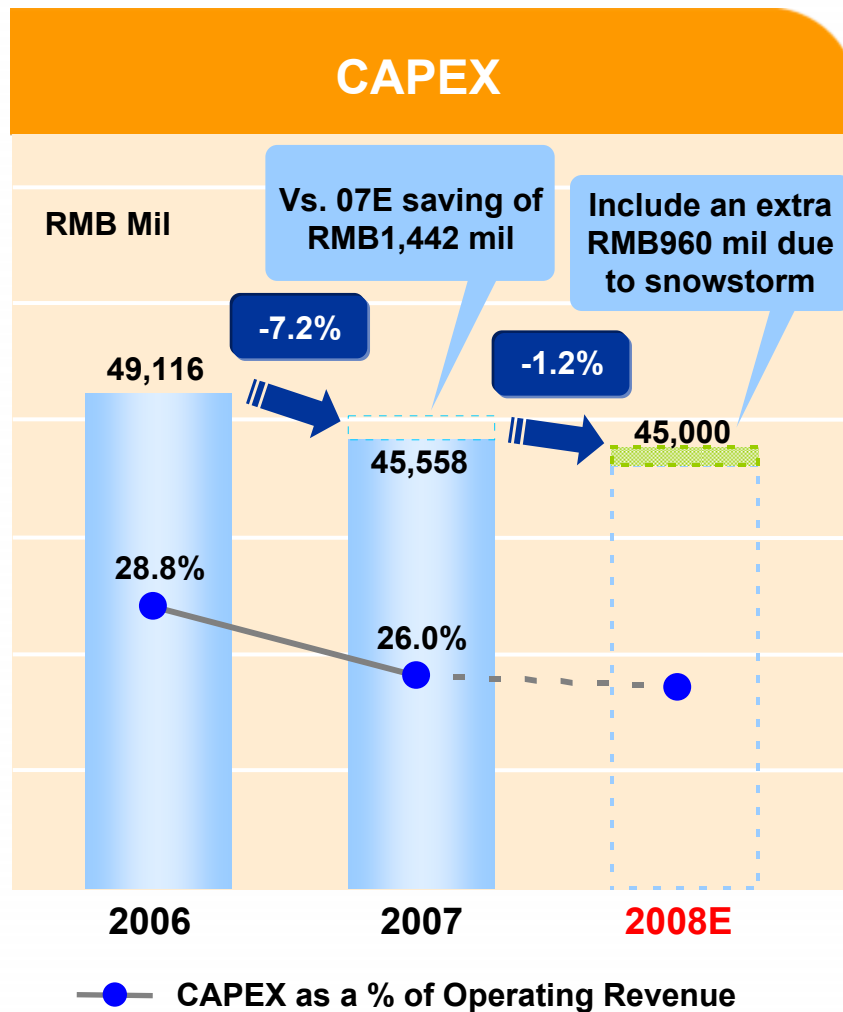
Cost Initiatives

- **Depreciation & Amortization**
Reduced depreciation as a % of operating revenue continuously via strict CAPEX control & enhanced resource utilization
- **Network Operations & Support**
Tilted and smoothed resource allocation towards transformation businesses to support development
- **Personnel**
Enhanced employees' incentive & strengthened recruitment of IP, IT and IS talents
- **SG&A**
Promoted brand operation & transformation businesses, enhanced customer retention but strictly controlled PAS handset subsidy

Strengthened cost control
Optimized cost structure
Maintained relatively stable EBITDA margin

2007 Results

- **Depreciation & Amortization**
RMB52,257 mil (-0.3 pp as a % of operating revenue)
- **Network Operations & Support**
RMB31,622 mil (-0.1 pp as a % of operating revenue)
- **Personnel**
RMB27,242 mil (maintained relatively stable as a % of operating revenue)
- **SG&A**
RMB23,667 mil (+0.5 pp as a % of operating revenue)

