



China Telecom Corporation Limited

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CDMA Business Acquisition and Network Lease

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Management team

Name

Title

Mr. Wang Xiaochu

Chairman & CEO

Mr. Shang Bing

President & COO

Madam Wu Andi

EVP & CFO

Agenda

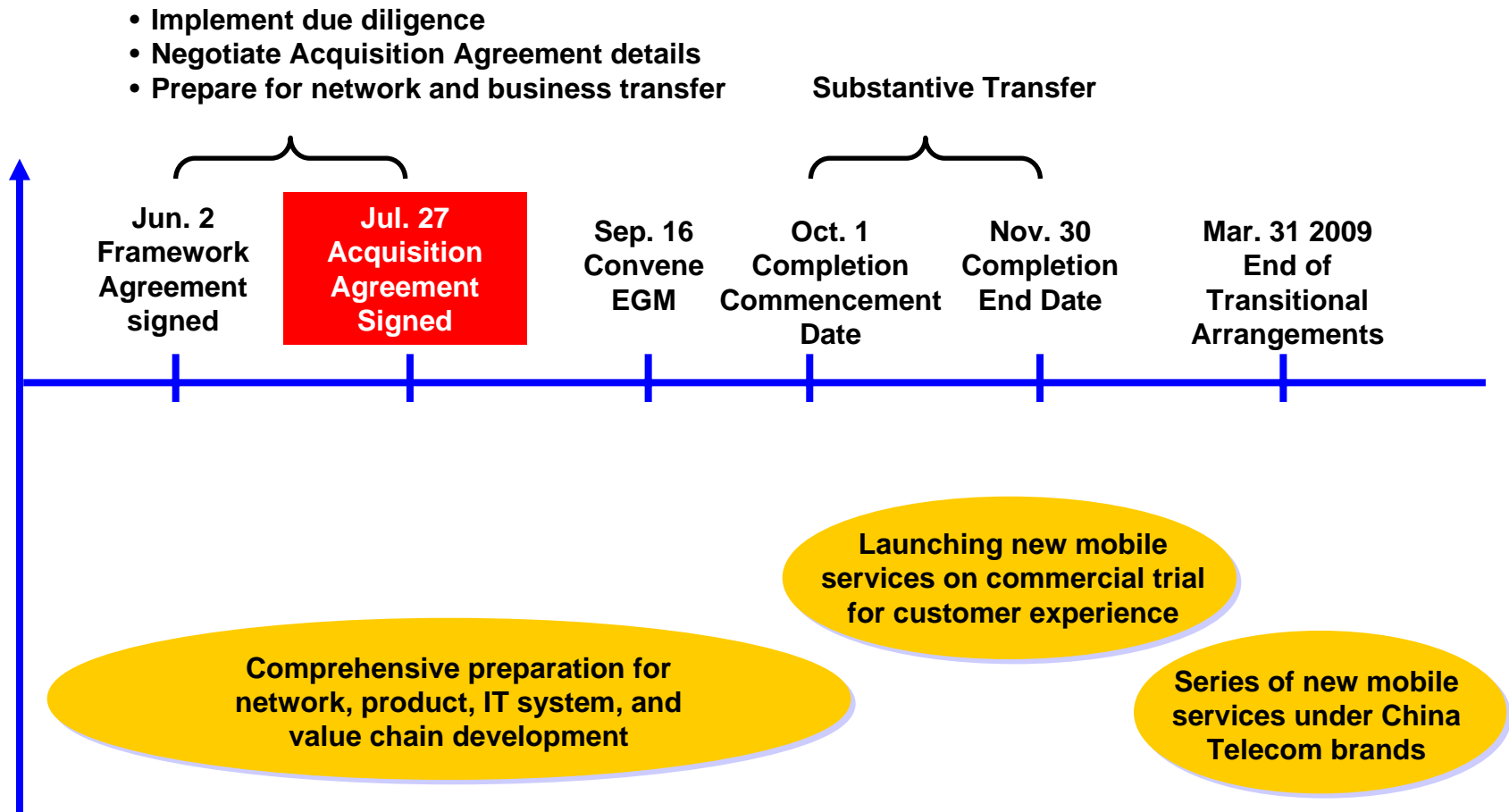
CDMA business acquisition

Network lease agreement

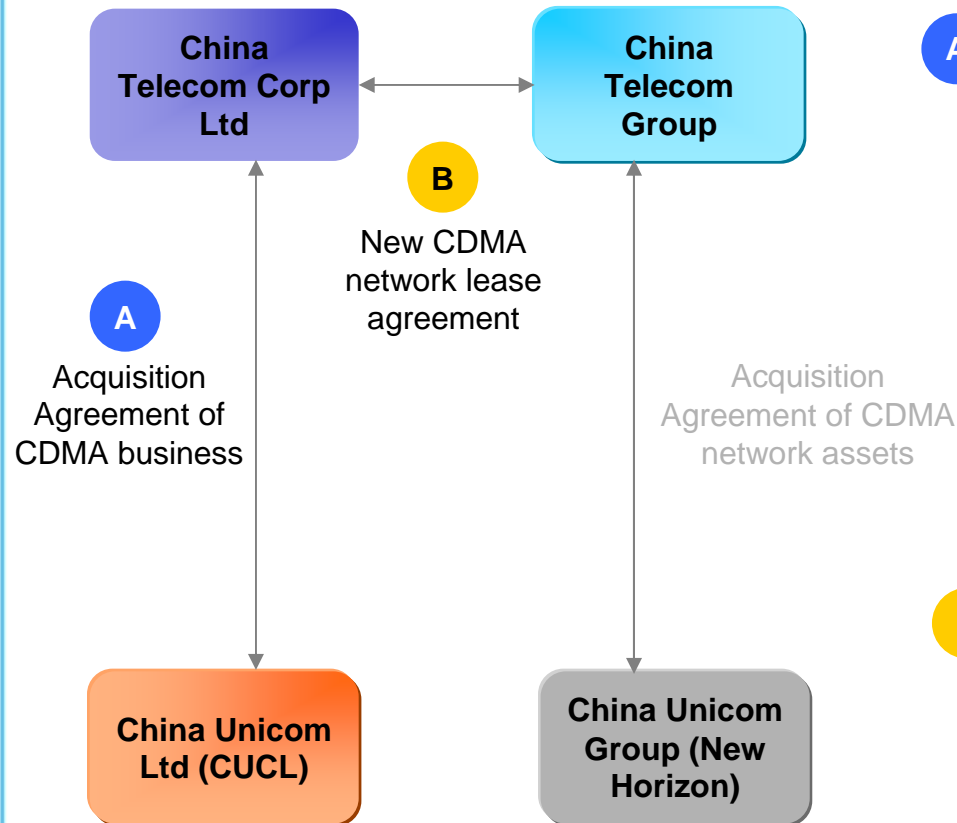
CDMA business development initiatives

CDMA business acquisition

Overall acquisition arrangement



Acquisition Overview



A Acquisition Agreement

- Elaborate the Framework Agreement with necessary supplement and refinement
- Setting out the principles of transfer of CDMA assets, business and employee
- Setting out the provisions for the allocation, use and collaboration of C/G shared base stations, business platform and IT support system
- Define detailed provisions regarding the rights and obligations of both parties during the transition period

B New lease agreement

- China Telecom Corp Ltd to lease the CDMA network capacity from China Telecom Group
 - Lease fee to be 28% of audited annual CDMA business revenue
 - The option to purchase the CDMA network

Key terms of the Acquisition Agreement

Prepared based on the Framework Agreement with necessary elaboration, refinement & supplement

Acquisition targets

- The entire CDMA business owned and operated by CUCL on the Completion Commencement Date and relevant assets and customer rights & obligations
