

CHINA TELECOM CORP LTD

Form 6-K

March 23, 2016

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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 2016

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 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- .)

Table of Contents**EXHIBITS**

Exhibit Number		Page Number
1.1	<u>Announcement of annual results for the year ended December 31, 2015, dated March 23, 2016.</u>	A-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, 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 they relate to us, 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:

any changes in the regulations or policies of the Ministry of Industry and Information Technology (prior to March 2008, the Ministry of Information Industry, or the MII), or the MIIT, and other relevant government authorities relating to, among other matters:

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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, 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 fourth generation mobile telecommunications, or 4G, licenses by the MIIT;

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

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; and

implementation of a value-added tax to replace the business tax in the PRC.

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.

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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 23, 2016

By: /s/ Yang Jie

Name: Yang Jie

Title: President and Chief Operating Officer (exercising
the powers of Chairman and Chief Executive
Officer)

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Exhibit 1.1

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2015

HIGHLIGHTS

Operating revenues reached RMB331,202 million, up by 2.1%. Service revenues reached RMB293,266 million, up by 2.0%

EBITDA was RMB94,106 million. EBITDA margin was 32.1%

Profit attributable to equity holders of the Company was RMB20,054 million, up by 13.4%, of which approximately RMB3,937 million was a one-off gain from the disposal of telecommunications towers and related assets. Basic earnings per share were RMB0.25

Total number of mobile subscribers was 198 million, net increase of 12.28 million, of which the number of 3G/4G mobile subscribers was 143 million, net increase of 24.50 million; the number of 4G terminal users was 58.46 million, net increase of 51.38 million

Total number of wireline broadband subscribers was 113 million, net increase of 6.11 million, up by 5.7%

Total number of access lines in service was 134 million, net decrease of 9.24 million, down by 6.4%

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Table of Contents**MESSAGE FROM THE BOARD****Dear Shareholders,**

In 2015, the Company proactively grasped opportunities and achieved excellent execution of its established strategy through innovation. While taking the initiative to respond to various regulatory challenges, the Company has maintained a stable and healthy development and further strengthened its market position. Taking full advantage of favourable policies such as the issuance of LTE FDD licence and leveraging the sharing of telecommunications towers, we tilted more investment towards key business areas to speed up our core network upgrade. As a result, our 4G and fibre broadband featuring broad coverage, excellent quality and superb customer experience have taken shape quickly. In the meantime, we accelerated the integrated and scale development of 4G and fibre broadband services, thereby migrating our core basic services to high-value areas and shifting our growth drivers. We also further deepened our data traffic operation to boost differentiated development of emerging services to become a major growth driver. Moreover, the Company continuously promoted its comprehensive in-depth reform, persisted in innovation as a driving force, reinforced open cooperation and Internet-oriented transformation, and accelerated its full preparation for achieving new breakthrough. As a result, the capability of future value creation and vitality of the Company have been enhanced consistently. The completion of the disposal of our telecommunications towers and related assets will further foster the Company's value enhancement in the future.

Operating Results

In 2015, the Company's operating fundamentals remained robust. Despite the impact of various regulatory policies such as VAT reform, Speed Upgrade and Tariff Reduction and handset data traffic carried forward, the operating revenues of the Company still increased by 2.1% over last year, amounting to RMB331.2 billion. Service revenues³ increased by 2.0% over last year, amounted to RMB293.3 billion, with revenue growth surpassing industry and further enhancement in market share. Emerging businesses accounted for approximately 34% of service revenues, representing an increase of 5 percentage points over the same period last year with further acceleration in the optimisation of business structure. EBITDA⁴ was RMB94.1 billion, while EBITDA margin⁵ was 32.1%. Profit attributable to the equity holders of the Company⁶ was RMB20.1 billion, representing an increase of 13.4% over last year. Basic earnings per share were RMB0.25. Capital expenditure was RMB109.1 billion, representing an increase of RMB32.2 billion over last year while free cash flow⁷ was -RMB21.5 billion.

