CHINA TELECOM CORP LTD
Form 6-K
March 21, 2012

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 2012

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)

(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 x 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 x

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

EXHIBITS

Exhibit Number		**Page Number**
1.1	Announcement of Annual Results for the year ended December 31, 2011, dated March 20, 2012	A-1
1.2	Announcement regarding resignation of director, change of important executive positions and proposed appointment of director, dated March 20, 2012.	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 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;

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 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:

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 21, 2012

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

Exhibit 1.1

(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 2011

HIGHLIGHTS

IFRS-based	**Excluding the amortisation of upfront connection fees**
Operating revenues reached RMB245,041 million	Operating revenues reached RMB244,943 million, up by 11.7%
Profit attributable to equity holders of the Company was RMB16,502 million, basic earnings per share was RMB0.20	EBITDA was RMB94,266 million, up by 6.5%, EBITDA margin was 40.8%
	Profit attributable to equity holders of the Company was RMB16,404 million, up by 10.5%, basic earnings per share was RMB0.20

Total number of mobile subscribers was 126 million, net increase of 35.95 million, up by 39.7%, of which 3G mobile subscribers was 36.29 million, net increase of 24.00 million, up by 195.3%

Total number of wireline broadband subscribers was 76.81 million, net increase of 13.33 million, up by 21.0%

Total number of access lines in service was 170 million, net decrease of 5.46 million, down by 3.1%

CHAIRMAN S STATEMENT

In 2011, we firmly seized the valuable market opportunities arising from the rapidly proliferating mobile Internet applications and the increasing demand of industry informatisation to continue to deepen our strategic transformation. We pragmatically promoted the development of our Three New Roles a leader of intelligent pipeline, a provider of integrated platforms, and a participant in content and application development and proactively expanded into emerging areas such as mobile Internet. We accelerated the optimisation of business structure and continuously enhanced our operational and management capabilities, facilitating effective promotion in the scale development of our mobile, wireline broadband and industry informatisation services. Revenue and profit continued to maintain robust growth and the Company s overall competitive strengths have been further enhanced.

Operating Results

In 2011, the Company achieved favourable development. The operating revenues amounted to RMB245,041 million. Excluding the amortisation of upfront connection fees, the operating revenues were RMB244,943 million, an increase of 11.7% over last year. The revenue structure continued to be optimised, laying a solid foundation for future sustainable development. Mobile service revenue reached RMB68,248 million, an increase of 43.0% over last year, further increasing its proportion to 27.9% of total revenue and became the largest service of the Company. Revenue from wireline broadband service was RMB60,801 million, an increase of 12.3% over last year and maintained rapid growth. Wireline voice revenue was RMB49,764 million, its proportion to total revenue declined to 20.3% and the operating risks were further alleviated. EBITDA[1,2] was RMB94,266 million, an increase of 6.5% over last year while EBITDA margin[3] was 40.8%. The profit attributable to equity holders of the Company was RMB16,404 million, an increase of 10.5% over last year, demonstrating concurrent achievement in scale development of subscriber and enhancement in profitability. Basic earnings per share was RMB0.20. Capital expenditure was RMB49,551 million, accounted for 20.2% of revenue and free cash flow[4] was RMB20,288 million.

Taking into account the return to shareholders, the Company s cash flow and its capital requirements for the forthcoming acquisition of mobile network assets from parent company, 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.

Full services development achieving new breakthroughs

Through more than three years of practice and exploration, we have continuously deepened our understanding and grasp of the pattern of full services operation and enriched our operating experience. We effectively promoted the scale development of the Company s three core services, further consolidating and strengthening our competitive advantages.

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

2 Including the amortisation of upfront connection fees, EBITDA was RMB94,364 million, profit attributable to equity holders of the Company was RMB16,502 million, and basic earnings per share was RMB0.20.

