

CHINA TELECOM CORP LTD  
Form 6-K  
March 21, 2013

# **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 2013**

**Commission File Number 1-31517**

## **China Telecom Corporation Limited**

**(Translation of registrant's name into English)**

**31 Jinrong Street, Xicheng District**

**Beijing 100033, China**

**(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- .)

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**EXHIBITS**

<b>Exhibit Number</b>		<b>Page Number</b>
1.1	Announcement of Annual Results for the year ended 31 December 2012, dated March 20, 2013	A-1
1.2	Announcement of Proposed Change of Auditors, dated March 20, 2013	B-1
1.3	Announcement of Resignation and Proposed Appointment of Non-executive Director, dated March 20, 2013	C-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 Exchange Act of 1934, as amended. These forward-looking statements are, by their nature, subject to significant risks and uncertainties, and include, without limitation, statements relating to:

our business and operating strategies and our ability to successfully execute these strategies;

our network expansion and capital expenditure plans;

our operations and business prospects;

the expected benefit of any acquisitions or other strategic transactions;

our financial condition and results of operations;

the expected impact of new services on our business, financial condition and results of operations;

the future prospects of and our ability to integrate the acquired business or assets;

the industry regulatory environment as well as the industry outlook generally; and

future developments in the telecommunications industry in the People's Republic of China, or the PRC.

The words anticipate, believe, could, estimate, expect, intend, may, plan, seek, will, would and similar expressions, as they are used herein, are intended to identify a number of these forward-looking statements.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We are under no obligation to update these forward-looking statements and do not intend to do so. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the following:

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any changes in the regulations or policies of the Ministry of Industry and Information Technology, or the MIIT, and other relevant government authorities relating to, among other matters:

the granting and approval of licenses;

tariff policies;

interconnection and settlement arrangements;

capital investment priorities;

the provision of telephone and other telecommunications services to rural areas in the PRC;

the convergence of television broadcast, telecommunications and Internet access networks, or three-network convergence;  
and

spectrum and numbering resources allocation;

the effects of competition on the demand for and price of our services;

effects of our restructuring and integration following the completion of our acquisition of the Code Division Multiple Access technology, or CDMA, telecommunications business in 2008;

any potential further restructuring or consolidation of the PRC telecommunications industry;

changes in the PRC telecommunications industry as a result of the issuance of the third generation mobile telecommunications, or 3G, licenses by the MIIT;

the development of new technologies and applications or services affecting the PRC telecommunications industry and our current and future business; and

changes in political, economic, legal and social conditions in the PRC, including changes in the PRC government's specific policies with respect to foreign investment in and entry by foreign companies into the PRC telecommunications industry, economic growth, inflation, foreign exchange and the availability of credit.

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 20, 2013

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

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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 2012**

**HIGHLIGHTS**

Operating revenues reached RMB283,073 million, up by 15.5%. Excluding mobile terminal sales, operating revenues reached RMB258,316 million, up by 11.8%

Pre-leasing fee EBITDA was RMB96,387 million, up by 2.1%, Pre-leasing fee EBITDA margin was 37.3%

Post-leasing fee EBITDA was RMB70,841 million, down by 6.0%, Post-leasing fee EBITDA margin was 27.4%

Profit attributable to equity holders of the Company was RMB14,925 million, down by 9.5%, basic earnings per share were RMB0.18

Total number of mobile subscribers was 161 million, net increase of 34.15 million, up by 27.0%, of which the number of 3G mobile subscribers was 69.05 million, net increase of 32.76 million, up by 90.3%

Total number of wireline broadband subscribers was 90.12 million, net increase of 13.31 million, up by 17.3%

Total number of access lines in service was 163 million, net decrease of 6.59 million, down by 3.9%

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## CHAIRMAN'S STATEMENT

2012 was the best year ever for the Company's development since the commencement of full services operation. We persisted in deepening transformation, firmly adhered to the main theme of promoting scale development through dual-leadership in innovation and service and persisted in efficient scale operation and data traffic operation, leading to rapid expansion in the core services. Through the successful acquisition of mobile network from our parent company, we accomplished unified mobile service operation with network as a whole. We accurately captured the development pattern of the mobile Internet and developed sustainable competitive advantages, resulting in significant enhancement in our four core capabilities in innovation, service, centralised efficient management and operation. With pragmatic promotion of the Three New Roles strategy, the strategic landscape of new businesses emerged and the corporate development is ignited with new vitality.