¹ In May 2015, the government issued the Guidance for accelerating the construction of high-speed broadband network and promotion of network speed upgrade and tariff reduction .

² From October 2015, the Company further implemented the policy of Speed Upgrade and Tariff Reduction , enabling handset users to carry forward unused handset data traffic for use to the next one month.

³ Service revenues were calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues.

⁴ EBITDA was calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

⁵ EBITDA margin was calculated based on EBITDA divided by service revenues.

⁶ Profit attributable to the equity holders of the Company for 2015 included a one-off gain of approximately RMB3.9 billion from the disposal of towers assets.

⁷ Free cash flow was calculated from EBITDA minus capital expenditure and income tax.

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Since the commencement of the pilot programme of the VAT reform in the telecommunications industry in June 2014, the Company has been striving to optimise its development and sales models, implement enhanced management over cost and procurement, and optimise revenue structure. The relevant monthly average adverse impact in 2015 has been reduced. With the full implementation of the VAT reform across the nation in 2016, it will be beneficial for the enhancement of the Company's profitability in the future.

Taking into consideration the return to shareholders, the Company's profitability, cash flow level and capital requirements for its future development, the Board of Directors has decided to recommend at the forthcoming shareholders' general meeting that a dividend equivalent to HK\$0.095 per share be declared for the year 2015, maintaining at the same level of dividends as last year. Going forward, the Company will strive to enhance its profits while paving the way for an increase in future dividends.

Rapid enhancement in corporate competitive strengths

Accelerated upgrade of core network capabilities. In 2015, the Company fully leveraged the opportunities from the issuance of FDD licence and tower resources sharing to achieve a leap-forward breakthrough in the 4G network construction. We rapidly accomplished the scale 4G coverage for all developed villages and towns nationwide (all villages and towns in eastern region) or above with 4G coverage network quality comparable to our competitors, laying a solid foundation for rapid scale development of 4G business. By fully leveraging the edges of global mainstream FDD technology standard, we took the initiative in the industry to launch the e-Surfing 4G+ (LTE-A) services of 300Mbps download speed with industry-leading network experience in the key cities. We fully leveraged the favourable Internet+ policy and the prosperous market demand and focused on customers' experience. With full utilisation of our existing capability in fibre network as well as increased efforts in our investments in fibre network enhancement and speed upgrade, we cleared all hurdles throughout the entire process from access port to content port, providing users with industry-leading excellent high-speed 100Mbps network experience. At the end of 2015, the Fibre-to-the-Home (FTTH) coverage in city households reached 75%, representing an increase of 15 percentage points over the end of last year. The average bandwidth of wireline broadband subscribers was approximately 29Mbps, an increase of nearly two times compared to the end of last year, laying a solid foundation for scale development of Smart Family products.

Significant strengthening in fundamental business capabilities. In 2015, the Company accelerated the shift in growth drivers and coordinated the collaborative development of 4G and fibre broadband businesses. The development of 4G business entered into a fast track lane and new competitive edges of fibre broadband were established. With rapid optimisation of subscriber structure, the business scale and market share continued to reinforce. We endeavoured to promote the six-mode handsets as the national standard and tackled the bottlenecks in CDMA terminals. We also proactively developed the cooperation with terminal suppliers of superior brands and promoted the prosperous development in terminal value chain, resulting in enhancement of the Company's competitive strengths and market influence in the terminal industry. We focused on high-definition (HD) content and smart applications, expedited the optimisation of Smart Family products and operating system and offered more innovative, attractive as well as integrated packages to enhance users' experience and value. The net increase of 4G terminal subscribers for the year was 51.38 million, reaching a total of 58.46 million with market share doubled as compared to last year. The total number of mobile subscribers was nearly 200 million and the overall mobile ARPU was stable with slight increase. The net increase of FTTH subscribers for the year was 28.38 million, reaching a total of 70.99 million. The total number of wireline broadband subscribers reached 113 million while the penetration rate of FTTH subscribers reached 63%, representing an increase of 23 percentage points over the end of last year. The net increase of IPTV (e-Surfing HD) subscribers for the year was more than 9 million, reaching a total of approximately 40 million.

