

CHINA TELECOM CORP LTD
Form 6-K
August 29, 2007

1934 Act Registration No. 1-31517

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

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

For the Month of August 2007

China Telecom Corporation Limited

(Translation of registrant's name into English)

31 Jinrong Street, Xicheng District

Beijing, China 100032

(Address of principal executive offices)

(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): X)

(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TELECOM CORPORATION LIMITED AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

EXHIBITS

Exhibit Number		Page
1.1	Announcement of the Interim Results for the Six Months Ended June 30, 2007, dated August 28, 2007	A-1
1.2	Disclosure regarding the EBITDA Reconciliation, dated August 28, 2007	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 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.

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: August 29, 2007

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

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 INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

Including the amortisation of upfront connection fees

Operating revenues reached RMB88,624 million

EBITDA reached RMB46,217 million, EBITDA margin was 52.1%

Profit attributable to equity holders of the Company was RMB13,482 million, basic earnings per share was RMB0.17

Excluding the amortisation of upfront connection fees

Operating revenues reached RMB86,958 million, up by 2.5%

EBITDA reached RMB44,551 million, up by 0.8%, EBITDA margin was 51.2%

Profit attributable to equity holders of the Company was RMB11,816 million, up by 1.3%, basic earnings per share was RMB0.15

.MTotal number of access lines in service reached 224 million, net addition of 1.45 million, up by 0.7%.

.MBroadband subscribers reached 32.19 million, net addition of 3.87 million, up by 13.7%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am gratified by the results of the first half of the year 2007. Despite facing harsh challenges from intense market competition, we have successfully maintained our solid fundamentals, benefiting from the effective implementation of strategic transformation. The Company has continued to record growth in both revenue and profit. Through the transformation, our business structure was further optimised with our Internet access, value-added and integrated information services gaining momentum. This has also vigorously abated the pressure on the operation of our traditional voice business. What encourages me most is that, on implementation of the transformation during the past two years and beyond, our people at all levels have continued to liberalise their mindset and courageously faced the prevailing tough operating environment while executing the transformation strategy with passion. They keep on exploring and innovating products and services to satisfy the increasingly diverse communication and information needs of our

customers, leveraging our rich resources and infrastructure. We firmly believe that as we further deepen our strategic transformation and capitalise on our multi-services convergence offering edge, we would drive greater value for our customers and for you as shareholders.

FINANCIAL RESULTS

In the first half of 2007, operating revenues reached RMB88,624 million, of which RMB1,666 million were accounted for by the amortisation of upfront connection fees. Excluding the upfront connection fees, operating revenues were RMB86,958 million, a 2.5% growth compared to the same period in 2006. EBITDA¹ was RMB44,551 million, and the EBITDA margin¹ maintained at a healthy level of 51.2%. Operating expenses were RMB68,340 million, an increase of 3.3% compared to the same period in 2006. Profit attributable to equity holders of the Company¹ was RMB11,816 million, an increase of 1.3% compared to the same period last year, and basic earnings per share¹ was RMB0.15. Capital expenditure was RMB20,435 million, 1.6% less than that of the same period last year. Free cash flow² was RMB19,356 million.

Taking into consideration of the Company's business development needs and its cash flow position, the Board of Directors has resolved not to pay any interim dividend for the year in order to maintain adequate funding flexibility. The Board will proactively consider the final dividend proposal at the time of reviewing the full year results and propose to the shareholders' general meeting accordingly.

BUSINESS PERFORMANCE

In the first half of 2007, the Company's voice business was affected by the continuous decline in effective mobile tariff, the extensive implementation of mobile calling-party-pay packages and the increased diversity in communication methods. Our voice revenue recorded RMB56,997 million, a decrease of 6.9% from the same period last year. In face of the immense pressure of declining voice revenue caused by the aggressive expansion of mobile operators, the Company strengthened its customer brand operation to fully capitalize on branding premium value. Leveraging our two major customer brands, BizNavigator and One Home, we further expanded our Internet access, value-added and integrated information services, so that our non-voice businesses emerged as the new revenue-drivers for the Company. In the first half of 2007, our non-voice businesses revenue reached RMB29,961 million, an increase of 26.9% compared to the same period last year, triggering 7.5 percentage points growth in revenue and accounting for 34.5% of operating revenue. The Company's revenue profile was thus further optimised. Additionally, our high-quality customer brands enhanced effective packaged sales of both voice and non-voice businesses, fostering customer loyalty and consolidating revenue. It also progressively transformed voice usage value to integrated information services, enhancing our multi-services convergence offering edge and making good the loss in voice revenue to a certain extent.