3 EBITDA margin was calculated based on EBITDA divided by the operating revenues excluding mobile terminal sales.

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

3G leading mobile service scale expansion

In 2011, China s mobile telecommunications market has gradually migrated from 2G to 3G services. With accelerated growth in 3G services, the market potential was huge and the Company firmly seized this historic opportunity for development. Through a series of development initiatives such as comprehensively promoting the terminal-driven marketing model, optimising channel distribution, enhancing service capability, enriching mobile applications and strengthening brand building, the Company effectively promoted scale development of its mobile service; Through the transformation of self-operated sales outlets to handset speciality stores like electronic appliance stores to strengthen sales and marketing to enhance customers experience, together with implementation of flexible and effective incentive schemes to motivate open channel sales initiatives, new addition of subscribers increased rapidly; Through cooperation and incentive across terminal value chain to motivate value chain participants, the variety of smartphones, in particular the smartphones priced around RMB1,000, proliferated robustly. Sales volume of 3G smartphones continued to rise, which well supported the rapid expansion of 3G subscribers base; Through continuous innovation in service measures and focusing on the enhancement of electronic channel service capabilities to boost the mobile service scale expansion; Strengthening cooperation with external parties, constantly launching popular mobile Internet applications, through sales and marketing to enhance customers experience and continuous follow-up marketing strategies to increase the usage and vigorousness level of the applications and promote the development by applications; Targeting the youngster market, the brand e-Surfing Fly Young was launched, gathering various resource advantages such as network, applications, service, etc., in order to seize the mobile Internet active user market. In 2011, the net addition of mobile subscribers was 35.95 million, reaching a total of 126 million and the Company became the world s largest CDMA operator. Our mobile subscriber market share further increased to 13.0%, with 3G subscribers totalling 36.29 million and 3G subscriber market share was 28.5%. The Company s market influence was further enhanced, demonstrating scale benefit driving enhancement in corporate overall profitability.

While we are achieving the scale development of our mobile subscribers base, with a firm foothold in the present and an outlook to the future, we vigorously promoted the transformation from voice-centric to data traffic operation and stand at the forefront for future development: We leveraged our strengths and capabilities in integrated platform and gathered popular Internet applications such as instant messaging, Weibo, group buying and Best Tone services, reinforcing application-driven usage and enriching data content. We leveraged our Cloud computing service capability while proactively exploring and expanding the development into emerging services such as mobile payment and positioning services to enhance data traffic value. We innovated the data traffic marketing model, through strengthening sales and marketing to enhance customers experience and cultivating users habit of usage to increase data revenue. In 2011, mobile data revenue was RMB29,620 million, an increase of 57.4% over last year.

Broadband upgrade boosting rapid development

Broadband network has become the most important infrastructure in the informatisation society and broadband development will become an important initiative to promote national economic growth. With the growing demand for e-commerce, the continuously enriching applications in the Internet of Things and continuous acceleration in Three Networks Convergence, the demand from high-bandwidth applications has become an important driver for bandwidth upgrade, injecting new vitality into the Company s broadband service development. The Company duly launched the Broadband China Fibre Cities project and accelerated fibre rollout and the upgrade of Fibre-to-the-Home (FTTH), comprehensively implementing bandwidth upgrade to create a superior network for better customer experience, further consolidating our competitive edges. By the end of 2011, all cities in service areas basically had 8 Mbps bandwidth access capability, while 20 Mbps bandwidth coverage reached 70%. In addition to the broadband upgrade, we vigorously developed products that demanded high bandwidth such as iTV, e-Surfing Video and e-Cloud storage, constantly enriching the content of the e-Surfing Broadband brand. We also proactively introduced bandwidth intensive contents and applications such as popular online games and online videos from our external partners to provide users with a differentiated perception of high-bandwidth, effectively promoting an increase in broadband subscribers and value enhancement: In 2011, the net addition of wireline broadband subscribers was 13.33 million and the total number of wireline broadband subscribers reached 76.81 million.

Key industries-focused development expanding informatisation applications

Industry informatisation is an important area in national economic informatisation. Facing the rich gold mine of industry informatisation applications market, we fully leverage our integrated strengths in ICT and government & enterprise service teams. With the brand e-Surfing Navigator as the lead, we focused on industries such as government supervision and enforcement, finance, corporate clients and clustered small to medium-sized enterprises. We developed key applications such as e-Surfing RFID, e-office administration, transport and logistics, digital campus and vehicle information services and accelerated the scale replication and promotion of the products. Riding on the opportunity of assisting customers to establish digital enterprises , we achieved synergy in integrating our products such as mobile 3G and broadband access into informatisation solutions, effectively driving the scale development of our fundamental services. At the same time, we proactively expanded and developed the Cloud service market. We constructed the nationwide Cloud resources service management platform on an efficient and centralised basis and proactively promoted Cloud computing for industry applications to continuously enhance our capabilities in providing industry informatisation solutions.