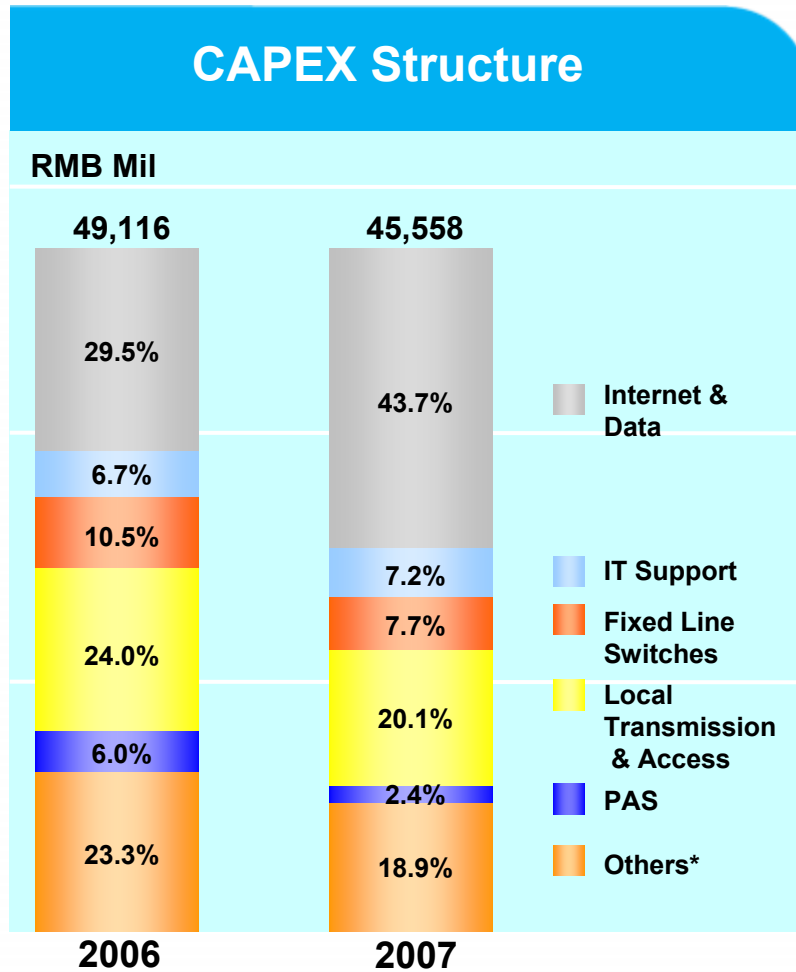


Reducing CAPEX to enhance return; Optimizing structure to promote development

- Continuous CAPEX reduction leads to progressive decline of depreciation & amortization expenses as a % of operating revenue and enhances operating return
- Tilting investments towards transformation business to drive revenue

	Revenue	Investment
Broadband Access	↑ 32.9% yoy	↑ 27.3% yoy
VAS & Integrated Information Services	↑ 35.4% yoy	

Enhanced CAPEX Structure



Note: *Others include communication infrastructure and other capital expenditure

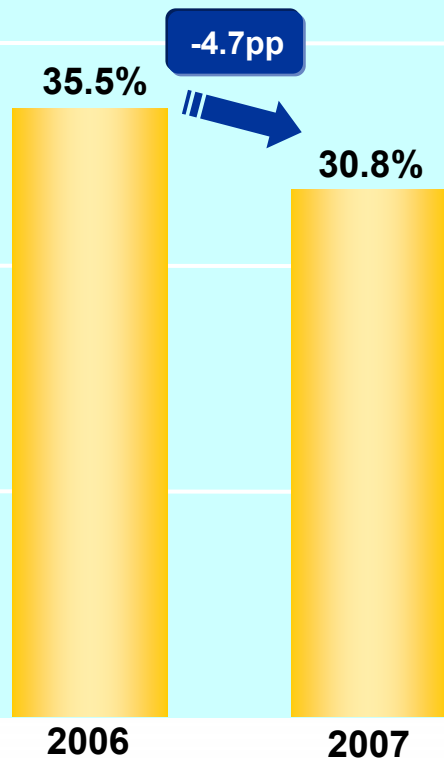
Enhanced CAPEX structure to support strategic transformation

- Internet & Data ▲ 37.4% yoy
- IT Support ▼ -
- Fixed Line Switches ▼ 31.9% yoy
- Local Transmission & Access ▼ 22.2% yoy
- PAS ▼ 63.4% yoy
- Others ▼ 24.8% yoy

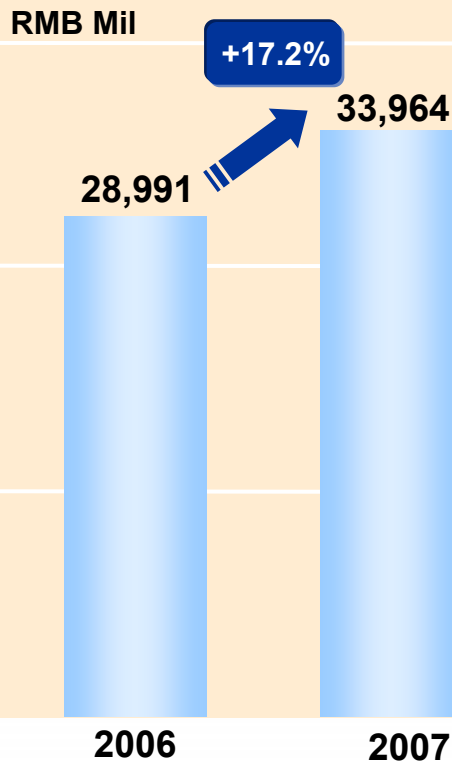
Tilting investment to improve network capability for supporting transformation businesses while strictly controlling CAPEX on traditional business

