

CHINA TELECOM CORP LTD
Form 6-K
March 25, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

For the Month of March 2009

Commission File Number 1-31517

China Telecom Corporation Limited

(Translation of registrant's name into English)

31 Jinrong Street, Xicheng District

Beijing, China 100140

(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.)

Yes No

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

EXHIBITS

Exhibit Number		Page Number
1.1	Announcement of Annual Results for the Year ended December 31, 2008, dated March 24, 2009.	A-1
1.2	Reconciliation of (1) Profit Attributable to Equity Holders (Excluding Amortization of Upfront Connection Fees, Effect of Natural Disasters and Impairment Loss of Personal Handyphone System (PHS) Specific Equipment, Both Net of Tax Effect) to Profit Attributable to Equity Holders, (2) Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) (Excluding CDMA Network Capacity Lease Fee and Impairment Loss of Property, Plant and Equipment) to Net Cash from Operating Activities and (3) EBITDA (Excluding CDMA Network Capacity Lease Fee, Amortization of Upfront Connection Fees, the Effect of Natural Disasters and Impairment Loss of PHS Specific Equipment) to Net Cash from Operating Activities, dated March 24, 2009.	B-1

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 regime and significant policies for the telecommunications industry in China, including changes in the structure or functions of the primary industry regulator, Ministry of Industry and Information Technology, or the MIIT (which has assumed the regulatory functions of the former Ministry of Information Industry), or any changes in the regulatory policies of the MIIT and other relevant government authorities in China; any decisions by the Chinese government in relation to the technology standards and licenses of third generation mobile telecommunication; the results of the ongoing restructuring of the telecommunications industry in China; any changes in the effects of competition on the demand and price of the Company's telecommunications services; 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.

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 25, 2009

By: /s/ Wang Xiaochu
Name: Wang Xiaochu
Title: Chairman and CEO

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China Telecom Corporation Limited

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

(Stock Code: 728)

Announcement of Annual Results for the Year ended 31 December 2008

HIGHLIGHTS

IFRS-based	Excluding the amortisation of upfront connection fees and the impact of one-off items including impairment loss of the PHS assets and natural disasters
Operating revenues reached RMB186,801 million	Operating revenues reached RMB184,779 million, up by 4.0%
EBITDA was RMB84,696 million, EBITDA margin was 45.3%	EBITDA was RMB85,889 million, down by 1.3%, EBITDA margin was 46.5%
Profit attributable to equity holders of the Company was RMB884 million	Profit attributable to equity holders of the Company was RMB20,066 million, down by 12.8%
Earnings per share was RMB0.01	Earnings per share was RMB0.25
	Free cash flow reached RMB36,768 million, up by 8.1%
Total number of access lines in service was 208 million, net decrease of 12.29 million, down by 5.6%	
Total number of broadband subscribers reached 44.27 million, net increase of 8.53 million, up by 23.9%	
Total number of mobile subscribers was 27.91 million	

CHAIRMAN'S STATEMENT

Dear Shareholders,

2008 was a signature year for China Telecom. We seized the opportunity brought about by the restructuring of the telecommunications industry and successfully completed the CDMA business acquisition, accomplishing our long-awaited goal of full services integrated operations. In October 2008, we began the operation of CDMA mobile services, followed by the launch of our mobile brand "e surfing". In December 2008, we launched our "189" prefix mobile number and established a brand new image for China Telecom's mobile service. In 2008, we experienced the severe and unprecedented natural disasters of snowstorms and earthquakes. Our management and all our people have devoted their full efforts towards the fight against the disasters and the subsequent relief works, which demonstrated their high regards of responsibility as well as their tremendous contribution to the country and its people. Benefiting from our robust operating fundamentals, the underlying results for the year remained solid.