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Emerging businesses becoming the key growth driver. In 2015, revenues from emerging businesses increased by approximately 20% over last year with continued increase in revenue contribution. We further promoted the precision data traffic management, continued to strengthen cooperation and enriched data traffic product to achieve concurrent enhancement in data traffic scale and value. Despite the impact from handset data traffic carried forward policy, the mobile handset Internet access revenues for the year amounted to RMB47.8 billion, representing an increase of 40% over last year with revenue growth surpassing the industry. The aggregate handset Internet data traffic doubled as compared to last year, of which the contribution from 4G data traffic has significantly increased to 51% while the monthly average data traffic per 4G user reached 751MB, representing an increase of 25% over last year. The scale development of key Internet applications continued to expand. In 2015, the active users of BestPay has exceeded 40 million with gross merchandise value over RMB770 billion, being doubled over last year. At the same time, we actively explored the Internet finance sector. We reinforced the differentiated capabilities of YiChat products embedding new applications including mobile payment, red packet and lifestyle services. The number of registered YiChat users exceeded 200 million by the end of 2015. With further consolidation of our existing WiFi resources, we expanded the cooperations of hotspot resources and business partners for aWiFi. The monthly active aWiFi users reached 10 million by the end of 2015. We accelerated the development of new types of ICT service. By firmly seizing the national strategic opportunity of Internet+, we fully leveraged the integrated edges of networks, cloud computing and security capability to actively cooperate and promote collaborative development, making use of new technologies such as Big Data and Internet of Things to create differentiated and innovative services. In 2015, the revenues from ICT service amounted to RMB28.8 billion, representing an increase of 21% over last year and the revenue growth of IDC and cloud products was approximately 30%.

Accelerating reserves for future growth momentum

Sustained comprehensive in-depth reform. With thorough promotion of sub-division of performance evaluation units, intensified resources allocation tilted frontline and authority delegation, the Company encouraged the staff entrepreneurial development towards frontline. The number of sub-divided frontline operating units has exceeded 50,000 with full release of staff motivation and vitality. The establishment of the top-down service support system was expedited, adhering to frontline-oriented and market-oriented services. We fully leveraged the IT capability to create a high-efficient and responsive service support system, resulting in enhancement of frontline operating efficiency and effectiveness. With continuous improvement in market-driven talent management mechanism and business operation models, the Company fostered its efficiently-centralised operations for emerging businesses with Internet-oriented resources allocation and financial management mechanism to facilitate the rapid development of emerging businesses. The corporate vitality and intrinsic momentum have been persistently strengthened.

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In-depth promotion of Internet-oriented transformation. We comprehensively created a highly-efficient, low-cost and professional O2O operating system in an efficiently- centralised manner and promoted the Internet-oriented transformation in channels and services. By leveraging the edges of physical channels, the Company extensively deployed community stores to commence experience marketing for Smart Family, efficiently expanded open channels and focused on accelerating the effectiveness enhancement of key physical channels. At the same time, the Company consolidated existing online channels and created an efficiently-centralised platform with the integration of sales and services, through which the Company's online services and customer attraction capabilities continued to be strengthened. Nearly 80% of the 4G data traffic packages were sold online. More than 60% of service items and volume were conducted online, which effectively led to staff reduction and efficiency enhancement of physical customer service centres. We deepened the precision management and value management, promoted the upgrade from network maintenance to network operation, accelerated the retirement of aged network facilities, effectively revitalised assets such as plant rooms, accelerated the commercialisation of maintenance services, continuously enhanced network operating capability and value. Through strengthening of risk prevention, we expedited the promotion of efficiently-centralised operation of IT services, strengthened the management over capital expenditure and cost, optimised the sales models and resources allocation, and further reinforced centralised procurement to lower the procurement cost. The operating efficiency and user experience have been persistently improved.