 - CDMA subscribers with prefix 133/153 and relevant customer rights and obligations
 - Certain C/G shared base stations and other related assets as agreed between the Company and CUCL
 - The entire equity interest in China Unicom (Macau) Company Limited and 99.5% of equity interest in Unicom Huasheng Telecommunications Technology Co. Ltd

Acquisition consideration

- Consideration of RMB 43.8bn
- Price adjustment subject to first half 2008 CDMA business revenue decreasing more than 2% versus the same period in the previous year
- Payment by instalments after satisfaction of conditions precedent

Key terms of the Acquisition Agreement (cont.)

Key conditions precedent

- No material adverse change to the operation of the CDMA business
- Approval by Unicom independent shareholders of the termination of the existing Unicom CDMA network lease agreement (including waiver of the option to purchase the CDMA network) and sale of CDMA Business
- Approval by China Telecom independent shareholders on CDMA lease agreement between China Telecom Corp Ltd and China Telecom Group
- Relevant regulatory approvals and all approvals that are necessary to operate the CDMA business

Assets jointly used by CDMA and GSM networks

- China Telecom Corp Ltd and CUCL are to provide each other with necessary operational assistance and service support with respect to the assets that are used for both the CDMA and the GSM network following Completion
- Reciprocal use of the C/G shared base stations by China Telecom Corp Ltd and CUCL