Operating Results in 2008

In 2008, the Company deepened strategic transformation with continuous rapid growth in various transformation services, which effectively mitigated and offset the decline in the traditional wireline voice services and enabled the Company to maintain robust fundamentals. In 2008, the operating revenues reached RMB186,801 million, out of which the total revenue from the mobile service accounted for RMB6,154 million. EBITDA¹ was RMB84,696 million and the profit attributable to equity holders of the Company was RMB884 million. Excluding the amortisation of upfront connection fees and the impact of one-off items including impairment loss of the Personal Handyphone System (PHS) assets and losses related to natural disasters², the operating revenues were RMB184,779 million, a growth of 4.0% over last year. EBITDA¹ was RMB85,889 million, a decrease of 1.3% from 2007, and the EBITDA margin was 46.5%. Profit attributable to equity holders of the Company was RMB20,066 million, a decline of 12.8% over last year. Capital expenditure was RMB48,410 million, accounting for 26.2% of our revenues, similar to that for 2007. Free cash flow³ reached RMB36,768 million, an increase of 8.1% from 2007.

¹ For convenience of the investors' analysis, EBITDA is calculated before CDMA network capacity lease fee.

² The amortisation of upfront connection fees were RMB2,022 million; losses related to natural disasters were RMB3,428 million, after-tax effect was RMB2,838 million; impairment loss of the PHS assets was RMB23,954 million, after-tax effect was RMB18,366 million. For the convenience of the investors' analysis and based on the IFRS, we had adjusted certain financial indicators correspondingly. Excluding the amortisation of upfront connection fees, the operating revenues of the Company were RMB184,779 million. Excluding the amortisation of upfront connection fees and the impact of natural disasters, the EBITDA was RMB85,889 million. Excluding the amortisation of upfront connection fees and the impact of natural disasters and impairment loss of the PHS assets, the adjusted profit attributable to equity holders of the Company was RMB20,066 million.

³ Free cash flow is calculated from EBITDA (excluding amortisation of upfront connection fees) minus CDMA network capacity lease fee, capital expenditure and income tax.

Taking into consideration the return to shareholders, the Company's cash flow and its capital requirements for future development, the Board of Directors has decided to recommend to the shareholders at the forthcoming Annual General Meeting that the dividend being an equivalent of HK\$0.085 per share, which is the same as last year, despite the 2008 results being severely impacted by certain one-off items. This fully reflects the confidence of the Board of Directors in the future business development.

Deepening Strategic Transformation and Laying a Solid Foundation

In modern information society, there has been rapid development and change in people's demand for information. Several years ago, we already realised that with the accelerating national informatisation, social communications channels would quickly transform from traditional voice to integrated information services including voice, data, video and etc. The comprehensive usage of the Internet and the growing popularity of mobile telecommunications services would soon become the mainstream in the telecommunications market. In order to adapt to such changes in advance and to grasp the new growth opportunities, we were the first one in the Chinese telecommunications sector to implement strategic transformation to mitigate the substitution and cannibalisation of wireline voice usage. We confidently innovated our business model, adjusted our business structure, as well as firmly executed our strategies and precision management. After several years of execution and exploration, the Company's strategic transformation achieved remarkable results. The rapid growth of the non-voice services successfully maintained the Company's robust fundamentals. Our broadband service has always been at the market leading position, laying a solid foundation for the promotion of informatisation. Scale development of value-added services and integrated information services allowed us to satisfy the growing information needs of the society. The launch of mobile services and obtaining of the 3G license provided us with the new energy and momentum to prepare for a new stage of integration of our wireline and mobile services.

In 2008, the Company continued to advocate the Customer-focused Innovative Informatisation Strategy. We put enormous efforts into our brand operation and customer segmentation for differentiated customer service offering. Thus, the scale of our brand customers continued to expand. As at the end of 2008, customers of BizNavigator and One Home reached 2.53 million and 23.93 million, respectively. In 2008, revenue from government and enterprises customers increased by 10.9%, while revenue from household customers increased by 2.9%. We also launched our new mobile service brand e surfing shortly after the acquisition of the CDMA business. We established an image of Internet handsets and focused on the customers' demand for informatisation to rapidly expand into the mobile service market. After a few months' efforts, the Company's mobile service has shown favourable growth momentum with a net increase of 2.72 million customers in the first two months of 2009, a turnaround from the decline in subscribers after the acquisition of the CDMA business in the fourth quarter of last year. The total number of mobile subscribers reached 30.63 million as at the end of February 2009.

