You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our ADSs or H Shares. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our ADSs or H Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see the Section headed "Regulation" and Appendix VII—"Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS

We face increasing competition, which may adversely affect our business growth and results of operations.

The telecommunications industry in China is rapidly evolving. Until the mid-1990s, we were the sole provider of wireline telecommunications services in our service regions and, as a result, had a dominant market position. We began to operate in a competitive market as the Chinese government started to implement a number of measures to restructure the telecommunications industry and encourage fair and orderly competition in the industry in the mid-1990s. We face increasing competition from other telecommunications service providers in China, including the newly formed China Netcom Group. We expect our competitors to expand further their network coverage and increase their sales and marketing efforts in our service regions. See the Section headed "Business — Competition." In particular:

- we face indirect competition in our local wireline telecommunications services from China's two mobile telephone service providers, China Mobile Communications Corporation, or China Mobile, and China United Telecommunications Corporation, or China Unicom, and have begun to face direct competition from China Railways Communications Ltd., or China Railcom;
- we face increasingly intense competition in our long distance telephone services from other providers of long distance services using public switched telephone networks, including China Unicom, China Railcom, and, potentially, China Netcom Group, and other providers of long distance services using the voice-over-Internet-protocol, or VoIP, technology, including China Mobile, China Netcom Group, China Unicom and China Railcom;
- we face increasing competition in our data and Internet services from many competitors, including, primarily, China Unicom, China Netcom Group and China Railcom; and
- we may face additional competition from new entrants or providers of new telecommunications services, such as telephone and Internet services offered over cable TV networks.

Moreover, as a result of China's accession to the WTO, and China's commitment under its WTO Accession Protocol, the Chinese government will gradually open up the telecommunications market in China to foreign operators. See the Section headed

"Regulation—Licensing." Foreign operators may have greater financial, managerial and technical resources and more expertise in network management and sales and marketing. Furthermore, advances in technology, as well as changes in the regulatory environment, may further intensify competition.

Our ability to compete effectively may be constrained by a number of factors. For example, under the Chinese government's policy of promoting fair and orderly competition in the telecommunications industry, certain competitors, such as China Unicom and China Railcom, continue to enjoy certain preferential treatment from the Chinese government in tariff setting. They may set their respective tariffs for long distance services using public switched telephone networks and leased line services with the annual approval of the regulatory authorities. This preferential treatment is not available to us. As a result, our competitors who enjoy this preferential treatment may be able to provide their services, at prices that are significantly more competitive than ours. In addition, we are not yet permitted to provide mobile communications services.

As a result, our customers may choose to use other providers' services. Increased competition from those providers may force us to lower our tariffs, may reduce or reverse the growth of our customer base and may reduce usage of our networks. For example, our market shares, in terms of the total traffic volume of outgoing calls carried, of domestic long distance and international long distance services, decreased from 70.1% and 98.4%, respectively, in 2000 to 54.5% and 68.6%, respectively, in the first six months of 2002. Any of these developments could materially adversely affect our business growth and results of operations.

The uncertainties that may arise from the agreements to be entered into between China Telecom Group and China Netcom Group in connection with the restructuring of China Telecom Group could have an adverse effect on our business and operations.

In implementing the restructuring of China Telecom Group, China Telecom Group and China Netcom Group have entered into a number of framework agreements regarding the division of network resources, trademarks, network access codes and other assets, arrangements relating to the nationwide enterprise customers of China Telecom Group prior to its restructuring, and circuit leasing, network maintenance and other business arrangements. The implementation of the framework agreements will depend on the conclusion of the discussions over various implementation agreements between China Telecom Group and China Netcom Group. The final terms and implementation of these agreements may directly or indirectly impact our business. For example, China Netcom Group provides to China Telecom Group maintenance services in relation to the long distance optic fibers of China Telecom Group that are part of the fiber optic cables of China Netcom Group located in the ten northern provinces. The quality and timeliness of such maintenance services provided by China Netcom Group to China Telecom Group may impact the quality of our services offered over the backbone networks of China Telecom Group. In addition, as discussed below, our ability to provide nationwide end-to-end services to our customers may be affected by whether China Telecom Group can enter into and effectively implement arrangements with China Netcom Group that allow us access to the network of China Netcom Group in the ten northern provinces.

