



Press Release  
26 March 2007  
For Immediate Release

**China Telecom Corporation Limited  
Announcement of Results  
For the year ended 31 December 2006**

**Strategic Transformation Gaining Momentum and  
Driving Sustained Growth**

	(Excluding upfront connection fees)			(Including upfront connection fees) 2006
	2005	2006	Growth	
Operating revenues (RMB million)	162,529	170,122	4.7%	175,093
EBITDA (RMB million)	81,825	84,911	3.8%	89,882
Net Profit (RMB million)	21,131	22,171	4.9%	27,142
EPS (RMB)	0.261	0.274	4.9%	0.335
Free Cash Flow* (RMB million)	21,801	29,072	33.4%	N/A

\* 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 2006 annual results today in Hong Kong.

In response to an increasingly competitive environment of telecommunications industry in China, the Company leverages its rich talents and networks resources as well as its multi-services offering edge. Aiming at the diverse needs of customers, the Company continuously provided innovated products and services to delight and enhance value to them. These included improved high speed Internet experience, feeding information to customers for their needs in daily life or business, providing IT and applications services to enhance their operating efficiency and business opportunities. The above initiatives have not only abated the challenges on traditional business operations, but also led to sustained growth in the Company’s overall revenues and profit.

In 2006, the Company's business structure was further optimized, with revenues from non-voice business representing 29.0% of total operating revenues (excluding the amortised upfront connection fees), an increase of around 5 percentage points. The integrated information services were promptly launched and started taking shape with its revenues representing 20.0% of value-added services (VAS) revenues. Our customer base continued to expand in 2006. The number of access lines in service reached 223 million, a net increase of 12.95 million from 2005. The number of broadband subscribers reached 28.32 million, a net increase of 7.3 million from 2005.

In 2006, the Company achieved favorable financial performance. Excluding the upfront connection fees, operating revenues were RMB170,122 million, an increase of 4.7% from 2005; EBITDA was RMB84,911 million, an increase of 3.8% from 2005, EBITDA margin was 49.9%; profit attributable to equity holders of the Company was RMB22,171 million, an increase of 4.9% from 2005; earnings per share was RMB0.27. Capital expenditure decreased by 8.9% from 2005 to RMB49,085 million as a result of more effective expenditure control. Free cash flow reached RMB29,072 million, an increase of 33.4% from 2005.

Taking into consideration the requirement for shareholders' return and the need to maintain capital flexibility for ensuring the sustainable development of the Company, the Board of Directors will recommend at the forthcoming Annual General Meeting that the dividend be further increased to an equivalent of HK\$0.085 per share, an increase of 13.3% from 2005.

Mr. Wang Xiaochu, Chairman and Chief Executive Officer of the Company expressed that the informatization process has continued to accelerate in China with rapidly growing demand for information infrastructure, information technology and applications services by the government, enterprises and households. This brings tremendous business development opportunities for us. However, the Company also well realizes the irreversible trend of mobile substitution and increasingly intensified competition in the telecommunications industry, the Company shall continue to progress its strategic transformation and further innovate to improve its systems and mechanisms. The Company shall also fully implement brand oriented operation and continue to strengthen its strategic execution capabilities to enhance value for customers, the Company and shareholders altogether.

For further information, please browse the Company's 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 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 filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.

### **For press enquiries:**

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