### Operating Results

In 2012, the Company's operation was on track as planned. The operating revenues amounted to RMB283.1 billion, representing an increase of 15.5% over last year. Excluding the mobile terminal sales, the operating revenues were RMB258.3 billion, representing an increase of 11.8% over last year, with revenue growth surpassing industry average. The proportion from high growth businesses increased rapidly and the business structure continuously optimised. EBITDA<sup>2</sup> was RMB96.4 billion, an increase of 2.1% over last year. EBITDA margin<sup>3</sup> was 37%. The profit attributable to equity holders of the Company was RMB14.9 billion, declined by 9.5% from last year. Taking advantage of the opportunities arising from the launch of iPhone, the Company made an appropriate increase in marketing initiatives for the expansion into the high-end subscriber market to promote the revenue growth, which is expected to significantly enhance the long-term sustainable growth and value creation despite the short term pressure on the profitability. Basic earnings per share of the Company were RMB0.18. Capital expenditure was RMB53.7 billion. Free cash flow<sup>4</sup> reached RMB12.4 billion.

At the end of 2012, we successfully completed the acquisition of CDMA network assets from the parent company, enabling us to organise and coordinate the investment and deployment, operation and management, as well as the upgrade and planning for the mobile network, promoting better development of the mobile services and enhancing the future profitability of the Company.

Taking into account the return to shareholders, the Company's cash flow and the capital requirements for the mobile network acquisition and future development, the Board of Directors has decided to recommend at the forthcoming Annual General Meeting that a dividend being an equivalent of HK\$0.085 per share be declared, which is the same as last year. The Company will strive to enhance profitability and concurrently pave the way for future dividend increase.

<sup>1</sup> The Three New Roles refers to the Leader of Intelligent Pipeline, the Provider of Integrated Platforms and the Participant of Content & Application Development.

<sup>2</sup> For convenience of investors' comparative analysis, EBITDA is calculated before CDMA network capacity lease fee.

<sup>3</sup> EBITDA margin is calculated based on EBITDA divided by the operating revenues excluding mobile terminal sales.

<sup>4</sup> Free cash flow is calculated from EBITDA minus CDMA network capacity lease fee, capital expenditure and income tax.



***Rapid scale expansion of full services operation***

In 2012, we deepened the implementation of the two key strategies of scale operation and data traffic operation, persisting in mobile operation driven by 3G and proactively developing fibre broadband deployment and accelerated development in informatisation application. The three core services integrated altogether and fostered synergistically, resulting in strong growth in revenues and subscriber scale of the Company. The operating revenues achieved double-digit growth and the wireline revenue became stabilised with an upward trend. The efficient scale development of full services operation is on the fast track .

In 2012, mobile Internet business began to experience exponential growth. We firmly grasped the opportunity to accelerate scale expansion, proactively leveraging the network strengths, persisting in terminal-driven mode, reinforcing scale procurement and centralised efficient marketing of terminals, deepened transforming self-operated sales outlets into specialty stores, motivating the vigorousness of open channels, equally emphasising integrated products and mobile single product, and rolling out data traffic operations in full-scale. Mobile services revenue amounted to RMB92.8 billion for the full year, an increase of 36% over last year, which was the highest growth rate in the industry. The number of mobile subscribers reached a total of 161 million, with a net addition of 34.15 million, of which net addition of 3G subscribers was 32.76 million. 3G subscribers accounted for 43% of total subscriber base. Mobile subscriber market share was about 15% while 3G subscriber market share reached 30%, with increasing influence on the market.

In 2012, we successfully embarked on data traffic operation. Started with establishing an operating system, the Company built a data traffic operation team which was vertically integrated and horizontally coordinated. Meanwhile, numerous initiatives were adopted to effectively expand the data traffic scale: enhancing the quality of data traffic resources through strengthening the coordination and centralised efficient promotion of self-developed applications such as product centre businesses and premium external-parties applications; strengthening the promotion of 3G smartphones and reinforcing the 3G applications assistance as well as sales and marketing to enhance customers experience and to cultivate users habits in data traffic; precision marketing to improve the services in data usage alert and traffic usage enquiries to improve customers experience; refining data traffic packages and focusing on targeted markets to improve the data traffic contribution. The data traffic of Internet access by handset almost tripled in 2012.

In 2012, the Company reinforced its leadership in the wireline broadband market. The Company progressively promoted the Broadband China Fibre Cities construction project and further expanded fibre broadband coverage. Concurrently, we pushed full-strength ahead with our fibre broadband marketing campaign Lightning Fibre Residential Areas , quickly transforming the strengths of our superior network to a competitive edge. At the same time, the Company further penetrated into the rural broadband market. Building on this foundation, we comprehensively promoted the network bandwidth upgrade initiative to enhance customer perception of our broadband network and the brand value. We deepened the integration of broadband access with products such as Internet TV ( iTV ) to provide premium content and enriched value. To enhance customer satisfaction, we promoted the research and development of intelligent bandwidth upgrade products, offered services for self-served bandwidth assessment and optimised customers experience by self-served bandwidth upgrade. Wireline Internet access service revenue were RMB67.8 billion for the year, an increase of 10% over last year. Wireline broadband subscribers base exceeded 90 million with net addition of 13.31 million, of which the number of Fibre-to-the-Home ( FTTH ) subscribers was about 15 million.