China Netcom Group's control of the last-mile access network in ten northern provinces in China may adversely affect our ability to provide end-to-end services.

As a result of the recent restructuring of China's wireline telecommunications sector, the wireline telecommunications assets, including the last-mile access network, formerly owned by China Telecom Group in ten northern provinces in China were allocated to China Netcom Group. As we and China Telecom Group have not constructed local access network in those ten provinces, we will need to enter into arrangements indirectly through China Telecom Group with China Netcom Group in order to provide end-to-end services to customers with operations in the ten northern provinces. For example, we may need China Netcom Group to provide services to our customers with operations in the ten northern provinces in order to complete their corporate data networks. In addition, we may need to lease, indirectly through China Telecom Group, fibers, equipment or circuits in the ten northern provinces from China Netcom Group. If China Telecom Group is unable to enter into arrangements with China Netcom Group in a timely manner or on reasonable terms, it may result in a delay in providing our data and leased line services to our customers in the ten northern provinces as we may need to seek alternative arrangements, such as leasing fibers, equipment or circuits from other operators.

We will continue to be controlled by China Telecommunications Corporation, which could cause us to take actions that may conflict with the best interests of our other shareholders.

Immediately following the Global Offering, China Telecommunications Corporation, a wholly state-owned enterprise, will own approximately 69.5% of our outstanding Shares, assuming the Over-allotment Option is not exercised. Accordingly, subject to our Articles of Association and applicable laws and regulations, China Telecommunications Corporation will continue to be able to exercise significant influence over our management and policies and control our business by:

- controlling the election of our Directors and, in turn, indirectly controlling the selection of our senior management;
- determining the timing and amount of our dividend payments; and
- approving our annual budgets;
- deciding on increases or decreases in our share capital;
- determining issuance of new securities;
- approving mergers and acquisitions; and
- amending our Articles of Association.

The interests of China Telecommunications Corporation as our controlling shareholder could conflict with our interests or the interests of our other shareholders. As a result, China Telecommunications Corporation may take actions with respect to our business that may not be in our or our other shareholders' best interests. In addition, each of our executive Directors and executive officers also serves as a Director or executive officer of China Telecom Group, and does not work for our Company on a full-time basis.

The letter of undertakings provided to us by China Telecommunications Corporation contains vague terms that may not be implemented as we expect.

China Telecommunications Corporation has provided us a letter of undertakings, under which it has undertaken to support us in our existing operations and future development in the following specific areas:

- to treat us equally with any other operators of wireline telephone, data and Internet, leased line and other related telecommunications services that are controlled by China Telecommunications Corporation;
- to give us the right to provide additional telecommunications services in our service regions that fall within the business scope of China Telecommunications Corporation; and
- to give us the preferential right to acquire China Telecommunications Corporation's interest in companies or other entities that provide telecommunications services.

The letter of undertakings may not be implemented as we expect due to the vagueness of its terms. Other than the letter of undertakings, we have not entered into any agreement with China Telecommunications Corporation to provide for potential allocation of business opportunities between China Telecommunications Corporation and us outside our service regions.

We depend on China Telecom Group to provide certain services and facilities for which we currently have limited alternative sources of supply.

In addition to being our controlling shareholder, China Telecommunications Corporation, by itself and through its other subsidiaries, also provides us with services and facilities necessary for our business activities, including, but not limited to:

- use of international gateway facilities;
- provision of services in areas outside our service regions necessary to enable us to provide end-to-end services to our customers;
- use of nationwide inter-provincial optic fibers; and
- lease of properties.