Business Transfer

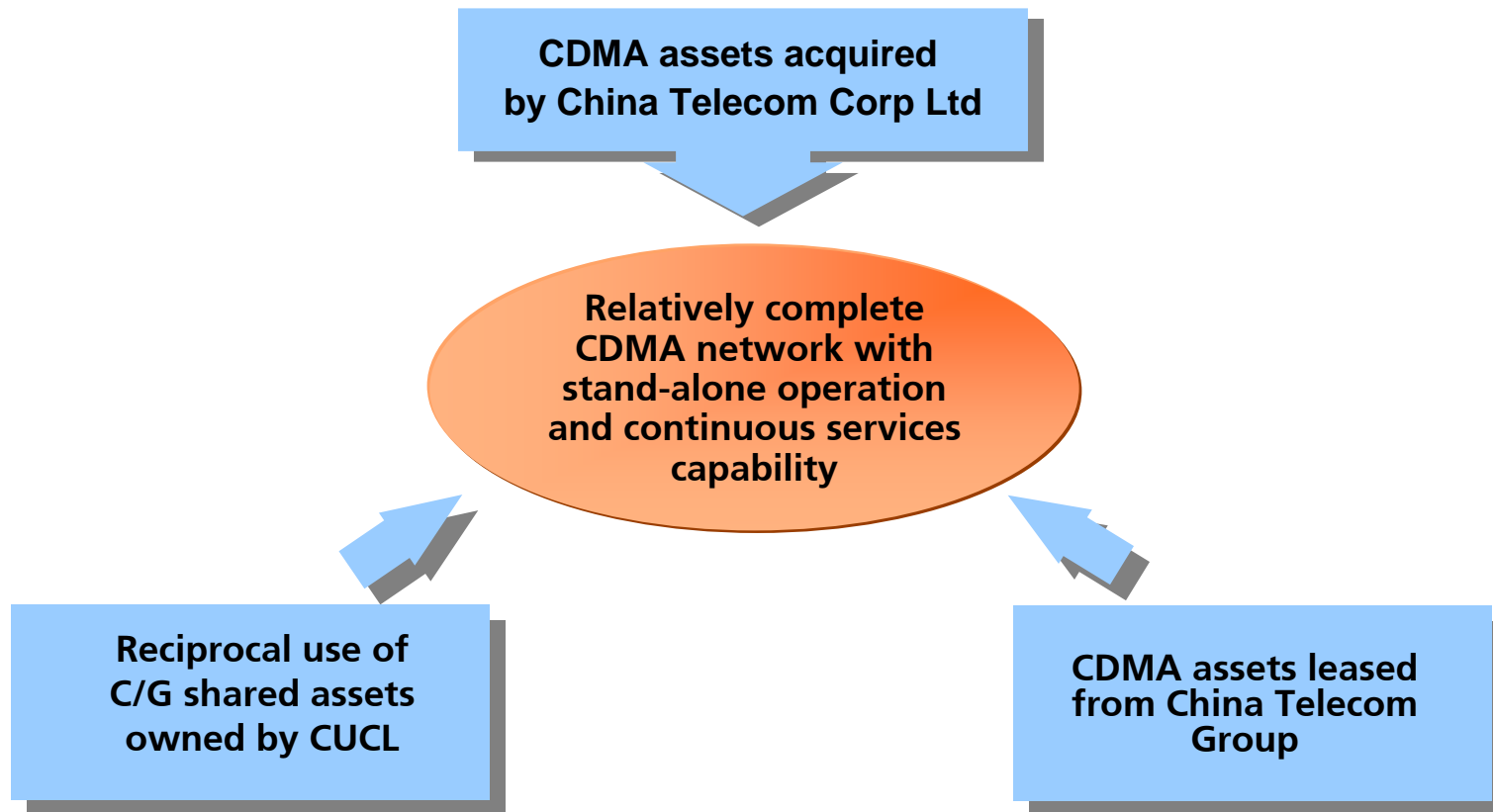
- First payment will occur within 3 days after Completion Commencement Date
- To complete the substantive transfer within 60 days post the Completion Commencement Date