We further expanded our strengths in informatisation applications in 2012 by separately promoting and deepening strategic cooperation with three target groups: Smart Cities, key customers and cooperation partners. Scale expansion achieved significant results in various target market groups: for the key customers in the industries, we persisted in offering a comprehensive solution focusing on six key applications such as administration and tax services to extend vertical integration; for clustered small to medium-sized customers such as the professional market, we concentrated on four main standardised products such as e-Surfing RFID to promote scale replication; for the campus market, we launched the new application e-Surfing School that specifically targets primary and secondary schools and secured nearly 20,000 contracts for the Smart Campus initiative. In 2012, the revenue growth rate from the government and enterprise customers was above that of the Company as a whole. In 2012, the net addition of government and enterprise broadband customers was about 4 million, with a subscriber base of more than 20 million. The net addition of mobile subscribers of informatisation applications was over 10 million in total, reaching a scale of more than 20 million. Data traffic and value per subscriber were further enhanced.

#### **Enhancing Four Capabilities and Developing a Sustainable Competitive Edge**

*Innovation capability* To liberate mindsets and take the lead in innovation. The intelligent upgrade of our broadband network has progressed from trial to commercial launch, promoting intelligent upgrade of our mobile network with a real-time service identification capability as its core. We accelerated the construction of an integrated platform and were the pioneer in building a platform with open and cooperative ability, congregating customer and data traffic resources. We deepened our innovation in systems and mechanisms, accelerated the corporatisation process of our product centres services and introduced private investment to stimulate their vitality and initiatives. We accelerated the transformation of electronic channels to e-commerce channels, which is leading in the industry. We consolidated our resources abroad and established China Telecom Global Limited to coordinate our overseas market expansion. We adhered to the doctrine of people-oriented strategy and optimised our human resources management system as well as strengthened the team-building of our management staff, senior professional talents and frontline employees.

*Service capability* Deepened service transformation and focusing on key services to achieve service leadership. We built an open and intelligent customer service mechanism to provide one-stop service solutions to customers. Leveraging on service innovation, we vigorously enhanced the service capabilities of Online Service Centre and Mobile Palm Service Centre to create comparative advantages in the market. Customer life-cycle management was implemented to strengthen the effectiveness of our customer retention efforts. As a pioneer in adopting 3G service standards that are higher than the industry level, and specifically targeting the enhancement of mobile broadband service level, our 3G service satisfaction is leading in the industry. With further implementation of wireline broadband services enhancement projects and development of superior broadband services around key customer interfaces, we attained the highest level of broadband service satisfaction in the industry.

*Centralised efficient management capability* Deepened centralised efficient operation and marketing: We optimised our brand structure, refined our service packages, strengthened the centralised efficient management of products, improved the 3G terminal portfolio structure and strengthened the efforts in centralised procurement, further unified service codes and standards, and reinforced one-point access and entire-network operation; in the four key areas including procurement, IT system, government and enterprise customers marketing, network operation and maintenance, we fully implemented the separation of management and operational functions and optimised our organisational structure, increased our market responsiveness and enhanced our operating efficiency. We established a Cloud company to implement professional operation and centralised efficient management of our Cloud service.

*Operation capability* Optimised comprehensive budgeting and performance management: We promoted market-share oriented and dynamic budget management and assessment system to foster the Company's overall market share expansion. We implemented precision management and further promoted refinement of performance evaluation units, strengthening cost control and continually enhancing operating efficiency. We optimised our resource allocation and tilted our sales initiatives towards high growth businesses, while our investment focusing on high return areas in fibre broadband, mobile Internet and core business platforms. We strengthened the synergies among our various channels and fully mobilised the enthusiasm of the open channels, resulting in enhancement in channel integrated efficiency.

### **Corporate Governance and Social Responsibility**

We continue to strive to maintain a high level of corporate governance, strengthen risk management and control, improve corporate transparency and enhance corporate value. Our persistent efforts in corporate governance have been widely recognised by the capital markets. We were accredited with a number of awards and recognition, including being voted the Overall Best Managed Company in Asia by *FinanceAsia* for two consecutive years, The Best of Asia by *Corporate Governance Asia* for three consecutive years, and also Overall Best Managed Company in Asia by *Euromoney* four years in a row.

