

CHINA TELECOM CORP LTD  
Form 6-K  
March 27, 2007  
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1934 Act Registration No. 1-31517

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

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Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the Month of September 2006

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## China Telecom Corporation Limited

(Translation of registrant's name into English)

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31 Jinrong Street, Xicheng District

Beijing, China 100032

(Address of principal executive offices)

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(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F  Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): )

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): )

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

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Yes \_\_\_\_\_ No X

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82 .)

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO.333-113181) OF CHINA TELECOM CORPORATION LIMITED AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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<b>Exhibit Number</b>		<b>Page</b>
1.1	<u>Announcement of the Annual Results for the Year Ended December 31, 2006</u>	A-1
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**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Form 6-K may be viewed as forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Such forward-looking statements involve 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. The forward-looking statements include, without limitation, the continued growth of the telecommunications industry in China; the development of the regulatory environment; and the Company's ability to successfully execute its business strategies.

Such forward-looking statements reflect the current views of the Company with respect to future events. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, any changes in the regulatory policies of the Ministry of Information Industry and other relevant government authorities; any changes in telecommunications and related technology and applications based on such technology; and changes in political, economic, legal and social conditions in China, including the Chinese government's policies with respect to economic growth, foreign exchange, foreign investment and entry by foreign companies into China's telecommunications market. Please also see the Risk Factors section of the Company's latest Annual Report on Form 20-F, as filed with the Securities and Exchange Commission.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA TELECOM CORPORATION LIMITED

Date: March 27, 2007

By: /s/ Wang Xiaochu  
Name: Wang Xiaochu  
Title: Chairman and Chief Executive Officer

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**Exhibit 1.1**

**China Telecom Corporation Limited**

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0728)

**Announcement of Annual Results for the Year Ended 31 December 2006**

**HIGHLIGHTS**

Including the amortisation of

upfront connection fees

Operating revenues reached RMB175,093 million

Excluding the amortisation of

upfront connection fees

Operating revenues reached RMB170,122 million, up by 4.7%

EBITDA reached RMB89,882 million, EBITDA margin was 51.3%

EBITDA reached RMB84,911 million, up by 3.8%, EBITDA margin was 49.9%

Profit attributable to equity holders of the Company was RMB27,142 million, earnings per share reached RMB0.34

Profit attributable to equity holders of the Company was RMB22,171 million, up by 4.9%, earnings per share reached RMB0.27

Total number of access lines in service reached 223 million, net increase of 12.95 million, up by 6.2%

. Broadband subscribers reached 28.32 million, net increase of 7.30 million, up by 34.7%

**CHAIRMAN'S STATEMENT**

Dear Shareholders,

I am very encouraged to see the positive results of 2006 driven by our strategic transformation. In anticipation of rising challenges to our traditional wireline voice services business by mobile substitution, we decisively advocated and implemented strategic transformation two years ago, taking advantage of new business opportunities enhanced by the advancement of information technology. Aiming at the diverse needs of our customers, we continuously provided innovated products and services to delight and enhance value to them, leveraging our rich talents and network resources as well as our multi-services offering edge. These included improved high speed Internet experience, feeding information to our customers for their needs in daily life or business, providing IT and applications services to enhance their operating efficiency and business opportunities. Our above initiatives have not only abated the challenges on our traditional business operations, but also led to sustained growth in our overall revenue and profit. We firmly believe that as we further deepen our implementation of strategic transformation and progress our way to full services convergence offering, our customers' experience and value will be further enhanced, and our success and enhancement of shareholder value will follow.

**FINANCIAL RESULTS**

In 2006, the Company achieved favorable financial performance. Operating revenues reached RMB175,093 million, an increase of 3.4% from 2005, in which the amortisation of upfront connection fees was RMB4,971 million. Excluding the upfront connection fees, operating revenues

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was 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

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flow<sup>(1)</sup> reached RMB29,072 million, an increase of 33.4% from 2005. (\* Including the amortisation of upfront connection fees, EBITDA was RMB89,882 million, EBITDA margin was 51.3%, profit attributable to equity holders of the Company was RMB27,142 million and earnings per share was RMB0.34.)

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.