Transitional arrangements

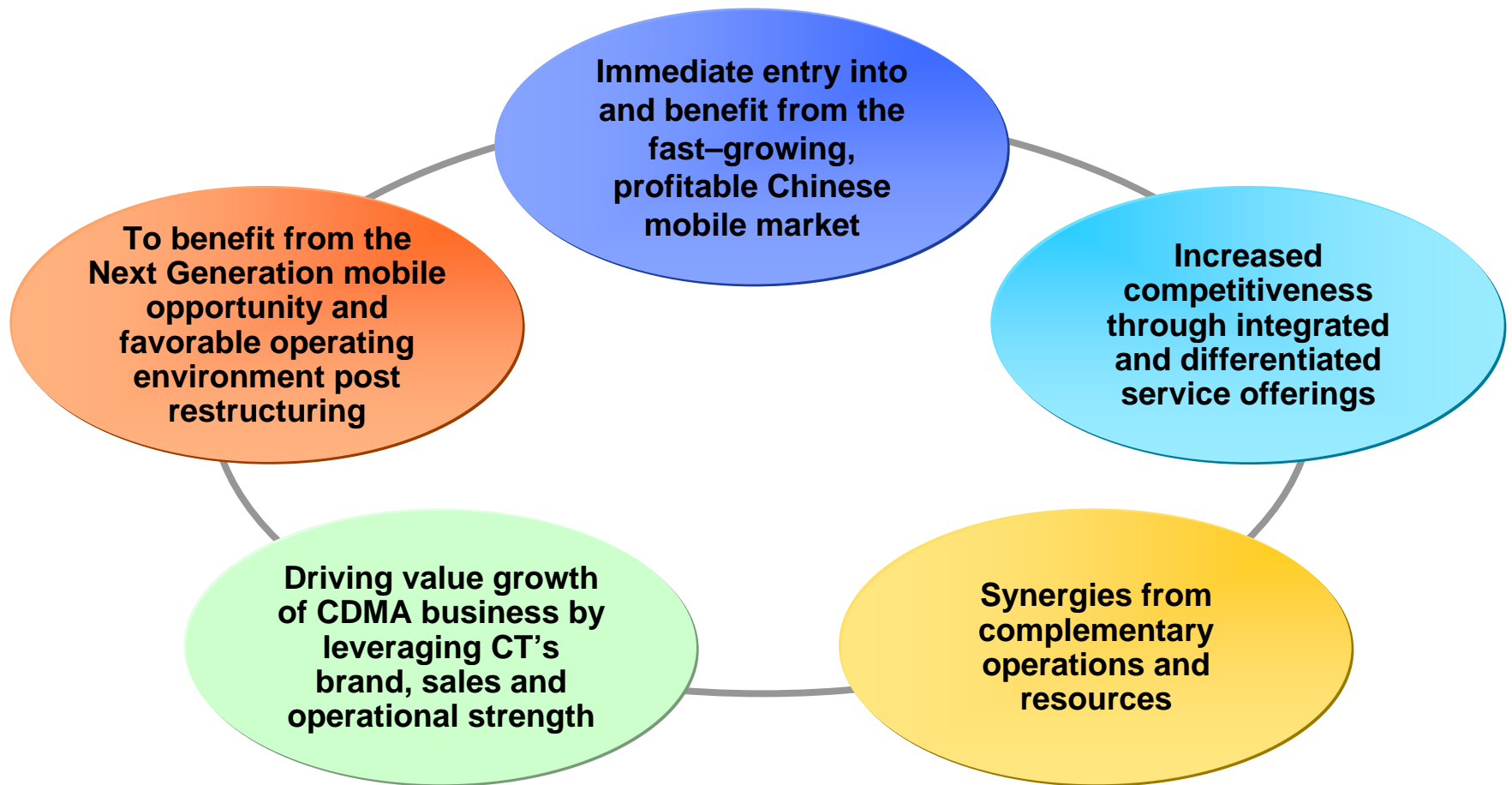
- For the period between the Completion Commencement Date to 31 March 2009, CUCL will provide those operating conditions and assurances including the reciprocal use of the information technology system and value-added service platform

A complete nationwide mobile network infrastructure

The acquisition transaction and the network lease agreement will facilitate a seamless transition of the CDMA business and ensure an ongoing smooth mobile operation for the Company



Significance and benefits of the acquisition



Seize mobile and full service development opportunity to enhance shareholders' value

Network lease agreement

Strategic rationale and benefits of the lease agreement

1

- Exclusive right to use and operate an existing nationwide CDMA network with abundant capacity to support the Company's immediate entry into and benefit from the fast-growing, profitable Chinese mobile market

2

- Further investment by China Telecom Group to increase network capacity and improve network quality and functionality to support competition in the highly competitive telecom market in China

3

- Having lease fee being a proportion of CDMA business revenue will avoid CDMA network investment and reduce operating risks during the initial period of CDMA operation

4

- Savings of operating cost (lease fee vs. depreciation and finance charges) during the initial period of operation

5

- Favorable lease fee rate of 28% of CDMA business revenue vs. 31% under Unicom CDMA Lease with other terms and conditions broadly in line with Unicom CDMA Lease

6

- Lease renewable at the option of the Company together with the option by the Company to purchase the CDMA network affords great flexibility to the Company to enhance its value

Key terms of the network lease agreement

Lease fee

- Lease of the CDMA network capacity with exclusive right to use and operate
- Lease fee to be 28% of the audited CDMA business revenue for each of 2008, 2009 and 2010
- No minimum lease fee for 2008 and 2009. Minimum lease fee for 2010 shall not be lower than 90% of 2009 lease fee

Term of lease

- The initial CDMA lease period will start from Completion Commencement Date (1 October 2008) to 31 December 2010
- The lease can be renewed at the option of China Telecom Corp Ltd on the same terms, except for the lease term, lease fee, and minimum annual lease fee which need to be agreed between China Telecom Corp Ltd and China Telecom Group

