

CHINA TELECOM CORP LTD

Form 20-F

April 29, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

OR

..

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 1-31517

(Exact Name of Registrant as Specified in Its Charter)

China Telecom Corporation Limited

(Translation of Registrant's Name into English)

People's Republic of China

(Jurisdiction of Incorporation or Organization)

31 Jinrong Street, Xicheng District

Beijing, People's Republic of China 100033

(Address of Principal Executive Offices)

Ms. Yi Chen

China Telecom Corporation Limited

31 Jinrong Street, Xicheng District

Beijing, People's Republic of China 100033

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Telephone: (+86-10) 5850 1508

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
American depositary shares	New York Stock Exchange, Inc.
H shares, par value RMB1.00 per share	New York Stock Exchange, Inc.*

* Not for trading, but only in connection with the listing on the New York Stock Exchange, Inc. of American depositary shares, each representing 100 H shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2012, 67,054,958,321 domestic shares and 13,877,410,000 H shares, par value RMB1.00 per share, were issued and outstanding. H shares are ordinary shares of the Company listed on The Stock Exchange of Hong Kong Limited.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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FORWARD-LOOKING STATEMENTS

This annual report contains certain 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, or the Exchange Act. 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 acquired businesses and 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 risk factors set forth in Item 3. Key Information D. Risk Factors and 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;

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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, or the CDMA 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.

CERTAIN DEFINITIONS AND CONVENTIONS

As used in this annual report, references to us, we, the Company, our Company and China Telecom are to China Telecom Corporation Limited and its consolidated subsidiaries except where we make clear that the term means China Telecom Corporation Limited or a particular subsidiary or business group only. References to matters relating to our H shares or American depositary shares, or ADSs, or matters of corporate governance are to the H shares, ADSs and corporate governance of China Telecom Corporation Limited. In respect of any time prior to our incorporation, references to us, we and China Telecom are to the telecommunications business in which our predecessors were engaged and which were subsequently assumed by us. All references to China Telecom Group are to China Telecommunications Corporation, our controlling shareholder. Unless the context otherwise requires, these references include all of its subsidiaries, including us and our subsidiaries. Unless otherwise indicated, references to and statements regarding China and the PRC in this annual report do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan.

PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

The following table presents our selected financial data. The selected consolidated statement of financial position data as of December 31, 2011 and 2012, and the selected consolidated statement of comprehensive income (except for earnings per ADS) and consolidated cash flow data for

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the years ended December 31, 2010, 2011 and 2012, are derived from our audited consolidated financial statements included elsewhere in this annual report, and should be read in conjunction with those consolidated financial statements. The selected consolidated statement of financial position data as of December 31, 2008, 2009 and 2010 and the selected consolidated statement of comprehensive income (except for earnings per ADS) and consolidated cash flow data for the years ended December 31, 2008 and 2009 are derived from our consolidated financial statements which are not included in this annual report. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards, or IFRS.

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The selected financial data reflect the acquisitions and divestment in 2008 and 2012 described under Item 4. Information on the Company A. History and Development of the Company Our Acquisitions from China Telecom Group and Corporate Organization Restructuring , Industry Restructuring and Our Acquisition of the CDMA Business in 2008 and Our Acquisition from China Telecom Group of the CDMA Network Assets and Associated Liabilities

On October 1, 2008, we acquired from China Unicom (Hong Kong) Limited (formerly known as China Unicom Limited), or China Unicom, and China Unicom Corporation Limited, or CUCL, the entire CDMA Business and related assets and liabilities for a total consideration of RMB43,800 million. The related direct transaction cost for the acquisition was RMB84 million. The final cost of the acquisition was RMB40,413 million as a result of a RMB3,471 million reduction to the total consideration. The reduction represented a net settlement due from China Unicom in connection with our acquisition of certain customer-related assets and assumption of certain customer-related liabilities relating to the CDMA Business pursuant to the acquisition agreement. China Unicom is a company incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange and whose American depository shares are listed on the New York Stock Exchange, or NYSE. Our acquisition of the CDMA Business and related assets and liabilities was accounted for using the purchase method.