Accelerated cultivation of new growth engines. The IPTV (e-Surfing HD) business has entered into rapid growth period and has become a strategic fundamental business. With the 100Mbps fibre broadband as its foundation, we fully leveraged the opportunities arising from pioneer cooperation in three network convergence to strengthen efficiently- centralised operations and speed up scale development to seize the key portal in the Smart Family market. The BestPay business has become a key differentiated means to drive core fundamental businesses. As a strategic innovative business, the BestPay business will deeply integrate with 4G services to achieve scale development. With continual expansion of cooperative partners, we will accelerate the development in Internet finance business. Firmly seizing the strategic opportunities of the national plan of Internet+ and fully leveraging our edges, the Company will further focus on key areas and accelerate the deployment in public market and industry market, creating new growth potential. Our capability in cloud computing and Big Data has been rapidly enhanced, with a continuously optimising product and service portfolio. The Company will take advantage of its integrated edge in cloud and network to provide high quality cloud products, engage in open cooperation and promote applications for Big Data products to continuously enhance its competitive strength and value contribution. The operation of Internet of Things has become gradually mature with continuously expanding scope of applications. The Company will proactively seize the opportunity from the boom in Internet of Things with efficiently-centralised operation to accelerate the expansion of connectivity scale, gradually enrich applications and services for Internet of Things to create new impetus for value creation.

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Corporate Governance and Social Responsibility

We are committed to maintaining a high level of corporate governance, attaching great importance to risk management and control. We strive to enhance corporate transparency and value to ensure our healthy and orderly growth. Our persistent efforts in corporate governance have been widely recognised by the capital markets. We were accredited with a number of awards and recognitions in 2015, including being voted the Most Honoured Company in Asia by *Institutional Investor* for five consecutive years, Overall Best Managed Company in Asia by *FinanceAsia* for five consecutive years and the No. 1 Best Managed Company in Asia by *Euromoney* for six years in a row.

We persisted in operating with integrity and proactively fulfilled our corporate social responsibility while maintaining a fair and orderly environment for market competition and facilitating healthy development of the entire value chain. We continued to improve our energy-saving technologies, further strengthened energy conservation and emissions reduction in order to promote green operations. We actively responded to the initiatives of the Belt and Road by cooperating with our partners in enhancing the standard of information infrastructure for the regions and countries along the path. We received high recognition and appreciation from society by accomplishing telecommunications assurance tasks for the nation's significant events and disaster reliefs.

Outlook

Currently, the national macro-economic growth is slowing down and the fundamental telecommunications market is becoming saturated amid intensified market competition. The regulatory environment is still embedded with a lot of uncertainties, bringing certain challenges to the future development of the Company. Meanwhile, with the nation's advocacy of the development concepts of innovation, harmonisation, green, openness and sharing, together with the proactive launch of national strategies of Cyberpower, Big Data and Internet+, there is massive room for the rapid development of information economy. During the Thirteenth Five-Year Plan period, the national supply-side structural reform shall lead to upgrade in consumption. The release of benefits from innovation-driven policies was accelerated, injecting new vitality to industry development. The transformation pace of mainland telecommunications industry accelerates and the new technologies such as cloud computing, Big Data and Internet of Things gradually mature. The Industrial Internet will embark a turning point in accelerating growth, providing vast potentials for the Company's prospect.

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2016 is a crucial year for the Company in building up a more favourable market position for the future. We will firmly seize new opportunities and take the initiative to develop through reform and innovation, while striving to adapt to the changing regulatory environment and tackle various challenges. We will persistently strengthen the core competence in network and operation and tightly grasp the opportunities from the scale development and value enhancement of 4G and fibre broadband businesses to further strengthen the Company's fundamentals. Meanwhile, we will be unwaveringly dedicated to speedily achieve a breakthrough in the five emerging areas including Smart Family, mobile payment, Internet+, cloud computing & Big Data and Internet of Things to ignite the new growth engine. We will further promote the comprehensive in-depth reform, incentivise the corporate and employee vitality and deepen the Internet-oriented transformation to upgrade the products and services. With increased efforts in open cooperation, we will fully mobilise and share the social resources to build the Smart Ecosystem, and promote to reconstitute our business, network, operation and management to offer integrated smart services. We will endeavour to facilitate the accomplishment of Cyberpower and take the lead in the digital ecosystem, thereby continually creating value for our 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 all our employees for their hard work and contributions. Furthermore, I would like to extend my sincere gratitude towards Mr. Wang Xiaochu for his excellent contributions during his tenure of offices as the Chairman and Chief Executive Officer of the Company.