The Company was constantly innovating its business model and adjusting its business structure, while expanding the operational scale of its wireline non-voice services. Revenue from the wireline non-voice services reached RMB82,294 million, accounting for 46.1% of the wireline revenue in 2008, an increase of 8.9 percentage points from last year. In order to support our integrated information services, we continued to accelerate the development of broadband services. Broadband access revenue for the whole year of 2008

reached RMB40,243 million, a rise of 28.6% compared to last year and contributed 5.0 percentage points of the Company's overall revenue growth. We emphasised on cultivating the development of direct information services such as Best Tone services and devoted our efforts to its core services including information search, business traveling information and integrated media. Revenue from direct information services including Best Tone services for the whole year reached RMB4,787 million, an increase of 44.6% from 2007. Our goal is to increase the revenue from direct information services including Best Tone services to RMB10 billion level within two to three years.

Insisting on value-oriented principle and optimising resources allocation, we strived to enhance the Company's operating efficiency and effectiveness, which is one of the key goals of our strategic transformation. By fully utilising our existing wireline resources, we continued to strictly control capital expenditure and timely adjusted our investment direction by tilting investments towards high growth transformation services to ensure our development and enhance our investment return. We have strengthened our budget management by progressively implementing customer based multi-dimensional budget management. Our resources allocation targeted at those customer groups, businesses and regions with high growth and high returns. We have innovated our financial management system and strengthened our comprehensive risk management. We paid special attention to high-risk areas and reinforced control of major issues and key aspects to improve the Company's risk management capacity.

A New Era of Full Services Integrated Operations

Now, we are entering into the new era of full services integrated operations. The next two to three years will be an important strategic opportunity for us. We will adhere to the Customer-Focused Innovative Informatisation Strategy to implement initiatives to consolidate wireline services. 3G business development will be a golden chance for us to integrate the 3G services into our full services integrated operations, so as to achieve unified deployment and steady corporate development. We will take full advantage of the technical advantage of CDMA for its timely and cost effective upgrade to accelerate the construction and optimisation of the CDMA2000EV-DO network in key and popular areas. In order to seize the opportunities in mobile internet services, we will establish Internet handset operation model to accelerate the introduction to the market of applications and functions such as wireless broadband services, e surfing video applications, Push Mail, wireless Mega-Eye, Integrated Office, imusic, Mobile IM and e surfing chat.

We persisted in our integrated operations and differentiated development, leveraging the synergies of our wireline and mobile networks. We bundled our core services such as wireline, Internet and information content and application with mobile services while fully utilising the strengths of CDMA technology. We carried out business integration and innovation, integrated our products, in accordance with the needs of our customers and established competitive edge through differentiated offerings. We provided our customers with enriched and more convenient integrated information services capitalising on our full services integrated operations with a view to achieving success on our way progressing towards integrated operation of wireline and mobile services.

Enhancing Corporate Governance

In order to enhance operating efficiency and investor confidence, we are firmly committed to adopting international best practices to continuously improve corporate governance and transparency. In 2008, we completed the re-election of the Board of Directors. The proportion of independent Directors remains above 1/3, comprising prominent experts in telecommunications, securities, law, finance and management, while further strengthening the decision-making capability of the Board of Directors. Our continuous efforts in corporate governance were widely recognised by the capital markets. We have been accredited with a number of awards, including Asia's Best Managed Fixed Telecom Company by *Euromoney* for two consecutive years and the Best Managed Company China 2008 by *FinanceAsia*.