We firmly adhere to corporate social responsibility and be a responsible corporate citizen. We persist in operating with integrity and proactively protecting the industry eco-environment. We implement environmentally friendly operation and enhance energy saving and emissions reduction as well as the cooperative building and sharing of mobile base stations. We provided telecommunications assurance services for significant events such as the successful launch of Shenzhou-9 spacecraft and Shanghai Cooperation Organisation Summit, receiving high recognition and appreciation from the society. In 2012, China Telecom was accredited with China's Outstanding Enterprise in Corporate Social Responsibility by the Chinese Academy of Social Sciences.

### **Outlook**

Looking ahead, we are fully confident. Currently, with the tide of mobile Internet sweeping globally and the accelerated industrialisation and informatisation development in China, the information and communications industry in the Mainland will maintain a relatively high growth rate, which offers the Company a promising prospect. Meanwhile, the intensifying market competition, uncertain regulatory environment and rapid development of new technology offer us not only development opportunities but also new challenges.

We will firmly seize this valuable golden opportunity to persevere with the deepening of strategic transformation. We will accelerate the scale development of fundamental services, expedite the nurture of emerging services as well as closely monitor and proactively respond to advancement of new technology and changes in regulatory policies. We will also adhere to the Internet's spirit of openness, cooperation and innovation, breaking away from the constraints of traditional telecommunication operation paradigm. We will promote the services development through differentiation, motivate the innovative vitality of our employees through market-driven mechanism and promote scale development and profitability through dual-leadership in innovation and service. Leveraging our unswerving promotion of "Three New Roles" strategy, our unique and sustainable competitive strengths are created, so as to achieve a vibrant enterprise built to last.

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.

**Wang Xiaochu**

*Chairman and Chief Executive Officer*

Beijing, China

20 March 2013

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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 2012 extracted from the audited consolidated financial statements of the Group as set out in its 2012 Annual Report.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2012

(Amounts in millions, except per share data)

		<b>2012</b>	2011
	<i>Note</i>	<b>RMB</b>	<i>RMB</i> (restated)
<b>Operating revenues</b>	5	<b>283,073</b>	245,068
<b>Operating expenses</b>			
Depreciation and amortisation		<b>(49,655)</b>	(51,233)
Network operations and support		<b>(66,003)</b>	(52,925)
Selling, general and administrative		<b>(63,076)</b>	(48,746)
Personnel expenses		<b>(42,812)</b>	(39,167)
Other operating expenses		<b>(40,341)</b>	(28,870)
<b>Total operating expenses</b>		<b>(261,887)</b>	(220,941)
<b>Operating profit</b>		<b>21,186</b>	24,127
Net finance costs	6	<b>(1,564)</b>	(2,254)
Investment income		<b>93</b>	40
Share of profits of associates		<b>78</b>	99
<b>Profit before taxation</b>		<b>19,793</b>	22,012
Income tax	7	<b>(4,753)</b>	(5,416)
<b>Profit for the year</b>		<b>15,040</b>	16,596

	2012	2011
	<i>Note</i> <b>RMB</b>	<i>RMB</i> (restated)
<b>Other comprehensive income for the year:</b>		
Change in fair value of available-for-sale equity securities	<b>(228)</b>	(205)
Deferred tax on change in fair value of available-for-sale equity securities	<b>57</b>	51
Exchange difference on translation of financial statements of subsidiaries outside mainland China	<b>(3)</b>	(103)
<b>Other comprehensive income for the year, net of tax</b>	<b>(174)</b>	(257)
<b>Total comprehensive income for the year</b>	<b>14,866</b>	16,339
<b>Profit attributable to:</b>		
Equity holders of the Company	<b>14,925</b>	16,500
Non-controlling interests	<b>115</b>	96
<b>Profit for the year</b>	<b>15,040</b>	16,596
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>14,751</b>	16,243
Non-controlling interests	<b>115</b>	96
<b>Total comprehensive income for the year</b>	<b>14,866</b>	16,339
<b>Basic earnings per share</b>	<b>8</b> <b>0.18</b>	0.20
<b>Number of shares (in millions)</b>	<b>80,932</b>	80,932

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

at 31 December 2012

(Amounts in millions)