## BUSINESS PERFORMANCE

In 2006, we firmly implemented our transformation strategy and strengthened our execution capability. In response to an increasingly competitive environment, we emphasized the profitable development of our voice business. Instead of directly competing on pricing and driving revenue growth solely based on subscriber base expansion, we accelerated the development of integrated information services and enriched the value content of the transformation business. Leveraging our multi-services offering edge, we consolidated our traditional business through integrated development while progressing our way towards an integrated information services provider. In 2006, business structure was further optimized, with revenue from non-voice business accounting for 29.0% of 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 revenue accounting for 20.0% of value-added services

(VAS) revenue. 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 response to customers' needs, we continued to explore the potentials of integrated information services, such as "Best Tone" services. By leveraging our quality broadband access service, we strengthened our efforts in developing Internet value-added applications services, IT applications and services, and maintenance outsourcing services.

Branding is a collective reflection of corporate value. Effectively integrating services and products into customer brands is critical to enhancing customers' perception, psychological preference and product value. Riding on our reputable corporate and business brands, we established our customer branding structure with regard to various customer segments. For enterprise customers, we further enriched the services and applications of "BizNavigator" to enhance their value through our professional and customized information solutions. For household customers, we launched "One Home" to meet their diverse needs for communication and information services, leveraging our multi-services offering edge. We will closely monitor the development of the individual customer market and will launch our brand for individual customers in due course so as to establish a comprehensive customer branding structure.

We had adjusted our investment structure and focus in line with our strategic transformation and business development, with resources allocation skewed towards high-return projects. We increased investment for strategic and transformation businesses, ensuring adequate investment in the underlying network and advancing our network capability on providing integrated services. At the same time, we optimized resource allocation and reduced investment in traditional business infrastructure including network, buildings and pipelines. We invigorated existing network resources and increased the utilization of our traditional network. In 2006, we basically completed our intelligent network upgrade, further optimising our IP network. We also incorporated soft-switches into our network with scale, strengthening our capabilities on providing integrated and differentiated services.

In 2006, we actively enhanced our human resources management system by strengthening employment reform, improving performance appraisal management, enhancing incentive schemes and refining remuneration mechanisms and fringe benefits. We closely monitored our employee numbers and structure and sourced for experienced personnel to join our Company. To promote the development of our transformation business, we implemented reforms on personnel management, employment and remuneration systems for the new and developing businesses.

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We seized competitive advantage in the value chain by leveraging third parties' strategic resources and strength. In appreciation of the importance of the joint efforts of the value chain in promoting the development of information services, we effectively joined together various strategic resources. We established close relationship with leading contents and services providers, and strengthened cooperation with equipment manufacturers for the development of new businesses and new terminals to further enhance our competitiveness along the value chain.

We further strengthened precision management and optimized resources allocation. We continued to enhance the organization and control of logistics, capital and information flows. In 2006, the IT systems had achieved initial transform from being product-oriented to customer-oriented, from supporting a unitary product to accommodating integrated products and services packages. Significant progress was made in the development of the provincial-centralized customer relation management system and the billing system for integrated services. These had enhanced our precision management, marketing and servicing capabilities. With the implementation of stringent financial control, our capital resources and costs were skewed towards high-growth and high return business and operating units. We also improved our assessment system for business performance to enhance corporate value.

## CORPORATE GOVERNANCE

We are firmly committed to continuously improving corporate governance. Starting from 2006, we further enhanced our transparency by publishing monthly subscriber numbers and disclosing additional quarterly key business and financial metrics. We continued to hold our Annual General Meeting in Hong Kong and fully utilized our corporate website to enhance interactive communications with shareholders. Over the years, we continued to improve our internal control systems covering financial reporting, compliance, operational controls and risk management functions, with reference to international best practices and relevant regulatory requirements. We implemented strict reviews of internal controls and established standing mechanisms to further improve operational efficiencies, reduce corporate risks so as to safeguard the interests of our shareholders.

## OUTLOOK FOR 2007

We have clearly noticed from a global perspective that following the rapid expansion of mobile business, the deployment of ever-changing IP applications, and the acceleration of convergence of triple-play networks, transformation has become the global development trend of the telecommunications industry. It will be increasingly common for telecommunications operators to develop full-services operation. Following the comprehensive implementation of China's Eleventh Five-Year Plan, the entire telecommunications industry in China will aim to change its mode of growth and explore new areas of development to achieve sustainable growth and promote prosperity of the country. In recent years, the informatization process has continued to accelerate in China with the rapidly growing demand for information infrastructure, information technology and applications services by the government, enterprises and households. This brings tremendous business opportunities for us. However, we also well realize the irreversible trend of mobile substitution and increasingly intensified competition in the telecommunications industry. We shall strive to grasp every opportunity to accomplish new developments, leveraging our motivated and innovative talents.