Corporate Social Responsibility

As one of the leading telecommunications operators in China, we shoulder the important mission and social responsibility to stabilise economic development in the backdrop of the global financial crisis. We actively participated in the construction of social informatisation and strive to enhance the level of informatisation of the society. We devoted ourselves to contributing to the country's economic development. In light of the challenges brought about by the severe natural disasters in 2008, we completed our mission of post-disaster relief works outstandingly to provide timely emergency repairs of telecommunications facilities, fully demonstrating a high degree of social responsibility awareness and emergency communications capability. In accordance with the corporate belief of Customer First, Service Foremost, we practically fulfilled our promises to provide high quality services and promoted the simultaneous growth of the Company's value and customers' value.

Outlook for Future

Looking ahead, we are fully confident. China's vigorously promoting the integration of industry and informatisation, as well as a series of initiatives to stimulate domestic demand provides valuable opportunities for our business development. The successful strategic transformation over the past few years has laid a solid foundation for full services integrated operations. The CDMA technology have characteristics of superior level of security, higher data speed and more effective spectrum utilisation, which provides a unique technical strength for our differentiated services. We are fully aware that extra efforts are required to expand and consolidate our CDMA services, which are of relatively small scale at present. We will firmly seize the opportunities and diligently leverage our strengths to promote more advanced and more in-depth corporate transformation to enhance shareholders' value.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all our shareholders and customers for their support. I would also like to express sincere thanks to Mr. Leng Rongquan, Mr. Li Ping, Mr. Zhang Youcai, Mr. Lo Hong Sui, Vincent and Mr. Shi Wanpeng for their brilliant contributions during their term of services as the Directors of our Company and welcome Mr. Shang Bing, Mr. Yang Xiaowei, Mr. Wu Jichuan, Mr. Qin Xiao and Madam Cha May Lung, Laura in joining our team.

Wang Xiaochu

Chairman and Chief Executive Officer

Beijing, China

24 March 2009

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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 2008 extracted from the audited consolidated financial statements of the Group as set out in its 2008 Annual Report.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

(Amounts in millions, except per share data)

	<i>Note</i>	2008 RMB	2007 RMB (restated)
Operating revenues	4	186,801	180,882
Operating expenses			
Depreciation and amortisation		(53,880)	(52,607)
Network operations and support		(36,096)	(29,856)
Selling, general and administrative		(27,935)	(24,294)
Personnel expenses		(28,946)	(27,419)
Other operating expenses		(10,632)	(8,965)
Impairment loss on property, plant and equipment		(24,167)	
Total operating expenses		(181,656)	(143,141)
Operating profit		5,145	37,741
Deficit on revaluation of property, plant and equipment			(2,755)
Net finance costs	5	(5,076)	(4,288)
Investment income		5	83
Share of profits of associates		112	215
Profit before taxation		186	30,996
Income tax	6	793	(6,704)
Profit for the year		979	24,292
Attributable to:			
Equity holders of the Company		884	24,195
Minority interests		95	97
Profit for the year		979	24,292
Basic earnings per share	7	0.01	0.30
Weighted average number of shares		80,932	80,932

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CONSOLIDATED BALANCE SHEET

at 31 December 2008

(Amounts in millions)

	<i>Note</i>	2008 RMB	2007 RMB (restated)
ASSETS			
Non-current assets			
Property, plant and equipment, net		299,159	329,292
Construction in progress		13,615	13,626
Lease prepayments		5,608	5,451
Goodwill	9	29,922	
Intangible assets		14,235	2,814
Interests in associates		882	800
Investments		177	274
Deferred tax assets	10	14,628	9,281
Other assets		6,612	7,683
Total non-current assets		384,838	369,221
Current assets			
Inventories		2,561	2,665
Accounts receivable, net	11	17,289	16,979
Prepayments and other current assets		7,386	2,817
Time deposits with original maturity over three months		397	222
Cash and cash equivalents		27,866	21,427
Total current assets		55,499	44,110
Total assets		440,337	413,331