	<b>31 December 2012</b>	31 December 2011	1 January 2011
	<i>Note</i> <b>RMB</b>	<i>RMB</i> (restated)	<i>RMB</i> (restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	<b>373,743</b>	268,904	272,514
Construction in progress	<b>32,484</b>	18,448	14,445
Lease prepayments	<b>25,759</b>	26,280	27,078
Goodwill	<b>29,918</b>	29,918	29,920
Intangible assets	<b>9,214</b>	7,715	9,968
Interests in associates	<b>1,016</b>	985	1,123
Investments	<b>616</b>	648	854
Deferred tax assets	<i>10</i> <b>2,922</b>	3,070	5,024
Other assets	<b>4,190</b>	3,602	4,399
<b>Total non-current assets</b>	<b>479,862</b>	359,570	365,325
<b>Current assets</b>			
Inventories	<b>5,928</b>	4,843	3,174
Income tax recoverable	<b>1,505</b>	2,425	1,882
Accounts receivable, net	<i>11</i> <b>18,768</b>	18,471	17,328
Prepayments and other current assets	<b>6,297</b>	4,666	5,074
Time deposits with original maturity over three months	<b>2,730</b>	1,804	1,968
Cash and cash equivalents	<b>29,982</b>	27,372	25,824
<b>Total current assets</b>	<b>65,210</b>	59,581	55,250
<b>Total assets</b>	<b>545,072</b>	419,151	420,575

		31 December		
		2012	31 December 2011	1 January 2011
	Note	RMB	RMB (restated)	RMB (restated)
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Short-term debt		6,523	9,187	20,675
Current portion of long-term debt		10,212	11,766	10,352
Accounts payable	12	68,844	44,359	40,041
Accrued expenses and other payables		105,736	59,375	52,892
Income tax payable		492	482	327
Current portion of deferred revenues		1,654	2,093	2,645
<b>Total current liabilities</b>		<b>193,461</b>	<b>127,262</b>	<b>126,932</b>
<b>Net current liabilities</b>		<b>(128,251)</b>	<b>(67,681)</b>	<b>(71,682)</b>
<b>Total assets less current liabilities</b>		<b>351,611</b>	<b>291,889</b>	<b>293,643</b>
<b>Non-current liabilities</b>				
Long-term debt and payable		83,070	31,150	42,549
Finance lease obligations		3		
Deferred revenues		1,791	2,712	3,558
Deferred tax liabilities	10	717	1,117	1,375
<b>Total non-current liabilities</b>		<b>85,581</b>	<b>34,979</b>	<b>47,482</b>
<b>Total liabilities</b>		<b>279,042</b>	<b>162,241</b>	<b>174,414</b>
<b>Equity</b>				
Share capital		80,932	80,932	80,932
Reserves		184,137	175,190	164,733
<b>Total equity attributable to equity holders of the Company</b>		<b>265,069</b>	<b>256,122</b>	<b>245,665</b>
<b>Non-controlling interests</b>		<b>961</b>	<b>788</b>	<b>496</b>
<b>Total equity</b>		<b>266,030</b>	<b>256,910</b>	<b>246,161</b>
<b>Total liabilities and equity</b>		<b>545,072</b>	<b>419,151</b>	<b>420,575</b>



Notes:

## 1. BASIS OF PREPARATION

The Group'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.

## 2. CHANGES IN ORGANISATION DURING THE YEAR AND BASIS OF PRESENTATION

Pursuant to an acquisition agreement entered into on 28 April 2011 by the Company and Besttone Holding Co., Ltd. (formerly known as China Satcom Guomai Communications Co., Ltd.) (Besttone Holding), which is controlled by China Telecommunications Corporation, upon receiving the relevant government approval in March 2012, the Company disposed of 100% equity interest in Besttone E-Commerce Co., Ltd., a subsidiary of the Company that was primarily engaged in the provision of e-commerce and booking services, to Besttone Holding. Besttone Holding paid the consideration by issuing 21,814,894 of its shares to the Company, representing around 4.1% of its enlarged share capital. The disposal of Besttone E-Commerce Co., Ltd. was completed on 30 April 2012.

The Company acquired the digital trunking business (the Sixth Acquired Business) from Besttone Holding at a purchase price of RMB48 million (hereinafter referred to as the Sixth Acquisition) during the year. The Sixth Acquisition was completed on 30 April 2012.

Since the Group and the Sixth Acquired Business are under common control of China Telecommunications Corporation, the Sixth 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 related to the Sixth Acquired Business have been accounted for at historical amounts and the consolidated financial statements of the Group prior to the Sixth Acquisition have been restated to include the results of operations and assets and liabilities related to the Sixth Acquired Business on a combined basis. The purchase price paid by the Group for the Sixth Acquisition has been accounted for as an equity transaction in the consolidated statement of changes in equity.