On April 30, 2012, we sold to Besttone Holding Co., Ltd. (formerly known as China Satcom Guomai Communications Co., Ltd.), or Besttone Holding, which was controlled by China Telecom Group, our 100% equity interest in Besttone E-Commerce Co., Ltd., a subsidiary of the Company primarily engaged in the provision of e-commerce and booking services. Besttone Holding paid the consideration by issuing to us 21,814,894 of its shares, representing approximately 4.1% of its enlarged share capital.

On April 30, 2012, we acquired the digital trunking business from Besttone Holding for a consideration of RMB48 million. The assets and liabilities of the acquired digital trunking business have been restated to account for the acquisition as if it had occurred before the commencement of the earliest period presented.

On December 31, 2012, we purchased from China Telecom Group certain assets and associated liabilities relating to the CDMA network located in 30 provinces, municipalities and autonomous regions in the PRC for a total consideration of approximately RMB87,210.35 million, of which RMB25,500 million was paid in January 2013 and the balance will be payable at any time on or before the fifth anniversary of December 31, 2012, or the Mobile Network Acquisition. The Mobile Network Acquisition was recognized 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, on December 31, 2012.

	As of or for the year ended December 31,					
	2008 RMB (restated) ⁽¹⁾	2009 RMB (restated) ⁽¹⁾	2010 RMB (restated) ⁽¹⁾	2011 RMB (restated) ⁽¹⁾	2012 RMB	2012 US\$
(in millions, except share numbers and per share and per ADS data)						
Consolidated Statement of Comprehensive Income Data:						
Operating revenues	186,567	209,404	219,897	245,068	283,073	45,426
Operating expenses ⁽²⁾	(182,222)	(187,373)	(196,453)	(220,941)	(261,887)	(42,026)
Operating income	4,345	22,031	23,444	24,127	21,186	3,400
(Losses)/earnings before income tax	(614)	18,548	20,303	22,012	19,793	3,176
Income tax	983	(4,382)	(4,846)	(5,416)	(4,753)	(763)
Profit attributable to equity holders of the Company	274	13,962	15,339	16,500	14,925	2,395
Basic earnings per share ⁽³⁾	0.00	0.17	0.19	0.20	0.18	0.03
Basic earnings per ADS ⁽³⁾	0.34	17.23	18.95	20.39	18.44	2.96
Cash dividends declared per share	0.08	0.08	0.07	0.07	0.07	0.01

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	As of or for the year ended December 31,					
	2008 RMB (restated) ⁽¹⁾	2009 RMB (restated) ⁽¹⁾	2010 RMB (restated) ⁽¹⁾	2011 RMB (restated) ⁽¹⁾	2012 RMB	2012 US\$
(in millions, except share numbers and per share and per ADS data)						
Consolidated Statement of Financial Position Data:						
Cash and cash equivalents	27,866	34,804	25,824	27,372	29,982	4,811
Accounts receivable, net	17,291	17,438	17,328	18,471	18,768	3,012
Total current assets	55,513	60,946	55,250	59,581	65,210	10,465
Property, plant and equipment, net	296,436	283,594	272,514	268,904	373,743	59,976
Total assets	454,169	440,015	420,575	419,151	545,072	87,470
Short-term debt	83,448	51,650	20,675	9,187	6,523	1,047
Current portion of long-term debt	565	1,487	10,352	11,766	10,212	1,639
Accounts payable	34,461	34,323	40,041	44,359	68,844	11,048
Total current liabilities	176,801	143,492	126,932	127,262	193,461	31,046
Long-term debt	39,226	52,768	42,549	31,150	83,070	13,331
Deferred revenues (including current portion)	11,444	8,462	6,203	4,805	3,445	553
Total liabilities	224,571	202,815	174,414	162,241	279,042	44,779
Equity attributable to equity holders of the Company	228,119					