

CHINA TELECOM CORP LTD
Form 6-K
September 01, 2005

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 Months of August and September 2005

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.)

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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):)

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CORPORATION LIMITED AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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

<u>Exhibit Number</u>	<u>Page</u>
1.1 Interim Report dated August 31, 2005	A-1
1.2 Announcement of the Interim Results for the Six Months Ended June 30, 2005, dated August 31, 2005	B-1
1.3 Disclosure regarding the EBITDA Reconciliation, dated September 1, 2005	C-1
1.4 Announcement regarding the Proposed Issue of Short Term Commercial Paper and the Notice of Extraordinary General Meeting, dated August 31, 2005	D-1
1.5 Circular regarding the Proposed Issue of Short Term Commercial Paper and the Notice of Extraordinary General Meeting, dated September 1, 2005	E-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: September 1, 2005

By: /s/ Wang Xiaochu

Name: Wang Xiaochu
Title: Chairman and CEO

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Transforming into a modern integrated information services provider is the long-term development strategy unwaveringly pursued by the Company. By capitalising on the development trend of the global telecommunications industry and the Company's circumstances, we have formulated strategic transformation plans which are being implemented progressively. We firmly believe that the successful implementation of strategic transformation will establish a solid base for the sustainable development of the Company and create greater value for its shareholders.

Dear Shareholders,

In the first half of this year, aiming at creating value for shareholders, we actively pursued the strategic transformation of the Company into a modern integrated information services provider. We implemented precision management and fully attained our budgeted goals. While maintaining stable revenue growth of our wireline telecommunications services, we stepped up development efforts in our broadband Internet services and value-added services, resulting in an increase in the percentage of non-voice services revenue to our operating revenue. We also actively enforced budget management to strictly control operating costs and capital expenditure. These have enabled us to achieve a solid financial structure, healthy cash flow and improved operating efficiency. Our strategic transformation has brought favourable initial results, forging for us a solid foundation for sustainable development.

Financial Performance

In the first half of this year, our operating revenue reached RMB84,023 million, of which RMB3,403 million was generated from the amortisation of upfront connection fees. Excluding upfront connection fees, our operating revenue was RMB80,620 million, representing an increase of 6.1% compared to the same period last year. Broadband Internet services and value-added services became the key drivers of revenue growth of the Company, and revenue generated from non-voice services, such as Internet access and value-added services, accounted for 23.6% of our operating revenue, representing an increase of 3.3 percentage points compared to the same period last year. Our EBITDA* was RMB42,518 million. EBITDA margin* was 52.7%, which remained at a relatively high level. We further tightened cost control measures. Operating costs for the first half of the year was RMB62,280 million, representing an increase of 4.7% over the same period last year. The rate of increase in operating costs was lower than the rate of increase in our operating revenue, ensuring a gradual increase in profitability. Profit attributable to equity holders of the Company* reached RMB11,293 million for the first half of the year, representing an increase of 7.8% compared to the same period last year. Our free cash flow⁽¹⁾ amounted to RMB15,101 million. (* Including the amortisation of upfront connection fees, EBITDA was RMB45,921 million, EBITDA margin was 54.7% and profit attributable to equity holders of the Company was RMB14,696 million.)

Taking into consideration the Company's needs to sustain business development, its cash flow position, and to retain sufficient flexibility in funding, the Board of Directors resolved not to pay interim dividends for this year. The Board of Directors will review the final dividend distribution plan at the time of reviewing the full year results and submit a proposal to the shareholders' meeting.

Business Development

Local telephone services are the important foundation for our business development and currently our major source of cash flow. In the first half of this year, revenue from local telephone services reached RMB40,810 million. As at 30 June 2005, the total number of local telephone subscribers reached 202 million, which represented a net addition of 15.75 million subscribers for the first half of 2005 and a growth rate of 8.4% from the end of last year, indicating that the local telephone subscriber base still has ample room for growth. Facing the challenges of mobile voice usage substitution, we launched targeted service packages and proactively promoted the convergence of terminals on our wireless local access service and wireline service, which effectively alleviated usage diversion. Local voice usage in the first half of 2005 increased by 3.9% over the same period last year.