The consolidated results of operations for the year ended 31 December 2011 and the consolidated financial position as at 31 December 2011 as previously reported by the Group and the combined amounts presented in the consolidated financial statements of the Group to reflect the acquisition of the Sixth Acquired Business are set out below:

	<b>The Group</b>	<b>The Sixth</b>	
	<b>(as previously</b>	<b>Acquired</b>	<b>The Group</b>
	<b>reported)</b>	<b>Business</b>	<b>(restated)</b>
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
<b>Consolidated statement of comprehensive income for the year ended 31 December 2011:</b>			
Operating revenues	245,041	27	245,068
Profit for the year	16,598	(2)	16,596
<b>Consolidated statement of financial position as at 31 December 2011:</b>			
Total assets	419,115	36	419,151
Total liabilities	162,237	4	162,241
Total equity	256,878	32	256,910

For the years presented, all significant transactions and balances between the Group and the Sixth Acquired Business have been eliminated on combination.

**3. ACQUISITION OF CERTAIN CDMA NETWORK ASSETS AND ASSOCIATED LIABILITIES**

In October 2008, the Group acquired the CDMA mobile telecommunications business from China Unicom Limited (currently known as China Unicom (Hong Kong) Limited) and China Unicom Corporation Limited (currently known as China United Network Communications Corporation Limited). At the same time, China Telecommunications Corporation purchased the CDMA network assets from China United Telecommunications Corporation (currently known as China United Network Telecommunications Group Co., Ltd.) and Unicom New Horizon Mobile Telecommunications Co., Ltd. (currently known as Unicom New Horizon Telecommunications Company Limited). The Group leased the CDMA network assets from China Telecommunications Corporation under an operating lease. The network branches of China Telecommunications Corporation derived substantially all of their revenues from the CDMA network through the leasing of such CDMA network to the Group.

Pursuant to the Acquisition Agreement entered into between the Company and China Telecommunications Corporation on 22 August 2012 and the resolution passed by the Company's Extraordinary General Meeting held on 16 October 2012, the Company completed the acquisition of certain CDMA network assets and associated liabilities, which were held by China Telecommunications Corporation through network branches located in 30 provinces, municipalities and autonomous regions in the PRC on 31 December 2012 (hereinafter referred to as the Mobile Network Acquisition).

The initial consideration of the Mobile Network Acquisition was RMB84,595.41 million, and was subject to price adjustment, which reflected the change in the value of the CDMA network assets and associated liabilities during the period between the date following the base date for the asset appraisal (being 31 March 2012) up to (and including) the completion date of the acquisition (being 31 December 2012), to arrive at the final consideration. The final consideration was agreed to be RMB87,210.35 million, which consisted of RMB25,500.00 million paid within five business days following the completion date of the Mobile Network Acquisition, and a deferred consideration of RMB61,710.35 million, which will be payable on or before the fifth anniversary of the completion date of the Mobile Network Acquisition. The interest rate of the deferred consideration will be adjusted in accordance with the last yield of the 5-year super AAA rated Medium Term Notes most recently published by the National Association of Financial Market Institutional Investors at the end of each year. The interest rate for the first year is 4.83%. The tax expenses related to the Mobile Network Acquisition, which mainly included deed tax for the transfer of properties and land use rights, amounted to RMB29.43 million. The related tax expenses have been included in the book value of assets acquired.

The Mobile Network Acquisition was recognised as an assets acquisition, and the assets and associated liabilities acquired by the Company are stated at their respective purchase prices, including related tax expenses as follows:

	<i>RMB millions</i>
Property, plant and equipment, net	102,873
Construction in progress	9,177
Lease prepayments	151
Intangible assets	3,578
Other assets	1,080
Inventories	135
Accounts receivable, net	2,079
Prepayments and other current assets	642
<b>Total assets acquired</b>	<b>119,715</b>
Accounts payable	(17,965)
Accrued expenses and other payables	(14,540)
<b>Total liabilities assumed</b>	<b>(32,505)</b>

#### 4. SEGMENTAL REPORTING

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are regularly reviewed by the 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 one operating segment as the Group is only engaged in the integrated telecommunications business. The location of the Group's assets and operating revenues derived from activities outside mainland China are less than 10% of the Group's assets and operating revenues, respectively. No geographical area information has been presented as such amount is immaterial. No single external customer accounts for 10 percent or more of the Group's operating revenues.