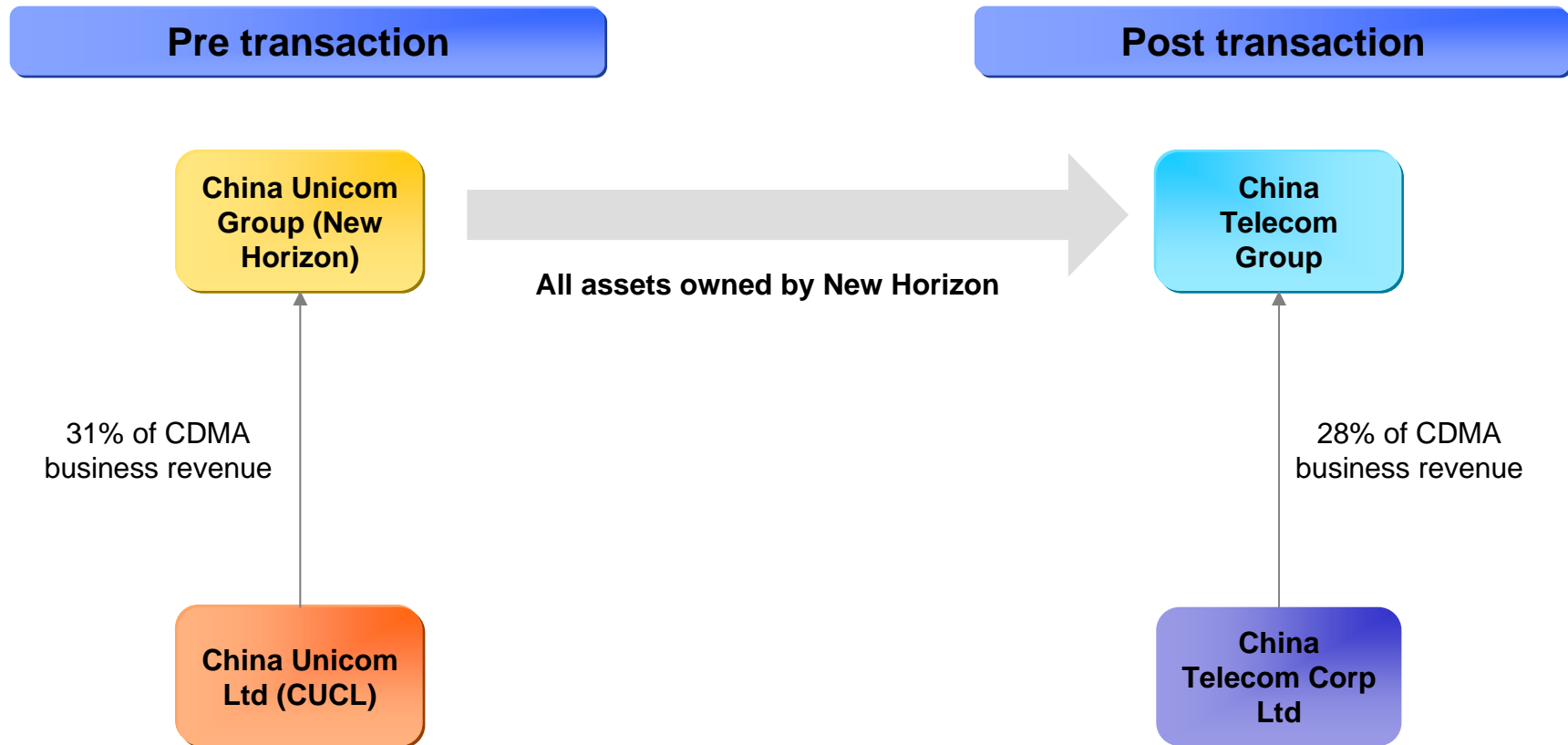
Purchase option

- China Telecom Corp Ltd has the option to purchase the CDMA network from China Telecom Group
- Purchase price to be determined with reference to the appraised value of the CDMA network
- The purchase price shall not be greater than the amount which enables China Telecom Group to recover the network investment costs together with an internal rate of return on investment of 8%

Network investment

- All costs incurred in relation to any network re-configuration, upgrade, enhancement or modification shall be borne by China Telecom Group
- The operation and management costs of the CDMA network shall be borne by China Telecom Corp Ltd
- The network related maintenance costs will be proportionally shared between China Telecom Corp Ltd and China Telecom Group according to the use of network capacity

Favorable lease fee rate

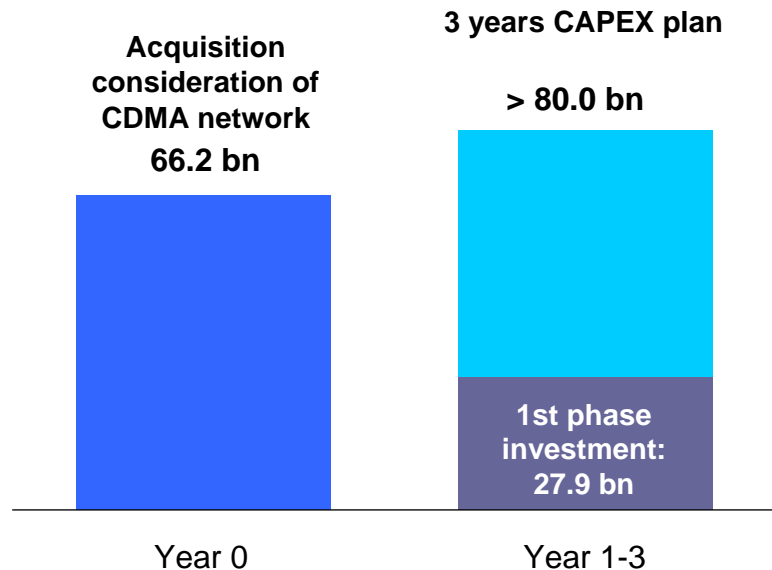


Favorable lease fee rate of 28% of CDMA business revenue (vs. 31% under Unicom CDMA Lease) with other terms and conditions broadly in line with Unicom CDMA Lease