The interests of China Telecom Group as providers of these services and facilities may conflict with our interests. We currently have limited alternative sources of supply for these services. Therefore, we have limited leverage in negotiating with China Telecom Group over the terms for the provision of these services. See the Section headed "Business—Connected Transactions" for a detailed description of the services provided by China Telecom Group.

Since our services require interconnection with networks of other operators, disruption in interconnections with those networks could have a material adverse effect on our business and results of operations.

Under the relevant telecommunications regulations, telecommunications operators are required to interconnect with networks of other operators. We have entered into interconnection arrangements with other telecommunications operators. Any disruption of our interconnection with the networks of those operators could have a material adverse effect on our business and results of operations.

If we are not able to respond successfully to technological or industry developments, our business may be adversely affected.

The telecommunications market is characterized by rapid advancements in technology, evolving industry standards and changes in customer needs. We cannot assure you that we will be successful in responding to these developments. In addition, new services or technologies may render our existing services or technologies less competitive. In the event we do take measures to respond to technological developments and industry standard changes, the integration of new technology or industry standards or the upgrading of our networks may require substantial time, effort and capital investment. We cannot assure you that we will succeed in integrating these new technologies and industry standards or adapting our network system in a timely and cost-effective manner, or at all. Our inability to respond successfully to technological or industry developments may adversely affect our business, results of operations and competitiveness.

If the new applications adopted by us do not perform as expected, or if we are unable to deliver commercially viable services based on these applications, our revenue and profitability may not grow as we expect.

We are pursuing a number of new growth opportunities in the broader telecommunications industry, including advanced data and broadband information and application services. These opportunities relate to new services for which there are no established markets in China. Our ability to deploy and deliver these new services depends, in many instances, on the development of new applications, which may not be developed successfully or may not perform as we expect.

In addition, the success of our broadband Internet services is substantially dependent on the availability of content, applications and devices provided by third-party developers. If we are unable to deliver commercially viable new services, our revenue and profitability will not grow as we expect and our competitiveness may be adversely affected.

RISKS RELATING TO THE TELECOMMUNICATIONS INDUSTRY IN THE PRC

Extensive government regulation of the telecommunications industry may limit our flexibility in responding to market conditions, competition or changes in our cost structure.

Our businesses are subject to extensive government regulation. The Ministry of Information Industry, which is the primary telecommunications industry regulator under China's State Council, regulates, among other things:

- industry policies and regulations;
- licensing;
- tariffs;
- competition;
- telecommunications resource allocation;
- service standards;
- technical standards;

- interconnection and settlement arrangements; and
- universal service obligations.

Other Chinese governmental authorities also take part in regulating tariff policies, capital investment and foreign investment in the telecommunications industry. Major capital investments, including telecommunications network development projects, are subject to the approval of relevant Chinese government authorities. See the Section headed "Regulation—Capital Investment." The regulatory framework within which we operate may constrain our ability to implement our business strategies and limit our flexibility to respond to market conditions or to changes in our cost structure.

Our revenues may be adversely affected by reductions in tariffs mandated by the Chinese government.

Tariffs are the prices we charge our customers for our telecommunications services. We are subject to extensive government regulations on tariffs, especially those relating to our basic telecommunications services. Currently, the relevant provincial communications administrations and price bureaus determine the monthly fee and usage tariffs for our wireline local telephone services based on a guidance tariff range set by the Ministry of Information Industry in consultation with the State Development Planning Commission. The Ministry of Information Industry and the State Development Planning Commission jointly set tariffs for all domestic and international long distance services using public switched telephone networks, leased lines and data services. See "Regulation—Tariff Setting." We derive a substantial portion of our revenues from services that are subject to tariffs determined by the Chinese government. Recently the Ministry of Information Industry has indicated that it does not intend to initiate any adjustment to tariffs for wireline local telephone services during the next three to five years. We believe therefore that the risk of adjustment of such tariffs in such period has been substantially reduced. However, we cannot predict with accuracy or assure you on the timing, likelihood or likely magnitude of tariff adjustments generally or the extent or potential impact on our business of future tariff adjustments. We cannot assure you that our business or results of operations will not be adversely affected by any government-mandated tariff adjustments in the future.