1 Including the amortisation of upfront connection fees, EBITDA was RMB46,217 million, EBITDA margin was 52.1%, profit attributable to equity holders of the Company was RMB13,482 million and basic earnings per share was RMB0.17.

2 2MFree cashflow is calculated from EBITDA (excluding amortisation of upfront connection fees) minus capital expenditure and income tax.

Starting from this year, the Company has further increased the marketing efforts of broadband access, in particular for the penetration of the government & enterprise customers as well as mid-to-high-end household customers, to achieve its high value and scale development. To reinforce our leading position in the broadband market, the Company has also persistently improved the quality of the Internet network as well as the user-ends bandwidth to enhance customers' experience. The number of our broadband subscribers increased by 3.87 million to 32.19 million in the first half of the year. In order to accelerate the development of our Internet applications business, we strengthened the cooperation with renowned software and content providers, such as Microsoft, Google and Sina to improve our back-end operation. Revenue brought by our Internet value-added services grew by 54.2% in the first half of the year.

For our value-added and integrated information services, the Company concentrated its efforts in promoting the development of services, such as Best Tone (information search engine), enterprise informatisation applications, IT services and applications. We also nurtured new value-added services such as media advertising and video applications, thus establishing an advantage over our peers in core competitiveness. These new services play an important role in consolidating the Company's traditional voice business and creating room for further business growth. The Company also established specialised subsidiaries to operate our Best Tone and system integration businesses respectively, introducing innovative management and incentive mechanisms to promote the rapid development of integrated information services at their growing phase and gradually establish a new operating model that would better suit their development.

Over the past two years and beyond, through transformation in our businesses, networks and human resources, we have developed a series of established products and services such as Best Tone, Mega Eye (remote monitoring) and ICT (Information, Communication and Technology), which laid a solid foundation for our customer brand operation. In the first half of the year, we transformed our operation model from product-oriented to customer-oriented to better cater to our customers' needs. We enriched the product combinations under our customer brands and aligned marketing resource allocation with customer value to enhance customers' perception and loyalty. Leveraging our two major customer brands, BizNavigator and One Home, we concentrated our marketing efforts and resources on the key customer segments of government and enterprise as well as mid-to-high-end household, providing them with our integrated information solutions which incorporated voice, broadband access and Internet applications, enhancing customers' value in a broader market. The success of BizNavigator and One Home brought our multi-services packaged strategy into a new stage. Consumers began to appreciate the value enhanced by the multi-services packaging under the customer brand oriented operation. Customer brand operations have driven the robust growth of our non-voice businesses and reduced the risk of our traditional voice business at the same time.

To tackle with the intense market competition, the Company has persistently improved its financial management. Leveraging comprehensive mechanisms, the Company allocated resource tilting towards business or operating units with high growth and high profitability to ensure the quality and growth of transformation businesses, and directed each level of the corporation to embrace

long-term value creation. The Company also strived to ensure sustainable revenue growth, reinforce financial control and cost control with a view to enhancing its operating efficiency and value creation capability.

CORPORATE GOVERNANCE

We are firmly committed to continuously improving our corporate governance and transparency to ensure our healthy development and enhance our corporate value. With regard to the US Sarbanes- Oxley Act, the Company continuously strengthened its internal control systems while further improving its risk management system to effectively lower operating risk. Our efforts in corporate governance have been widely recognized by the capital market and honored with a number of awards, including the accreditation with CAPITAL Outstanding China Enterprise Awards Telecommunications by CAPITAL magazine for two consecutive years. Furthermore, in the nomination of the Asia's Best Companies 2007 (China region) organised by FinanceAsia, we achieved top rankings in the Best Managed Company, Best Corporate Governance and Best Investor Relations categories.

FUTURE OUTLOOK

Our strategic transformation has gathered pace with brand building further strengthened and customer brand oriented operation progressively enhanced. Emerging integrated information business has grown rapidly, expanding new markets for the Company. Our revenue profile has been further enhanced, alleviating the risk of traditional voice business. In addition, we successfully acquired from our parent company, its subsidiaries in Hong Kong and US, as well as its system integration operating subsidiary. These acquisitions have afforded us with expanded markets for our development.