#### 5. OPERATING REVENUES

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

	Note	2012 RMB millions	2011 RMB millions (restated)
Wireline voice	(i)	43,335	49,764
Mobile voice	(ii)	49,166	38,628
Internet	(iii)	87,660	74,992
Value-added services	(iv)	31,104	25,554
Integrated information application services	(v)	23,174	20,473
Managed data and leased line	(vi)	15,710	14,273
Others	(vii)	32,924	21,286
Upfront connection fees	(viii)		98
		<b>283,073</b>	<b>245,068</b>

Note:

- (i) Represent the aggregate amount of monthly fees, local usage fees, domestic long distance usage fees, international, Hong Kong, Macau and Taiwan long distance usage fees, interconnections fees and installation fees charged to customers for the provision of wireline telephony services.
- (ii) Represent the aggregate amount of monthly fees, local usage fees, domestic long distance usage fees, international, Hong Kong, Macau and Taiwan long distance usage fees and interconnections fees charged to customers for the provision of mobile telephony services.
- (iii) Represent amounts charged to customers for the provision of Internet access services.
- (iv) Represent the aggregate amount of fees charged to customers for the provision of value-added services, which comprise primarily caller ID services, short messaging services, Colour Ring Tone, Internet data centre and Virtual Private Network services.
- (v) Represent primarily the aggregate amount of fees charged to customers for Best Tone information services and IT services and applications.
- (vi) Represent primarily the aggregate amount of fees charged to customers for the provision of managed data transmission services and lease income from other domestic telecommunications operators and enterprise customers for the usage of the Group's telecommunications networks and equipment.
- (vii) Represent primarily revenue from sale, rental and repair and maintenance of equipment.
- (viii) Represent the amortised amount of the upfront fees received for initial activation of wireline services.

**6. NET FINANCE COSTS**

Net finance costs comprise:

	2012 <i>RMB millions</i>	2011 <i>RMB millions</i>
Interest expense incurred	2,479	3,023
Less: Interest expense capitalised*	(325)	(313)
Net interest expense	2,154	2,710
Interest income	(591)	(405)
Foreign exchange losses	47	48
Foreign exchange gains	(46)	(99)
	<b>1,564</b>	<b>2,254</b>

\* Interest expense was capitalised in construction in progress at the following rates per annum

1.3%	6.2%	2.5%	5.6%
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**7. INCOME TAX**

Income tax in the profit or loss comprises:

	2012 <i>RMB millions</i>	2011 <i>RMB millions</i>
Provision for PRC income tax	4,900	3,635
Provision for income tax in other tax jurisdictions	50	29
Deferred taxation	(197)	1,752
	<b>4,753</b>	<b>5,416</b>

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

	<i>Note</i>	2012 <i>RMB millions</i>	2011 <i>RMB millions</i> (restated)
Profit before taxation		<b>19,793</b>	22,012
Expected income tax expense at statutory tax rate of 25%	<i>(i)</i>	4,948	5,503
Differential tax rate on PRC subsidiaries and branches income	<i>(i)</i>	(269)	(255)
Differential tax rate on other subsidiaries income	<i>(ii)</i>	(23)	(3)
Non-deductible expenses	<i>(iii)</i>	539	489
Non-taxable income	<i>(iv)</i>	(156)	(291)
Effect of change in tax rate	<i>(v)</i>	155	
Others	<i>(vi)</i>	(441)	(27)

Actual income tax expense	<b>4,753</b>	<b>5,416</b>
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Note:

- (i) Except for certain subsidiaries and branches which are taxed at preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of the PRC.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 12% to 35%.
- (iii) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iv) Amounts represent miscellaneous income which are not subject to income tax.
- (v) Certain branches with operations in the western region of the PRC obtained approvals from tax authorities to adopt the preferential income tax rate of 15%. Accordingly, deferred tax assets that were recovered and deferred tax liabilities were settled after 31 December 2011 were adjusted to reflect the change in tax rate. The overall effect of change in tax rate amounting to RMB155 million was charged to the consolidated statement of comprehensive income.
- (vi) Amounts primarily represent tax deduction on prior years research and development expenses and losses on disposal of property, plant and equipment approved by tax authorities during the year.

#### **8. BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share for the years ended 31 December 2012 and 2011 is based on the profit attributable to equity holders of the Company of RMB14,925 million and RMB16,500 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 the periods presented.

#### **9. DIVIDENDS**

Pursuant to a resolution passed at the Directors' meeting on 20 March 2013, a final dividend of equivalent to HK\$0.085 per share totaling approximately RMB5,522 million for the year ended 31 December 2012 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 2012.

Pursuant to the shareholders' approval at the Annual General Meeting held on 30 May 2012, a final dividend of RMB0.069506 (equivalent to HK\$0.085) per share totaling RMB5,625 million in respect of the year ended 31 December 2011 was declared of which RMB5,235 million was paid on 20 July 2012 and the remaining amounts were paid by December 2012.

Pursuant to the shareholders' approval at the Annual General Meeting held on 20 May 2011, a final dividend of RMB0.071208 (equivalent to HK\$0.085) per share totaling RMB5,763 million in respect of the year ended 31 December 2010 was declared and paid on 30 June 2011.