Yang Jie

Executive Director, President and Chief Operating Officer

Beijing, China

23 March 2016

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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 2015 extracted from the audited consolidated financial statements of the Group as set out in its 2015 Annual Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

(Amounts in millions, except per share data)

	<i>Note</i>	2015 RMB	2014 RMB
Operating revenues	5	331,202	324,394
Operating expenses			
Depreciation and amortisation		(67,664)	(66,345)
Network operations and support		(81,240)	(68,651)
Selling, general and administrative		(54,472)	(62,719)
Personnel expenses		(52,541)	(50,653)
Other operating expenses		(48,843)	(47,518)
Total operating expenses		(304,760)	(295,886)
Operating profit		26,442	28,508
Gain from Tower Assets Disposal	2	5,214	
Net finance costs	6	(4,273)	(5,291)
Investment income		8	6
Share of (losses)/profits of associates		(698)	34
Profit before taxation		26,693	23,257
Income tax	7	(6,551)	(5,498)
Profit for the year		20,142	17,759

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	<i>Note</i>	2015	2014
		RMB	RMB
Other comprehensive income for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale equity securities		652	(54)
Deferred tax on change in fair value of available-for-sale equity securities		(163)	14
Exchange difference on translation of financial statements of subsidiaries outside mainland China		129	3
Share of other comprehensive income of associates		3	(3)
Other comprehensive income for the year, net of tax		621	(40)
Total comprehensive income for the year		20,763	17,719
Profit attributable to:			
Equity holders of the Company		20,054	17,680
Non-controlling interests		88	79
Profit for the year		20,142	17,759
Total comprehensive income attributable to:			
Equity holders of the Company		20,675	17,640
Non-controlling interests		88	79
Total comprehensive income for the year		20,763	17,719
Basic earnings per share	8	0.25	0.22
Number of shares (in millions)		80,932	80,932

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	<i>Note</i>	31 December 2015 RMB	31 December 2014 RMB
ASSETS			
Non-current assets			
Property, plant and equipment, net		373,981	372,876
Construction in progress		69,103	53,181
Lease prepayments		23,609	24,410
Goodwill		29,920	29,917
Intangible assets		10,739	8,984
Interests in associates		34,473	4,106
Investments		1,624	972
Deferred tax assets	<i>10</i>	4,655	3,232
Other assets		3,349	4,053
Total non-current assets		551,453	501,731
Current assets			
Inventories		6,281	4,225
Income tax recoverable		105	1,360
Accounts receivable, net	<i>11</i>	21,105	21,562
Prepayments and other current assets		16,229	10,581
Short-term bank deposits		2,519	1,379
Cash and cash equivalents		31,869	20,436
Total current assets		78,108	59,543
Total assets		629,561	561,274

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	<i>Note</i>	31 December 2015 RMB	31 December 2014 RMB
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt		51,636	43,976
Current portion of long-term debt		84	82
Accounts payable	<i>12</i>	118,055	88,458
Accrued expenses and other payables		82,934	72,442
Income tax payable		2,154	307
Current portion of finance lease obligations		38	
Current portion of deferred revenues		1,028	1,060
Total current liabilities		255,929	206,325
Net current liabilities		(177,821)	(146,782)
Total assets less current liabilities		373,632	354,949
Non-current liabilities			
Long-term debt and payable		64,830	62,494
Finance lease obligations		81	
Deferred revenues		1,454	798
Deferred tax liabilities	<i>10</i>	2,061	1,125
Other non-current liabilities		455	424
Total non-current liabilities		68,881	64,841
Total liabilities		324,810	271,166
Equity			
Share capital		80,932	80,932
Reserves		222,852	208,251
Total equity attributable to equity holders of the Company		303,784	289,183
Non-controlling interests		967	925
Total equity		304,751	290,108
Total liabilities and equity		629,561	561,274