Commitment to innovate, Three New Roles transformation achieving substantive progress

We broke through from conventional thinking and reinforced our awareness of and capability for innovation, striving to explore the development patterns of emerging services, and increase our innovation initiatives in networks, platforms, products, mechanisms and system. We pragmatically implemented our Three New Roles strategy and endeavoured to develop new differentiated competitive edges to promote the scale development of our services.

We actively promoted intelligent pipeline construction: We strived to achieve differentiated allocation of network resources, focusing on enhancing our service assurance capabilities for high-end users, relieving network capacity expansion pressure and saving on capital expenditure. At the same time, we conducted trial of our intelligent bandwidth upgrade products for broadband networks whereby bandwidth resources can be quickly configured according to user s requirement, in order to achieve self-served bandwidth upgrade by broadband access users so as to improve customer s experience.

We accelerated the construction of integrated platforms and open operations: We further optimised our platform structure, gradually incorporating various types of application platform resources into the integrated resource management platform for the implementation of centralised efficient operations. We also increased our efforts in transferring the platform resources into the Cloud so as to achieve sharing of user information and capability resources. We built a collective eco-environment for Internet applications and constantly improved our basic support capabilities such as authentication, positioning and billing for the integrated platform. We promoted our capabilities in open platforms to external parties to accomplish exchanging of revenue, subscribers and data traffic.

We strengthened our innovative strengths in content applications and proactively expanded Internet applications: For self-developed applications products, we constantly improved their penetration and vigorousness levels through our integrated offering, preliminarily accomplishing business scale expansion: The number of registered users of five products, including iMusic, e-Surfing apps store and e game all exceeded 30 million respectively. Emerging services such as e-Surfing Chat instant messaging and positioning services were progressively launched to the market. We formed the Open Mobile Internet Alliance and innovated new modes of cooperation. We also proactively introduced premium third-party contents and applications such as Tencent QQ, Weibo and UC Browser, and further promoted collaborative development in areas like Cloud applications and e-commerce.

We persisted to promote innovation in mechanism and system: In the field of emerging services, we proactively explored corporatisation reform. We accelerated the pace of the corporatisation reform of emerging services such as business travel, video and payment while implementing flexible incentive schemes to invigorise and create professional corporates with competitive edges for the rapid better development of the emerging services. We established a Business Innovation Department to strengthen our centralised efficient operation of innovative products. We also set up an incubator base to create an internal environment to cultivate innovation and incubate new products in the Internet area, thus initially forming a new system of innovative business operations.

Precision management and improvement in efficiency

We persisted in the direction of value management and continued to strengthen precision management, optimising resource allocation and enhance operational capability: We focused on three aspects, namely mobile network utilisation, marketing resource utilisation and operational efficiency of sales outlets. We further deepened the sub-division of performance evaluation units and diligently increased the corporate operating efficiency. We optimised our investment structure, fully leveraging on the functions of resource allocation in guiding business development. We increased our investment in key networks and services such as broadband and mobile and continuously improved investment return.

We acted in accordance with the development pattern of mobile Internet to strengthen our co-ordination and centralised efficient operations in areas such as sales and marketing systems and to make a concerted effort to expand the market. We further perfected our IT system, making every effort to achieve one-point access and entire-network operation, effectively promoting the development of our mobile Internet service.

We proactively embarked on serving the public and achieving excellence in performance program. Based on customers perception, we enhanced our customer service capabilities in all aspects to continuously improve customer satisfaction, gradually establishing our differentiation advantages: We created superior broadband services, further enhanced our service support capabilities for broadband installation, maintenance and contract renewal and maintained industry-leading service quality level. We focused on 3G service and innovative customer interfaces. Instant messaging services such as QQ have reached scale operation, with the average monthly service volume exceeding two million times. The service capabilities of online channels such as on-line Palm Service Centre have also significantly improved, and Weibo has become a key channel to handle customer inquiries. The Company s mobile Internet service capabilities have begun to take shape.