**10. DEFERRED TAX ASSETS AND LIABILITIES**

The components of deferred tax assets and deferred tax liabilities recognised in the consolidated statement of financial position and the movements are as follows:

	Assets			Liabilities			Net balance		
	31	31	31	31	31	31	31	31	
	December	December	1 January	December	December	1 January	December	December	1 January
	2012	2011	2011	2012	2011	2011	2012	2011	2011
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	millions	millions	millions	millions	millions	millions	millions	millions	millions
		(restated)	(restated)					(restated)	(restated)
<i>Current</i>									
Provisions and impairment losses, primarily for doubtful debts	1,028	1,011	1,049				1,028	1,011	1,049
<i>Non-current</i>									
Property, plant and equipment	1,279	1,145	2,882	(266)	(425)	(534)	1,013	720	2,348
Deferred revenues and installations costs	615	914	1,093	(378)	(562)	(660)	237	352	433
Available-for-sale equity securities				(73)	(130)	(181)	(73)	(130)	(181)
Deferred tax assets/ (liabilities)	2,922	3,070	5,024	(717)	(1,117)	(1,375)	2,205	1,953	3,649

	Balance at 1 January 2011	Acquired from the Fifth Acquired Group	Recognised in statement of comprehensive income	Balance at 31 December 2011				
					Balance at 1 January 2011	Acquired from the Fifth Acquired Group	Recognised in statement of comprehensive income	Balance at 31 December 2011
					RMB millions (restated)	RMB millions	RMB millions	RMB millions (restated)
<i>Current</i>								
Provisions and impairment losses, primarily for doubtful debts	1,049		(38)	1,011				
<i>Non-current</i>								
Property, plant and equipment	2,348	5	(1,633)	720				
Deferred revenues and installation costs	433		(81)	352				
Available-for-sale equity securities	(181)		51	(130)				
Net deferred tax assets	3,649	5	(1,701)	1,953				

	Balance at 1	Recognised in statement of comprehensive income RMB millions	Disposal of a subsidiary RMB millions	Balance at 31 December 2012 RMB millions
<i>Current</i>				
Provisions and impairment losses, primarily for doubtful debts	1,011	19	(2)	1,028
<i>Non-current</i>				
Property, plant and equipment	720	293		1,013
Deferred revenues and installation costs	352	(115)		237
Available-for-sale equity securities	(130)	57		(73)
Net deferred tax assets	1,953	254	(2)	2,205

#### 11. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	Note	2012 RMB millions	2011 RMB millions
Accounts receivable			
Third parties		19,637	18,040
China Telecom Group	(i)	626	1,803
Other telecommunications operators in the PRC		529	570
		20,792	20,413
Less: Allowance for doubtful debts		(2,024)	(1,942)
		18,768	18,471

Note:

- (i) China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as China Telecom Group .



Ageing analysis of accounts receivable from telephone and Internet subscribers is as follows:

	2012 <i>RMB millions</i>	2011 <i>RMB millions</i>
Current, within 1 month	11,402	10,872
1 to 3 months	2,319	2,120
4 to 12 months	1,613	1,444
More than 12 months	387	432
	<b>15,721</b>	14,868
Less: Allowance for doubtful debts	(1,932)	(1,797)
	<b>13,789</b>	13,071

Ageing analysis of accounts receivable from other telecommunications operators and enterprise customers is as follows:

	2012 <i>RMB millions</i>	2011 <i>RMB millions</i>
Current, within 1 month	1,945	2,763
1 to 3 months	1,573	899
4 to 12 months	980	1,287
More than 12 months	573	596
	<b>5,071</b>	5,545
Less: Allowance for doubtful debts	(92)	(145)
	<b>4,979</b>	5,400

Ageing analysis of accounts receivable that are not impaired is as follows:

	2012 <i>RMB millions</i>	2011 <i>RMB millions</i>
Not past due	16,840	16,687
Less than 1 month past due	1,261	1,081
1 to 3 months past due	667	703
Amounts past due	1,928	1,784
	<b>18,768</b>	18,471

Amounts due from the provision of telecommunications services to customers are generally due within 30 days from the date of billing.



**12. ACCOUNTS PAYABLE**

Accounts payable are analysed as follows:

	<b>31 December</b>	31 December	1 January
	<b>2012</b>	2011	2011
	<b>RMB millions</b>	<i>RMB millions</i>	<i>RMB millions</i>
		(restated)	(restated)
Third parties	<b>56,333</b>	34,749	30,840
China Telecom Group	<b>11,473</b>	8,911	8,571
Other telecommunications operators in the PRC	<b>1,038</b>	699	630
	<b>68,844</b>	44,359	40,041