Looking ahead, we are fully confident. Rising demand in the domestic telecommunications market brings a great wealth of opportunities. The vast market potential in social informatization provides us with broader room for development. As we further deepen the strategic transformation, our roadmap is getting clearer. We have built our experience in integrated information operation with our people getting more suited to the requirements of strategic transformation. We are confident that the Company would achieve sustainable development and drive more value for its shareholders.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders and customers for their continuous support to the Company. I would also like to take this opportunity to express my gratitude to our people for their considerable efforts in the corporate transformation.

Wang Xiaochu

Chairman and Chief Executive Officer

Beijing, PRC

28 August 2007

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 six months ended 30 June 2007 extracted from the unaudited interim financial statements of the Group as set out in its 2007 Interim Report.

Consolidated Income Statement (Unaudited)

for the six-month period ended 30 June 2007

(Amounts in millions, except per share data)

	Note	Six-month periods	
		ended 30 June 2007 RMB	2006 RMB (restated)
Operating revenues	4	88,624	87,345
Operating expenses			
Depreciation and amortisation		(25,933)	(25,494)
Network operations and support		(14,597)	(13,829)
Selling, general and administrative		(10,886)	(10,425)
Personnel expenses		(13,578)	(13,395)
Other operating expenses		(3,346)	(2,991)
Total operating expenses		(68,340)	(66,134)
Operating profit		20,284	21,211
Net finance costs	5	(2,022)	(2,498)
Investment loss			(20)
Share of profit from associates		7	7
Profit before taxation		18,269	18,700
Income tax	6	(4,760)	(4,512)
Profit for the period		13,509	14,188
Attributable to:			
Equity holders of the Company		13,482	14,155
Minority interests		27	33
Profit for the period		13,509	14,188
Basic earnings per share	7	0.17	0.17
Weighted average number of shares		80,932	80,932

Consolidated Balance Sheet (Unaudited)

at 30 June 2007

(Amounts in millions)

	<i>Note</i>	30 June 2007 RMB	31 December 2006 RMB (restated)
ASSETS			
Non-current assets			
Property, plant and equipment, net		318,352	328,379
Construction in progress		21,648	18,426
Lease prepayments		5,125	5,092
Interests in associates		587	581
Other investments		292	225
Deferred tax assets	9	8,710	10,971
Other assets		10,356	11,013
Total non-current assets		365,070	374,687
Current assets			
Inventories		2,922	3,213
Accounts receivable, net	10	18,942	15,992
Prepayments and other current assets		3,152	2,556
Time deposits with maturity over three months		145	119
Cash and cash equivalents		16,991	22,326
Total current assets		42,152	44,206
Total assets		407,222	418,893
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt		70,203	79,576
Current portion of long-term debt		9,311	8,242
Accounts payable	11	30,380	32,355
Accrued expenses and other payables		31,322	27,181
Income tax payable		3,257	3,124
Current portion of finance lease obligations			48
Current portion of deferred revenues		6,166	7,098
Total current liabilities		150,639	157,624
Net current liabilities		(108,487)	(113,418)
Total assets less current liabilities		256,583	261,269

	<i>Note</i>	30 June 2007 RMB	31 December 2006 RMB (restated)
Non-current liabilities			
Long-term debt		34,207	37,257
Deferred revenues		11,742	13,625
Deferred tax liabilities	9	2,095	2,711
Total non-current liabilities		48,044	53,593
Total liabilities		198,683	211,217
Equity			
Share capital		80,932	80,932
Reserves		126,146	125,296
Total equity attributable to equity holders of the Company		207,078	206,228
Minority interests		1,461	1,448
Total equity		208,539	207,676
Total liabilities and equity		407,222	418,893

Notes:

1. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting promulgated by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim financial statements, which were authorised for issuance by the Board of Directors on 28 August 2007, reflect the unaudited financial position of the Group as at 30 June 2007 and the unaudited results of operations and cash flows of the Group for the six-month period then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2007.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

These interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. These interim financial statements have also been reviewed by the Company's international auditors in accordance with Hong Kong Standards on Review Engagements 2410 Review of interim financial information performed by the independent auditor of the entity issued by the Hong Kong Institute of Certified Public Accountants.