Corporate Governance and Social Responsibility

We continue to strive to maintain a high level of corporate governance and corporate transparency to ensure healthy development of the Company and enhance corporate value. In 2011, our persistent efforts in corporate governance have been widely recognised by the capital markets. We have been accredited with a number of awards and appreciation, including No. 1 Best Managed Company in Asia by *Euromoney*, being the first company receiving such honour for three consecutive years, the Overall Best Managed Company in Asia and Best Telecom Company in Asia by *FinanceAsia*, and Asia s Best Companies in Corporate Governance and The Best Corporate Social Responsibility in China by *Corporate Governance Asia.*

We put great emphasis on environmental protection and vigorously promoted technical improvement for energy savings as well as collaborative building and sharing of mobile base stations. While investing in the conservation of resources, we contributed to energy saving and emission reduction for the community. We proactively practise the concepts of environment-friendly and low-carbon humanistic concept development, fully demonstrating our new image as a green telecom operator. We successfully achieved communications assurance for the Universiade in Shenzhen, the International Horticultural Exposition in Xi an, and disaster relief, which demonstrated our efforts towards corporate social responsibility and received a high degree of recognition from all sectors of society.

Outlook

At present, 3G service is entering a phase of accelerated growth and will grow explosively. Wireline broadband service is still in a period of high growth. The commercialisation of new services such as mobile Internet, Cloud computing and Internet of Things is further accelerating, which will open up a new area for the Company s development. The national policy of promoting cultural development will also provide new development opportunities. However, at the same time, we also face new challenges, such as the integration of the information industry and intensifying market competition.

Looking forward, we are fully confident. The Company will ride on the industry development trend, in alignment with the theme of promoting scale development through dual-leadership in innovation and services to create a differentiated competitive edge. We will adhere to the principle of efficiency and continue to accelerate the scale development of mobile, wireline broadband and informatisation applications. We will strive to enhance our strengths in innovation, service, efficient centralisation and operation management, and take more solid steps towards the goal of being a world-class integrated information service provider so as to create more value for shareholders.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all our shareholders and customers for their support. I would also like to express my sincere thanks to Mr. Shang Bing and Mr. Zhang Chenshuang for their valuable contribution during their tenure of office as executive directors of the Company.

Wang Xiaochu

Chairman and Chief Executive Officer

Beijing, China

20 March 2012

GROUP RESULT

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 2011 extracted from the audited consolidated financial statements of the Group as set out in its 2011 Annual Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(Amounts in millions, except per share data)

	Note	**2011** **RMB**	2010 *RMB* (restated)
Operating revenues	*4*	**245,041**	219,864
Operating expenses			
Depreciation and amortisation		**(51,224)**	(52,215)
Network operations and support		**(52,912)**	(47,432)
Selling, general and administrative		**(48,741)**	(42,130)
Personnel expenses		**(39,167)**	(35,529)
Other operating expenses		**(28,868)**	(19,106)
Total operating expenses		**(220,912)**	(196,412)
Operating profit		**24,129**	23,452
Net finance costs	*5*	**(2,254)**	(3,600)
Investment income		**40**	328
Share of profits of associates		**99**	131
Profit before taxation		**22,014**	20,311
Income tax	*6*	**(5,416)**	(4,846)
Profit for the year		**16,598**	15,465

	Note	2011 RMB	2010 RMB (restated)
Other comprehensive income for the year:			
Change in fair value of available-for-sale equity securities		**(205)**	132
Deferred tax on change in fair value of available-for-sale equity securities		**51**	(48)
Exchange difference on translation of financial statements of subsidiaries outside mainland China		**(103)**	(48)
Share of other comprehensive income from associates			(25)
Other comprehensive income for the year, net of tax		**(257)**	11
Total comprehensive income for the year		**16,341**	15,476
Profit attributable to:			
Equity holders of the Company		**16,502**	15,347
Non-controlling interests		**96**	118
Profit for the year		**16,598**	15,465
Total comprehensive income attributable to:			
Equity holders of the Company		**16,245**	15,358
Non-controlling interests		**96**	118
Total comprehensive income for the year		**16,341**	15,476
Basic earnings per share	*7*	**0.20**	0.19
Number of shares (in millions)		**80,932**	80,932

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Amounts in millions)