	<i>Note</i>	2008 RMB	2007 RMB (restated)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt		83,448	67,767
Current portion of long-term debt		565	3,811
Accounts payable	<i>12</i>	34,458	29,013
Accrued expenses and other payables		53,628	30,670
Income tax payable		164	3,314
Current portion of finance lease obligations		22	24
Current portion of deferred revenues		4,505	5,646
Total current liabilities		176,790	140,245
Net current liabilities		(121,291)	(96,135)
Total assets less current liabilities		263,547	273,086
Non-current liabilities			
Long-term debt		39,226	34,148
Finance lease obligations		18	5
Deferred revenues		6,939	9,840
Deferred tax liabilities	<i>10</i>	2,816	3,121
Total non-current liabilities		48,999	47,114
Total liabilities		225,789	187,359
Equity			
Share capital		80,932	80,932
Reserves		132,104	143,589
Total equity attributable to equity holders of the Company		213,036	224,521
Minority interests		1,512	1,451
Total equity		214,548	225,972
Total liabilities and equity		440,337	413,331

Notes:

1. BASIS OF PREPARATION

The Company's financial statements included in the Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued 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 2008 (further details are disclosed in Note 39 to the financial statements included in the Annual Report). The Group elected to early adopt IFRS 8 Operating Segments for the year ended 31 December 2008.

2. BASIS OF PRESENTATION

Pursuant to an acquisition agreement entered into by the Company and China Telecommunications Corporation (China Telecom) and together with its subsidiaries other than the Group are referred to as China Telecom Group) on 31 March 2008, the Company acquired the entire equity interest in China Telecom Group Beijing Corporation (Beijing Telecom or the Fourth Acquired Company) from China Telecom for a total purchase price of RMB5,557 million (hereinafter, referred to as the Fourth Acquisition). The purchase price was fully paid in July 2008.

Since the Group and the Fourth Acquired Company are under common control of China Telecom, the Fourth Acquisition has been accounted for as a combination of entities under common control in a manner similar to a pooling-of-interests. Accordingly, the assets and liabilities of the Fourth Acquired Company have been accounted for at historical amounts and the consolidated financial statements of the Company prior to the Fourth Acquisition have been restated to include the results of operations and assets and liabilities of the Fourth Acquired Company on a combined basis. The retained profits of the Fourth Acquired Company prior to 30 June 2008 of RMB535 million were distributed to China Telecom and have been reflected as a distribution to China Telecom in the consolidated statement of changes in equity for the year ended 31 December 2008. The consideration for the acquisition of the Fourth Acquired Company has been accounted for as an equity transaction in the consolidated statement of changes in equity.

The results of operations for the year ended 31 December 2007 and the financial position as at 31 December 2007 as previously reported by the Group and the restated amounts to reflect the acquisition of the Fourth Acquired Company are set out below:

	The Group (as previously reported) RMB millions	The Fourth Acquired Company RMB millions	The Group (as restated) RMB millions
Result of operations for the year ended 31 December 2007:			
Operating revenues	178,656	2,226	180,882
Profit for the year	23,799	493	24,292
Financial position as at 31 December 2007:			
Total assets	408,004	5,327	413,331
Total liabilities	185,632	1,727	187,359
Total equity	222,372	3,600	225,972

For the periods presented, all significant balances and transactions between the Group and the Fourth Acquired Company have been eliminated on combination.

3. SEGMENTAL REPORTING

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resource and assess performance of the segment. For the periods presented, management has determined that the Group has no operating segments as the Group is only engaged in telecommunications business. No geographical area information has been presented as such information is immaterial. The Group's assets located and operating revenues derived from activities outside the PRC are less than 1% of the Group's assets and operating revenues, respectively.

4. OPERATING REVENUES

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

		2008	2007
	<i>Note</i>	<i>RMB millions</i>	<i>RMB millions</i>
Wireline voice	(i)	96,331	111,625
Mobile voice	(ii)	3,972	
Internet	(iii)	40,786	31,817
Value-added services	(iv)	16,274	13,208
Integrated information application services	(v)	10,853	6,573
Managed data and leased line	(vi)	10,231	9,183
Others	(vii)		