Solid Financial Strength

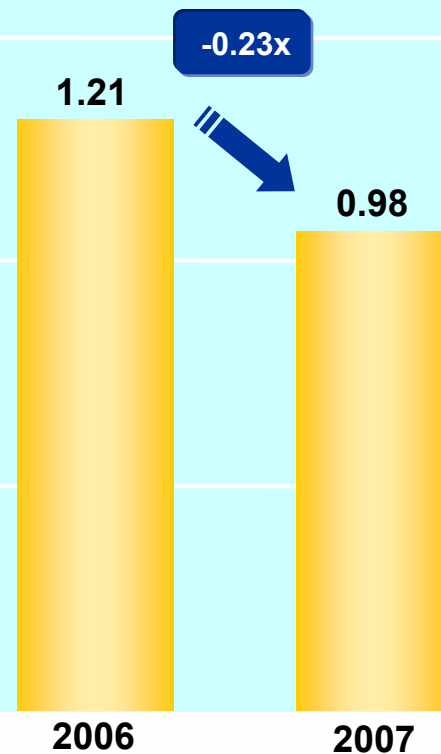
Total Debt / Total Capitalization



Free Cash Flow



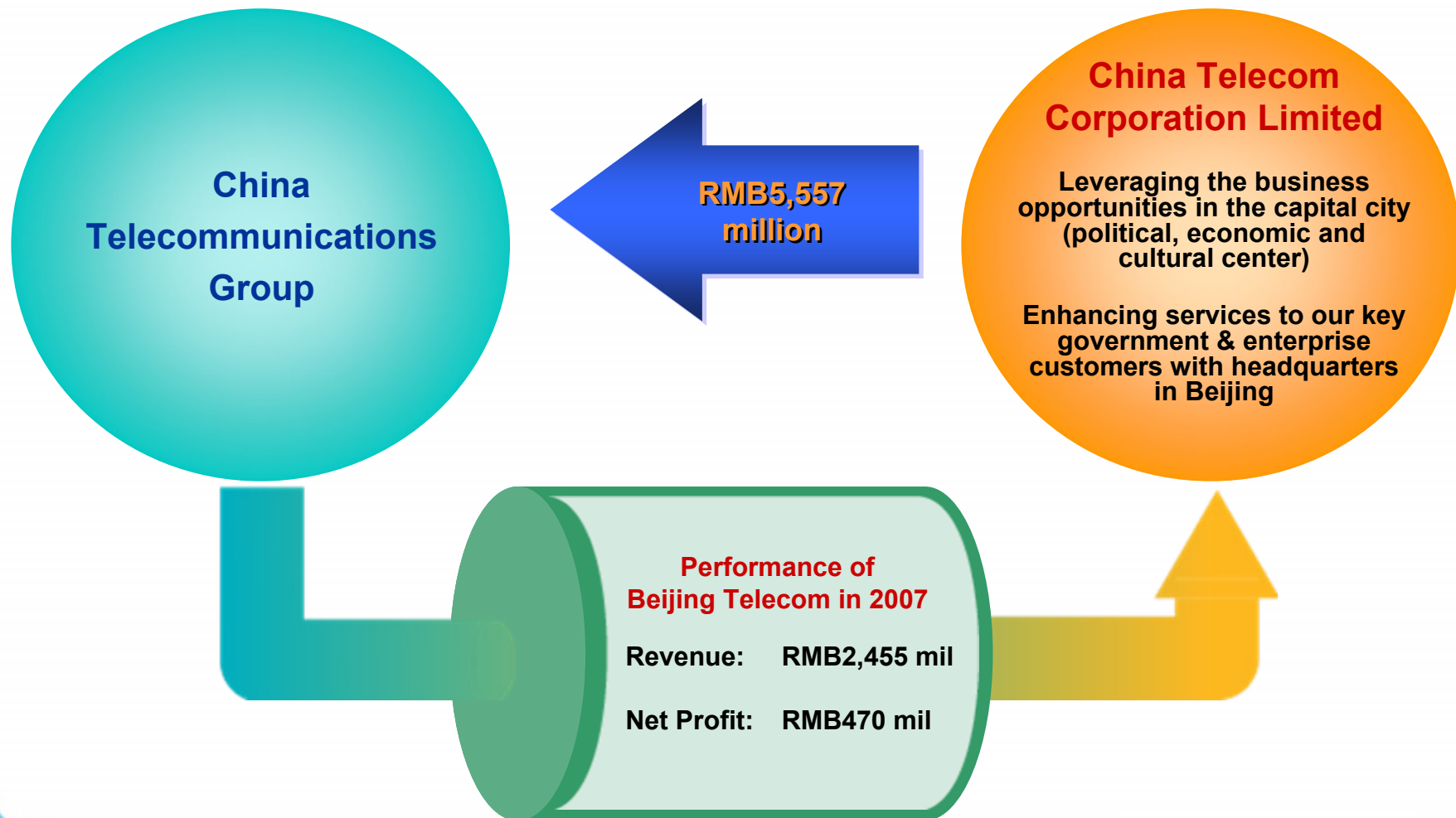
Net Debt / EBITDA



Solid financial fundamental and strong cash flow proactively equip the Company to capture future growth opportunities

