



**Press Release**  
**30 August 2006**  
**For Immediate Release**

**China Telecom Corporation Limited**  
**Interim Results Announcement**  
**For the Six Months Ended 30 June 2006**

**Solid Operating Performance Realizing Long Term Sustainable Growth**

	(Excluding upfront connection fees)			(Including upfront connection fees)
	1H 2005	1H 2006	Growth	1H 2006
Operating revenue (RMB million)	80,620	84,442	4.7%	86,936
EBITDA (RMB million)	42,518	44,217	4.0%	46,711
Net Profit (RMB million)	11,293	11,590	2.6%	14,084
EPS (RMB)	0.140	0.143	2.6%	0.174
Free Cash Flow* (RMB million)	15,101	18,934	25.4%	N/A

Note: \*Free Cash Flow = EBITDA (Excluding upfront connection fees) – CAPEX – Income Tax

China Telecom Corporation Limited (hereinafter “China Telecom” or the “Company”) (HKEx: 0728) (NYSE: CHA) announces today its interim results for 2006 in Hong Kong.

It is delighted that strategic transformation resulted in continuous growth in revenue and profit for the first half of the year. Although the Company faced serious challenge brought by intensifying market competition on traditional voice business, the Company has been proactively transforming the operation model, fully utilized the competitive edge of multi-services operation and strengthened the convergence offering of voice, Internet and information services. The above initiatives enhanced our non-voice business to become the major revenue growth driver, successfully compensated the declining voice business and thus maintained the sustainable revenue growth.

The Company performed well in the first half of 2006, with signs of success in implementing strategic transformation. The total number of access lines in services was 219 million, a net increase of 8.62 million. The net addition of broadband subscribers surged to a record high of 4.24 million, bringing the total to 25.26 million. The Company has optimized revenue structure, with revenue from non-voice services increased to RMB23.244 billion in first half 2006 from RMB19.046 billion in first half 2005, accounting for 27.5% of total operating revenue, an increase of 3.9 percentage points against the last corresponding period.

The Company achieved solid financial results. Excluding upfront connection fees, operating revenue was RMB84.442 billion, an increase of 4.7% from the same period last year. EBITDA was RMB44.217 billion, representing a year-on-year increase of 4.0%. EBITDA margin was 52.4%. Profit attributable to equity holders of the Company reached RMB11.590 billion. Basic earnings per share was RMB0.143. CAPEX was RMB20.773 billion, 9.1% less than that in the same period of 2005. Free cash flow amounted to RMB18.934 billion, RMB3.833 billion more than that in the first half of 2005.

Taking into consideration the Company's cash flow position, sustainable business development needs, and to maintain sufficient financial flexibility, the Board of Directors resolved not to pay interim dividend for the year. The Board of Directors will proactively review the final dividend proposal at the time of reviewing the full year results and submit the same to the shareholders' general meeting.

Mr. Wang Xiaochu, Chairman and Chief Executive Officer of the Company, said that in the past year or so, the Company gained precious experience and achieved encouraging results in business transformation. The Company's new core competitive strengths were promptly developed. Looking ahead, China Telecom is affirmative that successful implementation of strategic transformation will significantly enhance its core competitive capabilities. Through transforming the corporate value growth model, further enhancing precision management, optimizing resources allocation, and strengthening cost and investment controls, China Telecom is committing to improve its profitability and maximize shareholders' value.

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For further information, please browse our website at: [www.chinatelecom-h.com](http://www.chinatelecom-h.com).

### ***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. 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 (the “SEC”) and in the Company’s other filings with the SEC.

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