	Note	**31 December 2011** *RMB*	31 December 2010 *RMB* (restated)	1 January 2010 *RMB* (restated)
ASSETS				
Non-current assets				
Property, plant and equipment, net		**268,877**	272,478	283,550
Construction in progress		**18,448**	14,445	11,567
Lease prepayments		**26,280**	27,078	27,790
Goodwill		**29,918**	29,920	29,922
Intangible assets		**7,715**	9,968	12,311
Interests in associates		**985**	1,123	997
Investments		**648**	854	722
Deferred tax assets	*9*	**3,068**	5,022	6,839
Other assets		**3,600**	4,396	5,322
Total non-current assets		**359,539**	365,284	379,020
Current assets				
Inventories		**4,840**	3,170	2,628
Income tax recoverable		**2,425**	1,882	1,714
Accounts receivable, net	*10*	**18,471**	17,328	17,438
Prepayments and other current assets		**4,664**	5,073	3,910
Time deposits with original maturity over three months		**1,804**	1,968	442
Cash and cash equivalents		**27,372**	25,824	34,804
Total current assets		**59,576**	55,245	60,936
Total assets		**419,115**	420,529	439,956

	Note	31 December 2011 RMB	31 December 2010 RMB (restated)	1 January 2010 RMB (restated)
LIABILITIES AND EQUITY				
Current liabilities				
Short-term debt		**9,187**	20,675	51,650
Current portion of long-term debt		**11,766**	10,352	1,487
Accounts payable	*11*	**44,358**	40,039	34,321
Accrued expenses and other payables		**59,372**	52,885	52,193
Income tax payable		**482**	327	395
Current portion of finance lease obligations				18
Current portion of deferred revenues		**2,093**	2,645	3,417
Total current liabilities		**127,258**	126,923	143,481
Net current liabilities		**(67,682)**	(71,678)	(82,545)
Total assets less current liabilities		**291,857**	293,606	296,475
Non-current liabilities				
Long-term debt		**31,150**	42,549	52,768
Deferred revenues		**2,712**	3,558	5,045
Deferred tax liabilities	*9*	**1,117**	1,375	1,510
Total non-current liabilities		**34,979**	47,482	59,323
Total liabilities		**162,237**	174,405	202,804
Equity				
Share capital		**80,932**	80,932	80,932
Reserves		**175,158**	164,696	155,372
Total equity attributable to equity holders of the Company		**256,090**	245,628	236,304
Non-controlling interests		**788**	496	848
Total equity		**256,878**	246,124	237,152
Total liabilities and equity		**419,115**	420,529	439,956

Notes:

1. BASIS OF PRESENTATION

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 ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are effective for accounting period beginning on or after 1 January 2011. Of these, the following developments are relevant to the Group s financial statements:

IAS 24 (revised 2009), Related Party Disclosures

Improvements to IFRSs (2010)

The Group has not yet applied any new and revised standard or interpretation that is not yet effective for the current accounting period.

(i) IAS 24 (revised 2009), Related Party Disclosures

IAS 24 (revised 2009), Related Party Disclosures revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group s related party disclosures in the current and previous periods. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related or transactions with other entities related to the same government. As such, the adoption of IAS 24 (revised 2009), Related Party Disclosures has resulted in a change in the disclosures for the related party transactions with government-related entities in the financial statements.

(ii) Improvements to IFRSs (2010)

Improvements to IFRSs (2010) omnibus standard introduces an amendment to IFRS 1, First-time adoption of International Financial Reporting Standards. In the amendment to IFRS 1, a first-time adopter of IFRSs is allowed to use an event-driven fair value measurement as deemed cost for some or all of its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is during the period covered by the entity s first IFRS financial statements. This amendment can be adopted retrospectively by existing IFRS reporters at the latest in the annual period beginning on or after 1 January 2011.

The accounting periods covered by the first IFRS financial statements of the Predecessor Operations, the First Acquired Group and the Second Acquired Group are from 1 January 1999 to 31 December 2001, from 1 January 2001 to 30 June 2003 and from 1 January 2001 to 31 December 2003, respectively. During the Restructuring, the First Acquisition and the Second Acquisition, as required by the applicable laws and regulations of the PRC, the Group s financial statements prepared under Accounting Standards for Business Enterprises and other relevant rules (collectively PRC GAAP), accounted for property, plant and equipment and lease prepayments at deemed cost based on the valuations performed by China Enterprise Appraisals Co., Ltd. as at 31 December 2001, 31 December 2002 and 31 December 2003 respectively. As the valuations were performed as at a date later than the respective dates of transition to IFRSs, the Group was not permitted at that time to adopt these valuations as deemed cost for the respective IFRS financial statements and instead adopted the following IFRS accounting policies:

property, plant and equipment were recognised at carrying amounts determined in accordance with IAS 16 at the respective dates of transition to IFRS and subsequently carried at revalued amount, being its fair value at the dates of revaluations; and

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lease prepayments were recognised at historical cost and therefore, the related revaluation gains arising from the revaluation in 2001, 2002 and 2003 as mentioned above were not recognised.