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Notes:

1. BASIS OF PREPARATION

The Group's consolidated 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). These consolidated 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. DISPOSAL OF CERTAIN TELECOMMUNICATIONS TOWERS AND RELATED ASSETS

On 11 July 2014, the Company, China United Network Communications Corporation Limited (CUCL) and China Mobile Communication Company Limited entered into an agreement to establish China Tower Corporation Limited (China Tower). Pursuant to the agreement, the Company, CUCL and China Mobile Communication Company Limited each subscribed for 2.99 billion shares, 3.01 billion shares and 4.00 billion shares of the China Tower, respectively in cash at a par value of RMB1.00 per share, representing a shareholding percentage of 29.9%, 30.1% and 40.0%, respectively. The China Tower primarily engages in the construction, maintenance and operation of telecommunications towers, and also engages in the construction, maintenance and operation of ancillary facilities such as control rooms, power supply systems and air conditioning systems of base stations, etc. and indoor distribution systems as well as the provision of outsourcing maintenance services for base station equipment.

On 14 October 2015, the Company, China Mobile Communication Company Limited and related subsidiaries (together, China Mobile), CUCL and Unicom New Horizon Telecommunications Company Limited (together, China Unicom), China Reform Holding Company Limited (CRHC) and China Tower entered into a transfer agreement (the Transfer Agreement). Pursuant to the Transfer Agreement, the Company sold certain telecommunications towers and related assets (the Tower Assets) to China Tower (hereinafter referred to as the Tower Assets Disposal) and injected cash to China Tower in return for new shares (the Consideration Shares) issued by China Tower. China Mobile and China Unicom also sold certain telecommunications towers and related assets to China Tower in return for new shares issued by China Tower and for cash; and CRHC made cash subscription for new shares issued by China Tower.

The Tower Assets Disposal was completed on 31 October 2015 (Completion Date). The final consideration amount of the Tower Assets Disposal was determined as RMB30.131 billion. China Tower issued 33.097 billion Consideration Shares to the Company at an issue price of RMB1.00 per share under the Transfer Agreement in return for the Tower Assets and RMB2.966 billion cash (Cash Consideration) from the Company. The Cash Consideration was paid in February 2016.

Upon the issuance of the Consideration Shares by China Tower, the Company, China Unicom, China Mobile and CRHC hold 27.9%, 28.1%, 38.0% and 6.0% of the share capital of China Tower, respectively.

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The Tower Assets Disposal was recognised as an assets disposal. The Company realised a gain (subject to deduction of relevant expenses and taxes) from the Tower Assets Disposal, which was calculated based on the surplus of the final consideration amount for the Tower Assets Disposal over the book value of the Tower Assets as at the Completion Date as set out below. As the Company held 27.9% of the share capital of China Tower, only 72.1% of the aforesaid gain was recognised at the Completion Date and the remaining 27.9% of the aforesaid gain is deferred over the remaining useful life of the Tower Assets.

	<i>RMB millions</i>
Final consideration amount of the Tower Assets Disposal	30,131
Less: Book value of the Tower Assets:	
Property, plant and equipment, net	18,365
Construction in progress	2,959
Net other assets and liabilities	1,403
Total book value of the Tower Assets	22,727
Less: Relevant expenses and taxes	173
Total gain from the Tower Assets Disposal	7,231
Less: Deferred gain	2,017
Gain recognised at the Completion Date of the Tower Assets Disposal	5,214

3. APPLICATION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to IFRS issued by the IASB that are mandatorily effective for the current year:

Amendments to IAS 19, Defined Benefit Plans: Employee Contributions

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

The application of the above amendments to IFRSs has had no material effect on the Group's consolidated financial statements.

In addition, the Group has applied the amendments to IAS 27, Equity Method in Separate Financial Statements that are not yet mandatorily effective but allow early adoption for the current year.