Acquisition of Beijing Telecom

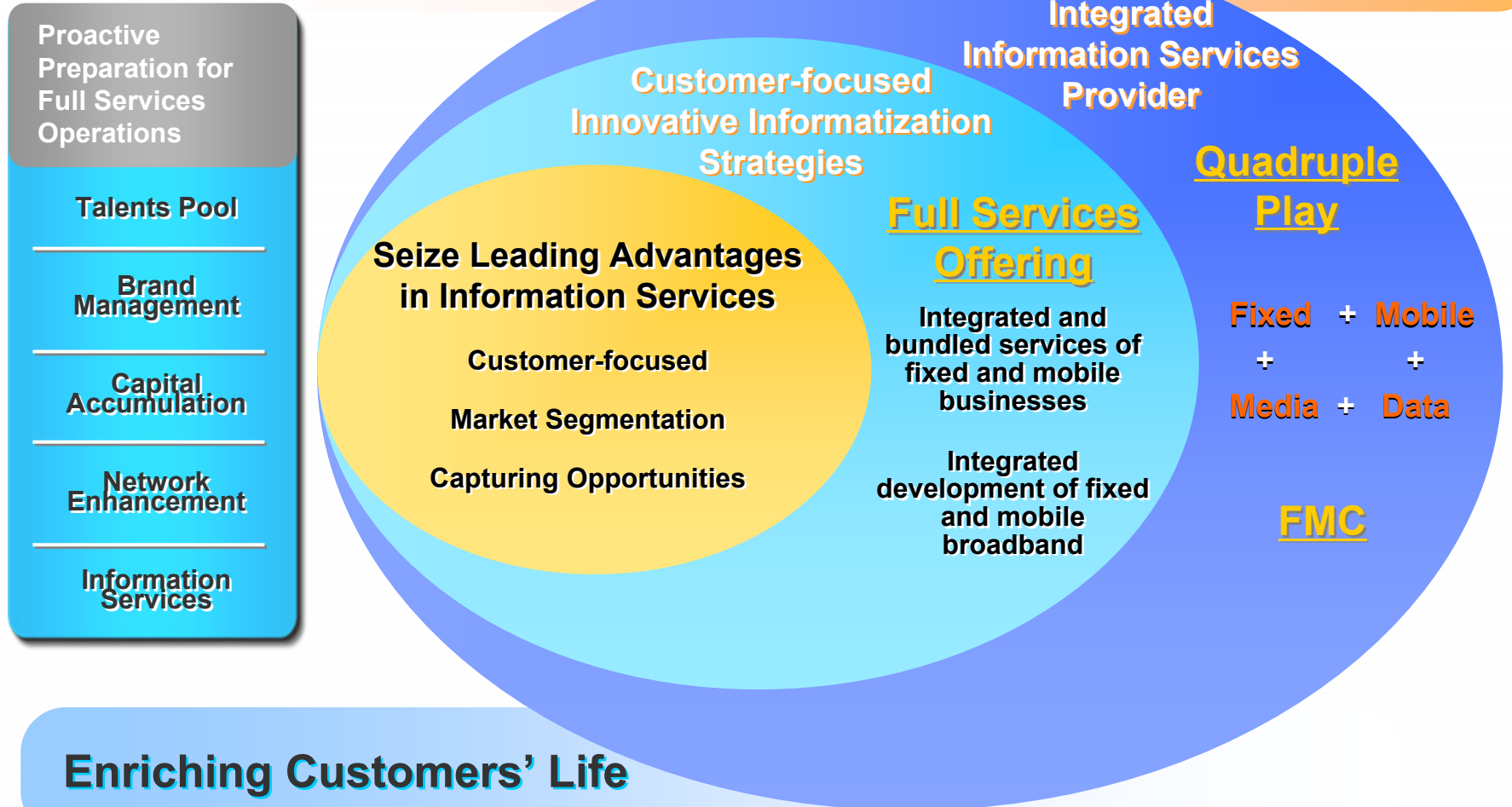
Earnings Accretive Acquisition



Note: The above financial data are unaudited and IFRS-based

Driving Transformation to Enhance Value

Enhancing Shareholders' Value



Thank
YOU

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