



**News Release**

**31 August 2005  
For Immediate Release**

**China Telecom Corporation Limited (HKSE: 728; NYSE: CHA)  
announces its interim results for the 6 months ended 30 June 2005**

**Steady growth in revenue and net profit, favourable start-up of strategic transformation**

In the first half of 2005, despite facing intense market competition and pressure from mobile substitution, China Telecom fully attained its budgeted goals. Revenue and profit grew steadily, and the Group's strategic transformation has brought favourable initial results.

In the first half of this year, the Group's financial results were favourable. Excluding upfront connection fees of RMB3,403 million, the Group's operating revenue\* was RMB80,620 million, representing an increase of 6.1% compared to the same period last year. Broadband Internet services and value-added services became the key drivers of revenue growth of the Group, and revenue generated from non-voice services, such as Internet access and value-added services, accounted for 23.6% of its operating revenue, representing an increase of 3.3 percentage points compared to the same period last year. The Group's EBITDA\* was RMB42,518 million. EBITDA margin\* was 52.7%, which maintained at a relatively high level. Operating costs for the first half of the year increased 4.7% over the same period last year. The rate of increase in operating costs was lower than the rate of increase in our operating revenue, ensuring a gradual increase in profitability. Profit attributable to equity holders of the Company\* reached RMB11,293 million for the first half of the year, representing an increase of 7.8% compared to the same period last year. The Group's free cash flow amounted to RMB15,101 million. (\* Including the amortisation of upfront connection fees, operating revenue was RMB84,023 million, EBITDA was 45,921 million, EBITDA margin was 54.7% and profit attributable to equity holders of the Company was RMB14,696 million.)

In the first half of 2005, the Group's business grew steadily. Wireline telecommunications services developed steadily. Broadband Internet services and value-added services grew rapidly and non-voice services provided strong momentum for the Group's business growth. As at 30 June 2005, the total number of local telephone subscribers reached 202 million, representing a growth rate of 8.4% from the end of last year. Wireless local access service experienced stable

growth and investment return continuously increased. Strengthening the development of value-added services is an important measure in our strategic transformation. In the first half of this year, value-added services generated RMB4,601 million in revenue, representing an increase of 56.0% over the same period last year. New value-added services, such as SMS over PAS and Color Ring Tones, grew vigorously, indicating ample room for development. Net addition of broadband subscribers in the first half of 2005 was 3.53 million, and revenue from Internet access was RMB8,538 million, up by 29.3% from the same period of last year.

Taking into consideration the Company's needs to sustain business development, its cash flow position, and to retain sufficient flexibility in funding, the Board of Directors resolved not to pay interim dividends for this year. The Board of Directors will review the final dividend distribution plan at the time of reviewing the full year results and submit a proposal to the shareholders' meeting.

The Company is committed to the continuous improvement of its corporate governance. The Company held the Annual General Meeting in Hong Kong during the first half of this year and reported directly to our shareholders and exchanged views with them. In addition, the Company will increase the number of independent non-executive directors to comprise one-third of our Board of Directors. The Company will increase the contents of its quarterly disclosure progressively to enhance transparency.

Mr. Wang Xiaochu, Chairman and Chief Executive Officer, pointed out that: "We will continue to actively effect our strategic transformation into a "modern integrated information services provider", creating value for our shareholders. We will pursue the convergence and innovation of multi-services, multi-networks and multi-terminals, providing customers with "Triple-play" services of voice, data and video, and realizing the extension of our service value chain. We will endeavour to optimise the structures of our revenue, investment, operating costs and human resources by accelerating the transformation of our products and services, network and technology, organisation and human resources. Through our long-term persistent efforts, we will progressively become an integrated telecommunications services provider, an aggregator of Internet applications, a leader in system integration and a dominant player in the integrated information services value chain, with a view to driving our sustainable development, realising the transformation to a value enhancement model based on economies of scale, and also maintaining our leading position in the industry.

Looking ahead, we are fully confident of our future prospects. As we continue to progress with our strategic transformation efforts, our core competitiveness will be further enhanced and our profitability will be further improved, allowing us to deliver better returns to our shareholders."

For more details, please visit China Telecom's website at [www.chinatelecom-h.com](http://www.chinatelecom-h.com).

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**Forward Looking Statements**

Certain statements contained in this document are “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, by their nature, 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 set forth in 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 and the Registration Statement on Form F-3 filed with the U.S. Securities and Exchange Commission (“SEC”) and in the Company’s other filings with the SEC.

**Press Enquires:**

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