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

at cost;

in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or

using the equity method as described in IAS 28, Investments in Associates and Joint Ventures .

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The same accounting must be applied to each category of investments.

The amendments will be effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

As a result of the early adoption of the amendments to IAS 27, the Company has changed the accounting for investment in joint ventures and associates in its separate financial statements from using cost method to equity method as described in IAS 28. Investment in Associates and Joint Ventures, and has retrospectively adjusted the amounts reported for previous periods in the respective separate financial statements.

The following table summarises the retrospective adjustments that have been made in accordance with the early adoption of the amendments to IAS 27 to the Company's separate financial statements:

	The Company	
	31 December	1 January
	2014	2014
	<i>RMB millions</i>	<i>RMB millions</i>
Increase on items of statement of financial position		
Assets		
Interests in associates	411	405
Equity		
Retained earnings	411	405

Except for the early adoption of the amendments to IAS 27, the Group has not yet applied any other new and revised standard that is not yet effective for the current year.

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 Group's assets located outside mainland China 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.

Table of Contents**5. OPERATING REVENUES**

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

	<i>Note</i>	2015 <i>RMB millions</i>	<i>2014</i> <i>RMB millions</i>
Wireline voice	(i)	29,610	33,587
Mobile voice	(ii)	48,983	54,673
Internet	(iii)	126,546	112,431
Value-added services	(iv)	39,044	38,419
Integrated information application services	(v)	27,299	26,939
Telecommunications network resource services and lease of network equipment	(vi)	17,635	17,332
Others	(vii)	42,085	41,013
		331,202	324,394

Note:

Before 1 June 2014, most of the Group's operating revenues were subject to business tax levied at rates of 3%, relevant business tax was set off against operating revenues. Pursuant to the Notice on Covering Telecommunications Industries under the Value-Added Tax (VAT) Reform (Caishui [2014] No. 43) jointly issued by the Ministry of Finance and the State Administration of Taxation, from 1 June 2014, the pilot programme of replacing business tax with VAT is extended to cover the telecommunications industry. The VAT rate for basic telecommunications services (including voice communication, lease or sale of network resources) is 11% while the VAT rate for value-added telecommunications services (including Internet access services, short and multimedia messaging services, transmission and application service of electronic data and information) is 6%, and VAT is excluded from operating revenues. With effect from 1 June 2014, the Group is no longer required to pay business tax of 3% on telecommunications services.

- (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 and etc.

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- (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 telecommunications network resource 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, and repair and maintenance of equipment as well as the resale of mobile services (MVNO).

6. NET FINANCE COSTS

Net finance costs comprise:

	2015 <i>RMB millions</i>	2014 <i>RMB millions</i>
Interest expense incurred	4,900	5,958
Less: Interest expense capitalised*	(327)	(308)
Net interest expense	4,573	5,650
Interest income	(375)	(304)
Foreign exchange losses	154	21
Foreign exchange gains	(79)	(76)
	4,273	5,291

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

3.5% 5.5% 4.5% 6.0%

7. INCOME TAX

Income tax in the profit or loss comprises:

	2015 <i>RMB millions</i>	2014 <i>RMB millions</i>
Provision for PRC income tax	7,127	5,237
Provision for income tax in other tax jurisdictions	74	58
Deferred taxation	(650)	203
	6,551	5,498

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

	<i>Note</i>	2015 <i>RMB millions</i>	2014 <i>RMB millions</i>
Profit before taxation		26,693	23,257
Expected income tax expense at statutory tax rate of 25%	<i>(i)</i>	6,673	5,814
Differential tax rate on PRC subsidiaries and branches income	<i>(i)</i>	(400)	(248)
Differential tax rate on other subsidiaries income	<i>(ii)</i>	(25)	(31)
Non-deductible expenses	<i>(iii)</i>	431	347
Non-taxable income	<i>(iv)</i>	(75)	(243)
Others	<i>(v)</i>	(53)	(141)
Actual income tax expense		6,551	5,498

Note:

- (i) Except for certain subsidiaries and branches which are mainly taxed at a 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 38%.
- (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) Amounts primarily represent tax deduction on prior year research and development expenses, losses on disposal of property, plant and equipment approved by tax authorities and other tax benefits.