As a result of the amendment to IFRS 1, the Group has:

retrospectively adjusted the amounts reported for previous periods in the respective IFRS financial statements to be consistent with the retrospective recognition of property, plant and equipment and lease prepayments acquired during the Restructuring, the First Acquisition and the Second Acquisition at their deemed cost in the respective first IFRS financial statements based on the results of valuations, with consequential adjustments for depreciation and amortisation charged in subsequent periods; and

changed its accounting policy for property, plant and equipment from the revaluation model to the cost model. The revaluation surplus and deficit related to the revaluation performed in 2004 and 2007, has also been adjusted retrospectively. This change is to align the Group s accounting policy with industry peers to provide more relevant financial information to the users of the Group s consolidated financial statements and to eliminate the differences between the Group s financial statements under IFRS and those under PRC GAAP.

The following table summarises the retrospective adjustments that have been made in accordance with amendment to IFRS 1 to each of the line items in the financial statements:

	31 December 2010	1 January 2010
	RMB millions	*RMB millions*
Increase/(decrease) on items of consolidated statement of financial position		
Assets		
Property, plant and equipment	(2,770)	(2,778)
Lease prepayments	21,701	22,273
Deferred tax assets	(5,757)	(6,059)
Liabilities		
Deferred tax liabilities	(986)	(1,103)
Equity		
Capital reserves	19,571	19,571
Other reserves	(2,475)	(2,525)
Revaluation reserve	(10,339)	(10,863)
Retained earnings	7,403	8,389
Non-controlling interest		(33)

	2011	2010
	RMB millions	*RMB millions*
Increase/(decrease) on items of consolidated statement of comprehensive income		
Depreciation and amortisation	**498**	559
Network operations and support	**30**	5
Investment income		(33)
Income tax	**(133)**	(185)
Profit attributable to equity holders of the Company	**(395)**	(412)
Total comprehensive income	**(395)**	(412)
Basic earnings per share for profit attributable to equity holders of the Company	**(0.01)**	(0.01)

3. 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 an integrated telecommunications business. The location of the Group s assets and operating revenues derived from activities outside mainland China are less than 1% 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.

4. OPERATING REVENUES

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

	Note	**2011** **RMB millions**	2010 RMB millions
Wireline voice	*(i)*	**49,764**	62,498
Mobile voice	*(ii)*	**38,628**	28,906
Internet	*(iii)*	**74,992**	63,985
Value-added services	*(iv)*	**25,529**	22,571
Integrated information application services	*(v)*	**20,473**	15,519
Managed data and leased line	*(vi)*	**14,273**	12,389
Others	*(vii)*	**21,284**	13,499
Upfront connection fees	*(viii)*	**98**	497
		245,041	219,864

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 amortised amount of upfront 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 system integration and consulting services and Best Tone information services, which comprise hotline enquiry and booking services.

(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 repairs and maintenance of equipment.

(viii) Represent the amortised amount of the upfront fees received for initial activation of wireline services.

5. NET FINANCE COSTS

Net finance costs comprise:

	2011	2010
	RMB millions	*RMB millions*
Interest expense incurred	**3,023**	4,057
Less: Interest expense capitalised*	**(313)**	(262)
Net interest expense	**2,710**	3,795
Interest income	**(405)**	(287)
Foreign exchange losses	**48**	178
Foreign exchange gains	**(99)**	(86)
	2,254	3,600

* Interest expense was capitalised in construction in progress at the following rates per annum	**2.5%**	**5.6%**	2.5%	4.7%

6. INCOME TAX

Income tax in the profit or loss comprises:

	2011	2010
	RMB millions	*RMB millions* (restated)
Provision for PRC income tax	**3,635**	3,165
Provision for income tax in other tax jurisdictions	**29**	47
Deferred taxation	**1,752**	