Network investment by China Telecom Group

China Telecom Group CDMA network investment

RMB



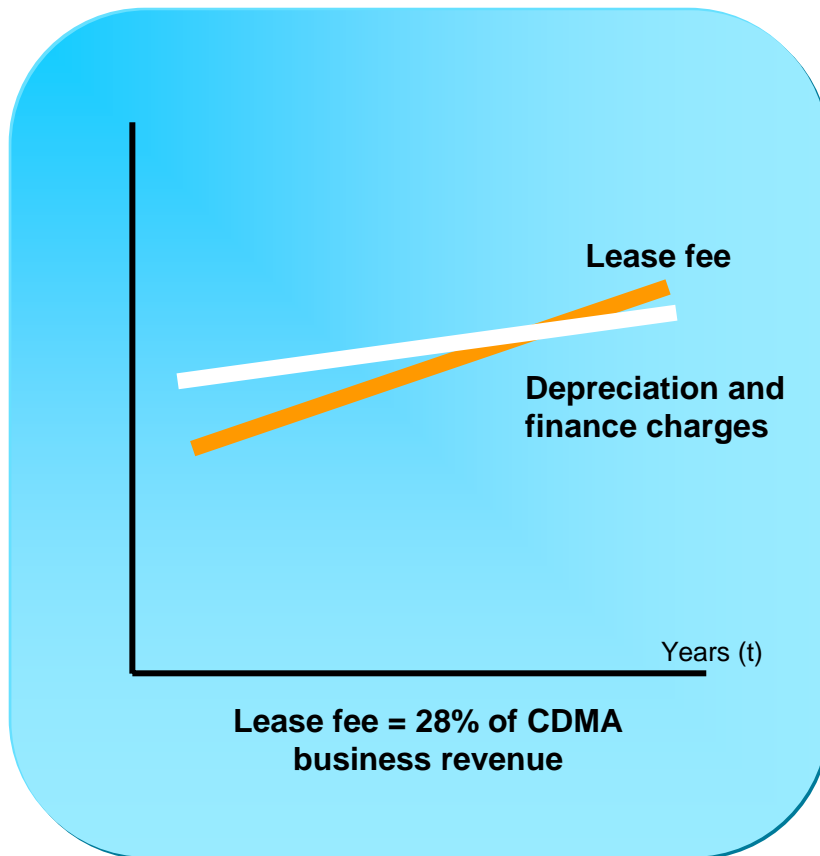
CDMA network construction targets in 3 years

- Wireless network: realize CDMA1X enhanced system in the urban areas
- Core network: introduce mobile IMS across the network to achieve broadband and IP capabilities
- Business platform: achieve ISMP-based group and provincial 2-tier business platform and introduce IMS business (IP-based triple-play service)
- Network capacity to exceed 200 million subscribers with industry leading network quality in urban areas

Exclusive use of CDMA network to reduce investment requirement and operating risk during initial period of operation

Enhance operating profitability and flexibility

The CDMA lease provides operating cost savings and great flexibility to enhance value

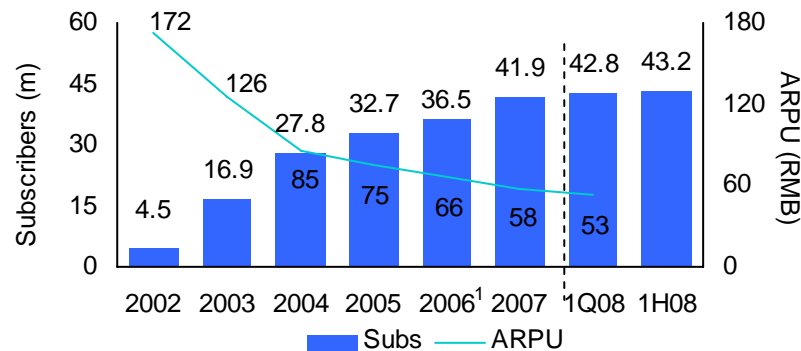


- Through the lease agreement, the company will achieve savings of operating cost during the initial period of operation
 - Avoids depreciation and finance charges related to the CDMA network
 - Reduces operating risk as lease fee being directly proportional to CDMA business revenue
- The lease agreement provides operating and financial flexibility to the company
 - The lease agreement is renewable on expiry
 - The purchase option under the lease agreement allows the Company to purchase the CDMA network from China Telecom Group when the company decides beneficial to do so in the future