Looking ahead, we are fully confident. We shall continue to progress our strategic transformation and further innovate to improve our systems and mechanisms. We shall also fully implement brand oriented operations and continue to strengthen our strategic execution capabilities to enhance value for our customers, our company and our shareholders altogether.

Finally, I would like to take this opportunity to express my sincere appreciation to all of our shareholders, directors, members of the Supervisory Committee as well as our employees and customers.

Wang Xiaochu

Chairman and Chief Executive Officer

Beijing, PRC

26 March 2007



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## GROUP RESULTS

China Telecom Corporation Limited (the Company) is pleased to announce the consolidated results of the Company and its subsidiaries (the Group) for the year ended 31 December 2006 extracted from the audited financial statements of the Group as set out in its 2006 annual report.

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006

(Amounts in millions, except per share data)

	Note	2006 RMB	2005 RMB
Operating revenues	2	175,093	169,310
Operating expenses			
Depreciation and amortisation		(51,272)	(49,652)
Network operations and support		(30,723)	(30,334)
Selling, general and administrative		(22,214)	(19,892)
Personnel expenses		(26,019)	(24,960)
Other operating expenses		(6,255)	(5,518)
Total operating expenses		(136,483)	(130,356)
Operating profit		38,610	38,954
Net finance costs	3	(4,667)	(4,895)
Investment loss		(25)	(7)
Share of profit from associates		61	62
Profit before taxation		33,979	34,114
Income tax	4	(6,754)	(6,160)
Profit for the year		27,225	27,954
Attributable to:			
Equity holders of the Company		27,142	27,912
Minority interests		83	42
Profit for the year		27,225	27,954
Basic earnings per share	5	0.34	0.34
Weighted average number of shares		80,932	80,932

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## CONSOLIDATED BALANCE SHEET

at 31 December 2006

(Amounts in millions)

	Note	2006 RMB	2005 RMB
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment, net		328,304	328,281
Construction in progress		18,416	23,567
Lease prepayments		5,092	5,117
Interests in associates		581	548
Investments		225	182
Deferred tax assets		10,866	10,885
Other assets		10,994	11,893
Total non-current assets		374,478	380,473
Current assets			
Inventories		3,018	2,702
Accounts receivable, net	7	15,806	16,142
Prepayments and other current assets		2,429	2,406
Time deposits with maturity over three months		119	292
Cash and cash equivalents		18,191	15,121
Total current assets		39,563	36,663
Total assets		414,041	417,136
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Short-term debt		79,516	76,005
Current portion of long-term debt		8,242	8,963
Accounts payable	8	31,986	33,949
Accrued expenses and other payables		26,570	26,885
Income tax payable		3,115	2,108
Current portion of finance lease obligations		48	108
Current portion of deferred revenues		7,098	8,958
Total current liabilities		156,575	156,976
Net current liabilities		(117,012)	(120,313)
Total assets less current liabilities		257,466	260,160

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	Note	2006 RMB	2005 RMB
<b>Non-current liabilities</b>			
Long-term debt		37,257	55,777
Finance lease obligations			52
Deferred revenues		13,625	18,750
Deferred tax liabilities		2,711	2,620
Total non-current liabilities		53,593	77,199
<b>Total liabilities</b>		<b>210,168</b>	<b>234,175</b>
<b>Equity</b>			
Share capital		80,932	80,932
Reserves		121,493	100,585
Total equity attributable to equity holders of the Company		202,425	181,517
Minority interests		1,448	1,444
<b>Total equity</b>		<b>203,873</b>	<b>182,961</b>
Total liabilities and equity		414,041	417,136

Notes:

**1. BASIS OF PREPARATION**

The audited financial statements have been prepared in accordance with International Financial Reporting Standards ( IFRS ) promulgated by the International Accounting Standards Board ( IASB ). IFRS includes International Accounting Standards ( IAS ) and interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and revised IFRS which are effective for accounting periods on or after 1 January 2006. The adoption of these new and revised IFRS did not result in significant changes to the Group's accounting policies applied in these financial statements for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

With effect from 1 January 2006, the Group has presented the amount of personnel expenses on the face of the consolidated income statement as a separate caption and has disclosed the respective amounts attributable to the network operations and support, and selling, general and administrative functions in the notes to the financial statements. The related comparative figures have been reclassified to conform with the current year's presentation.