2. ACQUISITION AND BASIS OF PRESENTATION

Pursuant to an equity purchase agreement entered into by the Company with China Telecommunications Corporation (China Telecom) and together with its subsidiaries other than the Company are referred to as China Telecom Group) on 15 June 2007, the Company acquired the entire equity interests in China Telecom System Integration Co., Ltd. (CTSI), China Telecom (Hong Kong) International Limited (CT (HK)) and China Telecom (USA) Corporation (CT (USA)) (collectively the Third Acquired Group) from China Telecom for a total purchase price of RMB1,408 million on 30 June 2007 (hereinafter, referred to as the Third Acquisition). The purchase price was settled by cash in July 2007.

Since the Group and the Third Acquired Group are under common control of China Telecom, the Third Acquisition has been accounted for as a combination of entities under common control. Accordingly, the assets and liabilities of the Third Acquired Group have been accounted for at historical amounts and the consolidated financial statements of the Company prior to the Third Acquisition have been restated to include the results of operations and assets and liabilities of the Third Acquired Group on a combined basis. The assets of the Third Acquired Group that were retained by China Telecom which consist of bank deposits, have been reflected as a distribution to China Telecom in the consolidated statement of changes in equity for the six-month period ended 30 June 2007. The purchase price payable by the Company for the acquisition of the Third Acquired Group has been accounted for as an equity transaction in the consolidated statement of changes in equity.

The results of operations for the six-month period ended 30 June 2006 and the financial condition as at 31 December 2006 previously reported by the Group have been restated to include the results and assets and liabilities of the Third Acquired Group as set out below:

	The Group (as previously reported)	The Third Acquired Group	The Group (as restated)
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Result of operations for the six-month period ended 30 June 2006:			
Operating revenues	86,936	409	87,345
Net profit	14,117	71	14,188
Financial condition as at 31 December 2006:			
Total assets	414,041	4,852	418,893
Total liabilities	210,168	1,049	211,217

The functional currencies of CT (HK) and CT (USA) are Hong Kong dollars and US dollars respectively. The results of operations of CT (HK) and CT (USA) are translated into Renminbi at average rate prevailing during the year. Balance sheet items of CT (HK) and CT (USA) are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in exchange reserves, a component of equity. For the periods presented, all significant balances and transactions between the Group and the Third Acquired Group have been eliminated on combination.

3. SEGMENTAL REPORTING

A business segment is a distinguishable component of the Group that is engaged in providing products or services and is subject to risks and rewards that are different from those of other segments. For the periods presented, the Group has one business segment which is the provision of wireline telecommunications services. No analysis of the Group's operating revenues and profit before taxation by geographical segment has been presented as the majority of the Group's operating activities are

carried out in the PRC and less than 10 percent of the Group's operating revenues and profit before taxation were derived from activities outside the PRC. A majority of the Group's assets are located in the PRC and less than 10 percent of the Group's total assets are located outside the PRC.

4. OPERATING REVENUES

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

	<i>Note</i>	Six-month periods	
		ended 30 June	
		2007	2006
		<i>RMB millions</i>	<i>RMB millions</i>
Upfront connection fees	(i)	1,666	2,494
Upfront installation fees	(ii)	1,411	1,458
Monthly fees	(iii)	13,284	14,936
Local usage fees	(iv)	21,558	23,378
DLD	(iv)	12,194	12,889
ILD	(iv)	1,464	1,610
Internet	(v)	14,641	11,198
Managed data	(vi)	1,528	1,496
Interconnections	(vii)	7,086	6,975
Leased line	(viii)	2,521	2,183
Value-added services and integrated information services	(ix)	9,115	6,805
Others	(x)	2,156	1,923
		88,624	87,345

Note:

- (i) Represent the amortised amount of the upfront fees received for the 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 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 the provision of wireline value-added services and integrated information services, which comprise primarily caller ID services, short messaging services, ring tone 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.

5. NET FINANCE COSTS

Net finance costs comprise:

	Six-month periods ended 30 June	
	2007 RMB millions	2006 RMB millions
Interest expense incurred	2,629	3,060
Less: Interest expense capitalised*	(241)	(397)
Net interest expense	2,388	2,663
Interest income	(204)	(227)
Foreign exchange losses		