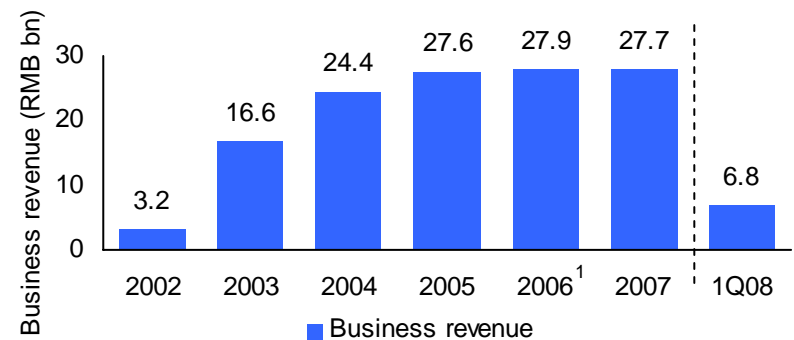
CDMA business development initiatives

Existing CDMA business

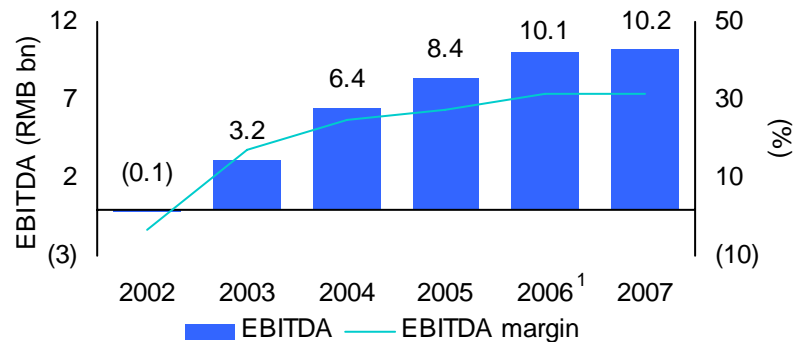
Subscribers and ARPU



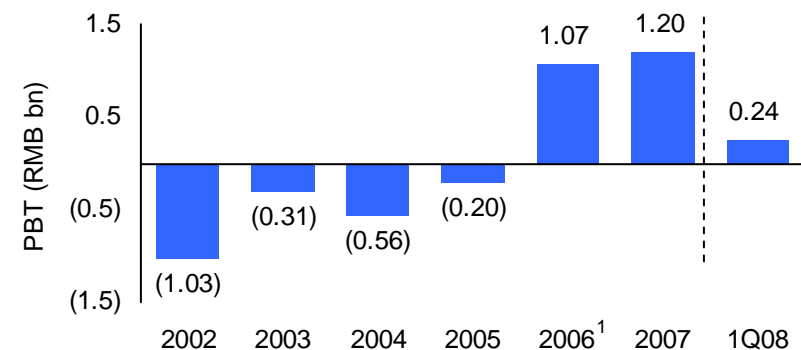
Business Revenue



EBITDA- Before Lease Payment



Profit Before Tax

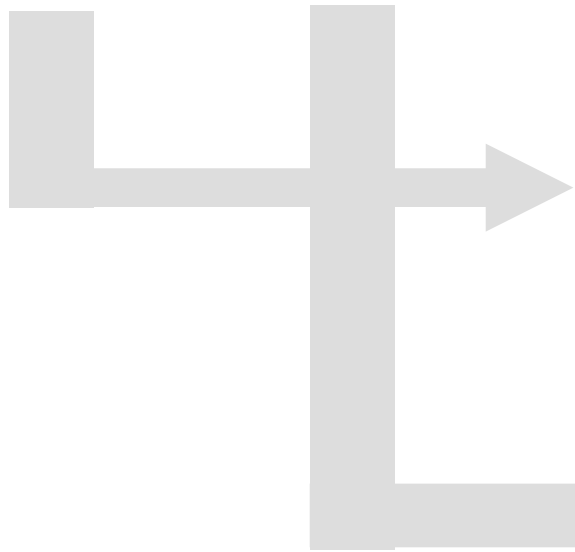


Source: China Unicom company filings, 20F filings

Note: ¹ Restated to include the results of the Guizhou business, acquired by China Unicom in 2007

Mobile business development strategies

Customer focused **Informatization + Innovation** **Integrated information services provider**



Focus on mid-to-high end customers

- Add mobile services for government & enterprise and household customer brands; Innovate new products and services leveraging CDMA network strengths

Differentiated services offering

- Satisfy customers' diverse needs by providing differentiated and integrated information services based on mobile internet and fixed-mobile convergence

Realize synergies to improve operating profitability



Profitable scale development

- Leverage the effective utilization of the existing fixed line and CDMA network resources to drive synergy
- Focus on return on capital and cost effectiveness to enhance CDMA profitability

Differentiated operation

Leveraging customer brands to stimulate mobile services penetration and to enrich customer experience



Add-in mobile service

Innovative mobile communication in the Internet era to provide seamless information experience

Individual customer brand

Promote mobile Internet applications

Leveraging CDMA technology strength (high data speed and spectrum efficiency, security and environmental friendly) & customer segmentation, develop differentiated products and services to satisfy customers' communication and informatization needs

Enhance network coverage, quality and functionality

Investment Strategies of China Telecom Group

1

- Focus resources in urban area to increase network capacity and improve network quality; Appropriate investment in rural area to optimize mobile network