Wireless local access service is an important tool for stabilising the local telephone usage. Within our current network coverage, we endeavoured to optimise our network, enhance call connection rate and network utilisation,

and reduce churn rate. At the same time, we intensively developed wireless local access value-added services to boost revenue growth. We also effectively controlled marketing cost so as to continuously increase return on investment.

Intensive development of value-added services is an important measure in our strategic transformation. In the first half of this year, value-added services generated RMB4,601 million in revenue, representing an increase of 56.0% over the same period last year. While maintaining the rapid growth of the traditional value-added services such as caller ID display and telephone information services, we vigorously promoted new value-added services such as SMS over PAS and Color Ring Tones. In the first half of this year, the usage volume of SMS over PAS continuously increased and reached 7,347 million messages. Although the Color Ring Tones service has been introduced for around six months only, it showed promising prospects with over 10 million users. We will continue to strengthen the development of value-added services, strive to continuously improve and upgrade their functions, increase customer penetration, persist in stepping up the bundling of value-added services with products such as wireline services, wireless local access services and broadband access services to enhance customer loyalty and create greater value to us from customers using our network.

By grasping the tremendous business opportunities arising from the accelerating national informationalisation process, we will effectively develop our market and endeavour to create new product lines of ten billion \$ revenue base, including Internet applications, system integration and international communications, and ultimately realise the transformation of our revenue growth model. We continued to speed up the penetration of our broadband services into homes and enterprises and to expand the subscriber base of our broadband access. In the first half of the year, the net addition of broadband subscribers was 3.53 million and the revenue from Internet access services totalled RMB8,538 million, representing an increase of 29.3% from the same period last year. The percentage of revenue from Internet access services to our operating revenue continued its upward trend. By capitalising on the ChinaVnet platform and working closely with our partners, we developed personalised Internet application services catering for customers' needs for entertainment, video, investment and financial information. We also actively developed our system integration business and promoted informationalisation solutions to small and medium-sized enterprises through our Business Navigation brand services, with a view to extending services further to our customers. At the same time, we will actively develop the international market by expanding our network and services to offer cross-border end-to-end one-stop services to our customers, thereby effectively increasing our revenue.

Corporate Governance

The Company is committed to the continuous improvement of its corporate governance. We held the Annual General Meeting in Hong Kong during the first half of this year and reported directly to our shareholders and exchanged views with them. In addition, we will increase the number of independent non-executive directors to comprise one-third of our Board of Directors, appoint an internationally renowned financial expert as our independent non-executive director, and also establish a nomination committee to further enhance the functioning of the independent non-executive directors. To improve our transparency, we commenced quarterly disclosure of key operating data and operating revenue in the first quarter of this year, and will increase the contents of the quarterly disclosure progressively. In strict accordance with the requirements of the Sarbanes-Oxley Act of 2002 and international best practices, we will continuously perfect our internal control system to ensure the truthfulness and accuracy of all information disclosed, minimise operational risks and increase operational efficiency.

Prospects

We will continue to actively effect our strategic transformation into a modern integrated information services provider, creating value for our shareholders. We will pursue with the convergence and innovation of multi-services, multi-networks and multi-terminals, providing customers with Triple-play services of voice, data and video, and realising the extension of our service value chain. We will endeavour to optimise the structures of our revenue, investment, operating costs and human resources by accelerating the transformation of our products and services, network and technology, organisation and human resources. Through our long-term persistent efforts, we will progressively become an integrated telecommunications services provider, an aggregator of Internet applications, a leader in system integration and a dominant player in the integrated information services value chain,

with a view to driving our sustainable development, realising the transformation to a value enhancement model based on economies of scale, and also maintaining our leading position in the industry.

Looking ahead, we are fully confident of our future prospects. As we continue to progress with our strategic transformation efforts, our core competitiveness will be further enhanced and our profitability will be further improved, allowing us to deliver better returns to our shareholders.

Finally, on behalf of the Board of Directors, I would like to express my gratitude to our shareholders for the care and support they have shown to the Company over the years. I would also like to take this opportunity to express my sincere appreciation of the hard work of our employees.