**Table of Contents****2. OPERATING REVENUES**

Operating revenues represent revenues from the provision of wireline telecommunications services. The components of the Group's operating revenues are as follows:

	Note	2006 RMB millions	2005 RMB millions
Upfront connection fees	(i)	4,971	6,781
Upfront installation fees	(ii)	2,913	2,970
Monthly fees	(iii)	28,973	30,351
Local usage fees	(iv)	46,188	47,624
DLD	(iv)	25,517	25,993
ILD	(iv)	3,140	3,407
Internet	(v)	23,630	17,862
Managed data	(vi)	3,031	2,958
Interconnections	(vii)	14,095	12,838
Leased line	(viii)	4,503	4,464
Value-added services	(ix)	14,133	9,976
Others	(x)	3,999	4,086
		175,093	169,310

Notes:

- (i) Represent the amortised amount of the upfront fees received for initial activation of wireline services.
- (ii) Represent the amortised amount of the upfront fees received for installation of wireline services.
- (iii) Represent amounts charged to customers each month for their use of the Group's telephone services.
- (iv) Represent usage fees charged to customers for the provision of telephone services.
- (v) Represent amounts charged to customers for the provision of Internet access services.
- (vi) Represent amounts charged to customers for the provision of managed data transmission services.
- (vii) Represent amounts charged to domestic and foreign telecommunications operators for delivery of voice and data traffic connecting to the Group's wireline telecommunications networks.
- (viii) Represent primarily lease income from other domestic telecommunications operators and business customers for the usage of the Group's wireline telecommunications networks and is measured by the number of lines leased and the agreed upon rate per line leased.
- (ix) Represent amounts charged to customers for provision of wireline value-added services, which comprise primarily caller ID services, short messaging services, ring tone services, integrated information services and telephone information services.
- (x) Represent primarily revenues from sale and repairs and maintenance of customer-end equipment, and constructions of telecommunications network and infrastructure for customers.

**Table of Contents****3. NET FINANCE COSTS**

Net finance costs comprise:

	<b>2006</b> <b>RMB millions</b>	<b>2005</b> <b>RMB millions</b>
Interest expense incurred	5,795	6,763
Less: Interest expense capitalised	(716)	(1,062)
Net interest expense	5,079	5,701
Interest income	(326)	(243)
Foreign exchange losses	60	42
Foreign exchange gains	(146)	(605)
	4,667	4,895

**4. INCOME TAX**

Income tax in the consolidated income statement comprises:

	<b>2006</b> <b>RMB millions</b>	<b>2005</b> <b>RMB millions</b>
Provision for PRC income tax	6,661	5,927
Deferred taxation PRC	93	233
	6,754	6,160

A reconciliation of the expected tax with the actual tax expense is as follows:

	<b>Note</b>	<b>2006</b> <b>RMB millions</b>	<b>2005</b> <b>RMB millions</b>
Profit before taxation		33,979	34,114
Expected PRC income tax expense at statutory tax rate of 33%	(i)	11,213	11,258
Differential tax rate on subsidiaries income	(i)	(1,714)	(1,689)
Non-deductible expenses	(ii)	657	720
Non-taxable income	(iii)	(1,989)	(2,651)
Tax credit for domestic equipment purchases		(1,413)	(1,478)
Income tax		6,754	6,160

Note:

- (i) The provision for PRC current income tax is based on a statutory rate of 33% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Company which are taxed

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- at preferential rates ranging from 7.5% to 15%.
- (ii) Amounts represent personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purpose.
  - (iii) Amounts primarily represent connection fees received from customers which are not subject to income tax.

### 5. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2006 and 2005 is based on the profit attributable to equity holders of the Company of RMB27,142 million and RMB27,912 million, respectively, divided by

80,932,368,321 shares.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for all periods presented.

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6. DIVIDENDS

Pursuant to a resolution passed at the Board of Directors meeting on 26 March 2007, a final dividend of equivalent to HK\$0.085 per share totalling approximately RMB6,820 million for the year ended 31 December 2006 was proposed for shareholders approval at the Annual General Meeting. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2006.

Pursuant to the shareholders approval at the Annual General Meeting held on 23 May 2006, a final dividend of RMB0.077637 (equivalent to HK\$0.075) per share totalling RMB6,283 million in respect of the year ended 31 December 2005 was declared, which was paid on 15 June 2006.

Pursuant to the shareholders approval at the Annual General Meeting held on 25 May 2005, a final dividend of RMB0.069139 (equivalent to HK\$0.065) per share totalling RMB5,596 million in respect of the year ended 31 December 2004 was declared, which was paid on 23 June 2005.

7. ACCOUNTS RECEIVABLE, NET