



Press Release
28 August 2008
For Immediate Release

China Telecom Corporation Limited
Announcement of Interim Results
For the six months ended 30 June 2008

Deepen Strategic Transformation, Maintain Profitable Development

(All financial data used hereinafter has included the financial impact of acquisition of Beijing Telecom)	Excluding upfront connection fees (with the impact from snowstorm, earthquake and change in income tax rate)			Including upfront connection fees (with the impact from snowstorm, earthquake and change in income tax rate)
	1H2007	1H2008	Growth	1H2008
Operating revenues (RMB million)	88,091	89,406	1.5%	90,434
EBITDA* (RMB million)	45,108	44,268	-1.9%	45,296
Net Profit* (RMB million)	12,090	11,606	-4.0%	12,634
Basic EPS* (RMB)	0.15	0.14	-4.0%	0.16
Free Cash Flow** (RMB million)	19,465	21,669	11.3%	N/A

* The natural disasters such as snowstorms and earthquake cost approximately additional RMB1,700 million to the network operation costs with an after tax effect of approximately RMB1,281 million in the first half of 2008. The implementation of new income tax law resulted in a tax saving of approximately RMB706 million. Excluding the amortization of the upfront connection fees, the impact of natural disasters such as snowstorms and earthquake and of the variation in income tax rate, EBITDA was RMB45,968 million, a 1.9% growth from the same period last year, profit attributable to equity holders of the Company was RMB12,181 million, a 0.8% growth from the same period last year and basic earnings per share was RMB0.15.

** Free Cash Flow = EBITDA (excluding upfront connection fees) – CAPEX – Income Tax

China Telecom Corporation Limited (hereinafter “China Telecom” or the “Company”) (Stock Code on the Hong Kong Stock Exchange: 728) (Stock Code on the New York Stock Exchange: CHA) announces its 2008 interim results today in Hong Kong.

In the first half of this year, the unexpected serious natural disasters such as snowstorms and earthquake together with the intensified market competition, have given the Company unprecedented harsh challenges. However, with the unwavering dedication and exceptional endurance of the Company’s management and all its people, the Company achieved encouraging

results. In the fight against the disasters and the subsequent reconstruction works, China Telecom well-demonstrated not only its outstanding capability for ensuring communications, but also its high regards of responsibility towards the society and its shareholders. Facing intense market competition, the Company continuously expanded the market with customer focused to maintain the stability of the Company's fundamentals and lay a solid foundation for the full services offering in the future.

In the first half of 2008, revenue from the non-voice service as a percentage of operating revenues reached 43.5%, a 8.5 percentage point growth from the same period last year. The Company further explored the broadband access subscribers market and maintained the rapid growth of subscriber base and service revenue. The broadband subscribers in the first half of the year increased by 4.30 million to a total number of 39.95 million. Revenue from broadband access reached RMB19,279 million, a 31.3% growth from the same period last year. At the same time, the Company adhered to the strategy of leveraging informatization applications to drive business development and continued to promote the rapid development of "Best Tone" and ICT services (including IT services and applications as well as video applications such as "Mega Eye"). In the first half of the year, revenues from "Best Tone" and ICT services grew by 56.7% and 101.8% respectively, contributing 0.87 and 1.19 percentage point growth to the total revenue. In the first half of 2008, there was a significant decline in the Company's wireline voice service. Revenues from local telephone services and long distance services fell 13.9% and 9.4% respectively from the same period last year. There was a net decrease of 5.44 million access lines in service in the first half of the year, mainly of low-end subscribers. In response, the Company insisted on profitable development of voice service and controlled marketing expenditure of low return. The Company also insisted on driving the voice services through integrated development with transformation services, and provided differentiated services for different customers with a view to consolidating its traditional voice services.

In the first half of 2008, the Company's financial performance remained stable. Excluding the upfront connection fees, the operating revenues were RMB89,406 million, a 1.5% growth from the same period last year. EBITDA was RMB44,268 million, a 1.9% decrease from the same period last year, and the EBITDA margin was 49.5%. Profit attributable to equity holders of the Company was RMB11,606 million, a 4.0% decrease from the same period last year, and basic earnings per share was RMB0.14. Capital expenditure was RMB18,783 million, a 9.5% decrease from the same period last year. Free cash flow reached RMB21,669 million, a 11.3% increase from the same period last year.

Taking into consideration the Company's business development needs and its cash flow position, the Board of Directors has resolved not to pay any interim dividend for the year in order to maintain adequate funding flexibility. The Board of Directors will proactively consider the

final dividend proposal at the time of reviewing the full year results and propose to the shareholders' general meeting accordingly.

Mr. Wang Xiaochu, Chairman and Chief Executive Officer of the Company expressed that by way of the on-going CDMA business acquisition, the Company will quickly enter into the mobile communications market and attain enormous development potential. The Company will leverage transformation to drive full services offering. The Company aims to effectively converge the mobile elements with the integrated information services and implement differentiation development strategy with a focus on mid- to high-end urban customers. At the same time, the Company will coordinate the existing wireline and mobile network resources to drive synergy, and strive to achieve the profitable scale development of the mobile business. The Company believes that the full services offering will greatly enhance its core competitiveness. The Company is going to reach a new stage of growth and would create more value for its shareholders.

For further information, please browse the Company's website at: www.chinatelecom-h.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement 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 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.

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