Wang Xiaochu

Chairman and Chief Executive Officer

Beijing, PRC

31 August 2005

To the Board of Directors of

China Telecom Corporation Limited

INTRODUCTION

We have been instructed by the Company to review the interim financial statements of the Company and its subsidiaries (the Group) set out on pages 6 to 29.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting promulgated by the International Accounting Standards Board. The interim financial statements are the responsibility of, and have been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 Engagement to review interim financial reports issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial statements.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial statements for the six-month period ended 30 June 2005.

KPMG

Certified Public Accountants

Hong Kong, China

31 August 2005

		30 June 2005	31 December 2004
	Note	RMB	RMB (Note 3)
ASSETS			
Non-current assets			
Property, plant and equipment, net		315,566	320,179
Construction in progress		32,553	29,450
Lease prepayments		4,975	4,830
Interests in associates		536	511
Investments		175	200
Deferred tax assets		10,990	10,805
Other assets		12,401	13,063
Total non-current assets		377,196	379,038
Current assets			
Inventories		2,886	2,767
Accounts receivable, net	5	16,103	13,921
Prepayments and other current assets		2,927	3,064
Time deposits with maturity over three months		256	315
Cash and cash equivalents	6	16,209	13,465
Total current assets		38,381	33,532
Total assets		415,577	412,570
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	7	62,249	65,976
Current portion of long-term debt	7	10,368	11,842
Accounts payable	8	34,549	33,658
Accrued expenses and other payables		30,735	27,531
Income tax payable		2,796	1,192
Current portion of finance lease obligations		131	156
Current portion of deferred revenues		10,318	11,589
Total current liabilities		151,146	151,944
Net current liabilities		(112,765)	(118,412)
Total assets less current liabilities		264,431	260,626
Non-current liabilities			
Long-term debt	7	70,033	72,366
Finance lease obligations		104	157
Deferred revenues		22,050	25,182
Deferred tax liabilities		2,500	2,302
Total non-current liabilities		94,687	100,007
Total liabilities		245,833	251,951
Equity			
Equity attributable to equity holders of the Company			
Share capital		80,932	80,932
Reserves		87,374	78,274
		168,306	159,206
Minority interests		1,438	1,413
Total equity		169,744	160,619
Total liabilities and equity		415,577	412,570

The notes on pages 12 to 29 form part of these interim financial statements.

	Six-month periods			
	ended 30 June			
	2005	2004		
Note	RMB	RMB (Note 3)		
Operating revenues	9	84,023	80,217	
Operating expenses				
Depreciation and amortisation		(24,178)	(23,255)	
Network operations and support		(22,224)	(20,325)	
Selling, general and administrative		(13,354)	(14,105)	
Other operating expenses		(2,524)	(1,796)	
Total operating expenses		(62,280)	(59,481)	
Operating profit		21,743	20,736	
Net finance costs	10	(2,468)	(2,341)	
Investment loss		(9)		
Share of profit from associates		3	6	
Profit before taxation	11	19,269	18,401	
Income tax	12	(4,556)	(3,681)	
Profit for the period		14,713	14,720	
Attributable to:				
Equity holders of the Company		14,696	14,708	
Minority interests		17	12	
Profit for the period		14,713	14,720	
Basic earnings per share	14	0.18	0.19	
Weighted average number of shares	14	80,932	76,725	

The notes on pages 12 to 29 form part of these interim financial statements.

Attributable to equity holders of the Company

		Share capital	Capital reserve	Share premium	Re-valuation reserve	Surplus reserves	Statutory common welfare fund	Other reserves	Retained earnings	Total	Minority interests	Total equity
	Note	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB (Note 3)	RMB
Balance as at 1 January 2004		75,614	6,567	3,362	6,424	15,461	3,372	24,246	15,748	150,794	1,269	152,063
Issue of shares, net of issuing expenses of RMB294 million		5,318		7,384						12,702		12,702
Profit for the six-month period ended 30 June 2004									14,708	14,708	12	14,720
Contributions from minority interests											68	68
Contributions from China Telecom									100	100		100
Transfer from retained earnings to other reserves								2,653	(2,653)			
Consideration for the acquisition of the Second Acquired Group	1							(27,800)		(27,800)		(27,800)
Transfer from other reserves to capital reserve			(9,371)					9,371				
Dividends	13								(5,224)	(5,224)		(5,224)
Effect of chan												