2

- Dual emphasis on network expansion & optimization effectively leveraging CDMA and existing fixed line network resources to enhance customer experience and investment efficiency

3

- Implement CDMA 1X enhanced system in key cities in 2-3 years to increase coverage for wireless high-speed data transmission and achieve industry leading network access capability

Realize synergies

R&D and IT system

- Promptly launch new mobile products and services leveraging market changes
- Fully support mobile services with CRM and unified billing system

Brand and customer resources

- Utilize customer brands & resources to rapidly expand mobile customer base
- Leverage customer-focused operation to provide targeted & integrated communication and information services

Synergies

Network resources

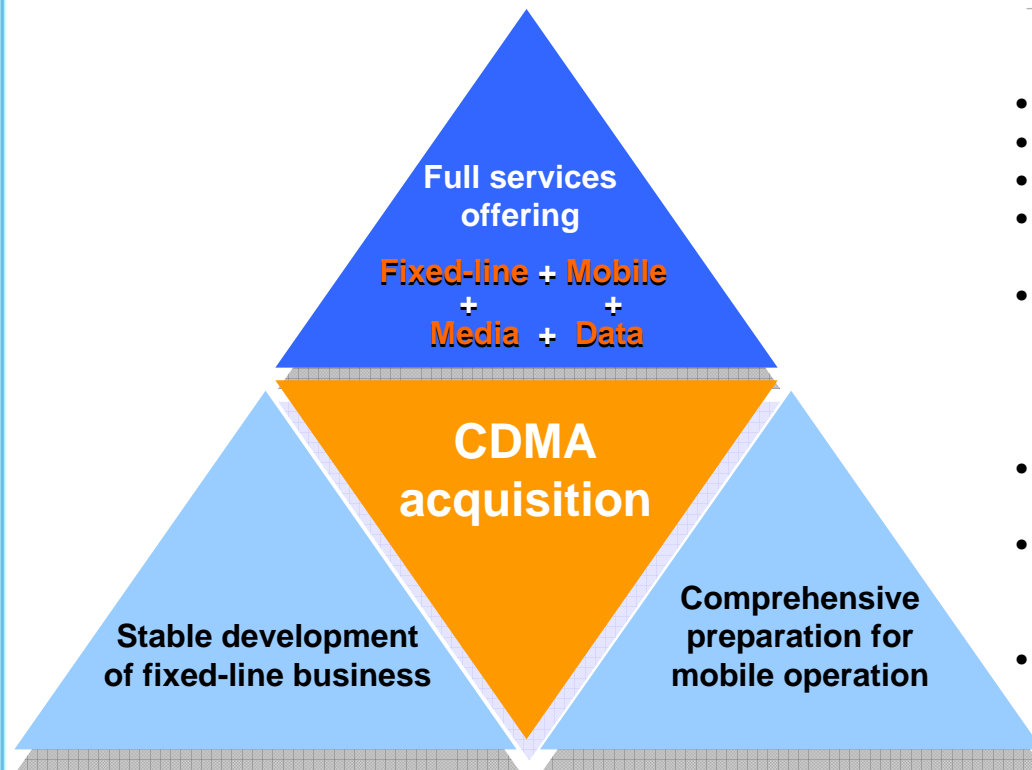
- To achieve complementary operation of CDMA network with existing fixed-line transmission, access, international gateways, CN2, IP metro network to enhance overall efficiency
- Utilize PAS in-building distribution points, WiFi hot spots and local transmission infrastructure buildings to support the ongoing development of the mobile network

Customer service system

- Efficient direct sales channel for government & enterprise customers
- High quality “10000” customer service system
- Extensive sales outlets

Enhancing value through full services offering

Enriching customer experience
Enhancing the company's competitiveness
Realizing significant synergies
Creating shareholders' value



CDMA acquisition

- Undertake CDMA business
- Relatively comprehensive customer services system
- A relatively complete CDMA network with stand alone operation and continuous services capability

Comprehensive preparation for mobile operation

- Network transfer and optimization
- IT system construction and revamp
- Equipment procurement and network construction
- Integration and enhancement of fixed-line and mobile products
- Distribution & marketing, international roaming arrangement

Stable development of fixed-line business

- Target key customer segments like government & enterprise and household customers
- Strengthen development of transformation businesses such as broadband, value-added and integrated information services
- Consolidate traditional business via effective bundling and integration with transformation businesses

Mobile operation key targets

Present:

- Prepare for network transfer
- Enhance network quality
- Innovate new products and services

Near term:

- Integrate fixed-line and mobile resources and strengths
- Differentiated & integrated services for different customer segments

Next 2~3 years:

- Achieve significant subscriber base and economies of scale in mobile business
- Subscriber base to exceed 100m with market share ~ 15%
- Stable ARPU on upward trajectory with VAS revenue accounting for 35%

Summary

Immediate entry into and benefit from the fast-growing, profitable mobile market in China

Benefits from the CDMA network lease agreement

Increased competitiveness through full services offerings

Value creation with operation synergies

Sustained operational and financial flexibility

Increase shareholders' value

Thank you!