Table of Contents**8. BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share for the years ended 31 December 2015 and 2014 is based on the profit attributable to equity holders of the Company of RMB20,054 million and RMB17,680 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 Board of Directors meeting on 23 March 2016, a final dividend of equivalent to HK\$0.095 per share totaling approximately RMB6,461 million for the year ended 31 December 2015 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 2015.

Pursuant to the shareholders approval at the Annual General Meeting held on 27 May 2015, a final dividend of RMB0.076120 (equivalent to HK\$0.095) per share totaling RMB6,160 million in respect of the year ended 31 December 2014 was declared and paid on 17 July 2015.

Pursuant to the shareholders approval at the Annual General Meeting held on 29 May 2014, a final dividend of RMB0.076583 (equivalent to HK\$0.095) per share totaling RMB6,198 million in respect of the year ended 31 December 2013 was declared and paid on 18 July 2014.

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	
	2015 RMB millions	2014 RMB millions	2015 RMB millions	2014 RMB millions	2015 RMB millions	2014 RMB millions
Provisions and impairment losses, primarily for doubtful debts	1,291	1,156			1,291	1,156
Property, plant and equipment	3,174	1,788	(1,605)	(773)	1,569	1,015
Deferred revenues and installations costs	190	288	(130)	(189)	60	99
Available-for-sale equity securities			(326)	(163)	(326)	(163)
Deferred tax assets/(liabilities)	4,655	3,232	(2,061)	(1,125)	2,594	2,107

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	Balance at 1 January 2014	Recognised in consolidated statement of comprehensive income	Balance at 31 December 2014
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Provisions and impairment losses, primarily for doubtful debts	1,071	85	1,156
Property, plant and equipment	1,247	(232)	1,015
Deferred revenues and installation costs	155	(56)	99
Available-for-sale equity securities	(177)	14	(163)
Net deferred tax assets	2,296	(189)	2,107

	Balance at 1 January 2015	Recognised in consolidated statement of comprehensive income	Balance at 31 December 2015
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>
Provisions and impairment losses, primarily for doubtful debts	1,156	135	1,291
Property, plant and equipment	1,015	554	1,569
Deferred revenues and installation costs	99	(39)	60
Available-for-sale equity securities	(163)	(163)	(326)
Net deferred tax assets	2,107	487	2,594

11. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	Note	2015 <i>RMB millions</i>	2014 <i>RMB millions</i>
Accounts receivable			
Third parties		22,766	22,853
China Telecom Group	(i)	492	329
Other telecommunications operators in the PRC		782	858

	24,040	24,040
Less: Allowance for doubtful debts	(2,935)	(2,478)
	21,105	21,562

Note:

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

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Ageing analysis of accounts receivable from telephone and Internet subscribers based on the billing dates is as follows:

	2015	2014
	<i>RMB millions</i>	<i>RMB millions</i>
Current, within 1 month	10,001	11,273
1 to 3 months	2,181	2,600
4 to 12 months	1,821	1,865
More than 12 months	731	660
	14,734	16,398
Less: Allowance for doubtful debts	(2,393)	(2,355)
	12,341	14,043

Ageing analysis of accounts receivable from other telecommunications operators and enterprise customers based on date of rendering of services is as follows:

	2015	2014
	<i>RMB millions</i>	<i>RMB millions</i>
Current, within 1 month	3,648	3,012
1 to 3 months	1,618	1,679
4 to 12 months	2,199	1,924
More than 12 months	1,841	1,027
	9,306	7,642
Less: Allowance for doubtful debts	(542)	(123)
	8,764	7,519

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

	2015	2014
	<i>RMB millions</i>	<i>RMB millions</i>
Not past due	19,263	19,408
Less than 1 month past due	1,154	1,356
1 to 3 months past due	688	798
Amounts past due	1,842	2,154
	21,105	21,562