Future changes to the regulations and policies governing the telecommunications industry in China may have a material adverse effect on our business and operations.

Possible future changes to regulations and policies of the Chinese government governing the telecommunications industry could adversely affect our business and operations. For example, to provide a uniform regulatory framework for the orderly development of the telecommunications industry, the Chinese government is currently preparing a draft telecommunications law. If and when the telecommunications law is adopted by the Standing Committee of the National People's Congress, it is expected to provide a new regulatory framework for telecommunications regulation in China. The contents of the draft telecommunications law have not yet been made public. While we expect that the telecommunications law will have an overall positive effect on the development of the telecommunications industry in China, we cannot be certain how this law will affect our business and operations and whether it will contain provisions more stringent than the current telecommunications regulations.

As part of the comprehensive plan to restructure China Telecom Group, as approved by China's State Council in November 2001, the Chinese government stated its intention to further adjust and improve its regulatory oversight of the telecommunications industry, including gradual deregulation of telecommunications tariffs. We cannot assure you that future regulatory changes, such as those concerning tariff setting, interconnection and competition, will not have a material adverse effect on our business and operations.

The Chinese government may require us, along with other providers in China, to provide universal services with specified obligations, and we may not be compensated adequately for providing such services.

Under the Telecommunications Regulations promulgated by the State Council, telecommunications service providers in China are required to fulfill universal service obligations in accordance with relevant regulations to be promulgated by the Chinese government, and the Ministry of Information Industry has the authority to delineate the scope of universal service obligations. The Ministry of Information Industry, together with government finance and pricing authorities, is also responsible for formulating administrative rules relating to the establishment of a universal service fund and compensation schemes for universal services. These rules have not yet been promulgated and there are currently no specific regulatory requirements relating to the provision of universal services in China. While the scope of "universal services" is not yet defined in any current PRC law or regulation, we believe that such services may include mandatory provision of basic telecommunications services in economically less developed areas in China. The Chinese government may require us, along with other service providers in China, to provide universal services with specified obligations. We may not be able to realize adequate return on investments for expanding networks to, and providing telecommunications services in, those economically less developed areas due to potentially higher capital expenditure requirements, lower usage by customers and lack of flexibility in setting our tariffs. As a result, our financial condition and results of operations could be adversely affected.

RISKS RELATING TO THE PRC

Substantially all of our assets are located in China and substantially all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

China's economic, political and social conditions, as well as government policies, could affect our business.

Substantially all of our business, assets and operations are located in China. The economy of China differs from the economies of most developed countries in many respects, including:

- government involvement;
- level of development;
- growth rate;

- control of foreign exchange; and
- allocation of resources.

While China's economy has experienced significant growth in the past twenty years, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us.

The economy of China has been transitioning from a planned economy to a more market–oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Government control of currency conversion and future movements in exchange rates may adversely affect our operations and financial results.

We receive substantially all of our revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet our foreign currency obligations. These foreign currency-denominated obligations include:

- payment of interest and principal on foreign currency-denominated debt;
- payment for equipment and materials purchased offshore; and
- payment of dividends declared, if any, in respect of our H Shares.

Under China's existing foreign exchange regulations, following the completion of the global offering, we will be able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADRs, if the Chinese government restricts access to foreign currencies for current account transactions.

Foreign exchange transactions under our capital account, including foreign currency-denominated borrowings from Chinese or foreign banks and principal payments in respect of foreign currency-denominated obligations, continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

Fluctuation of the Renminbi could materially affect our financial condition and results of operations.

The value of the Renminbi fluctuates and is subject to changes in China's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi to US dollars has generally been stable. Any devaluation of the Renminbi, however, may adversely affect the value of, and dividends, if any, payable on, our H shares in foreign currency terms, since we will receive substantially all of our revenues, and express our profits, in Renminbi. Our financial condition and results of operations may also be affected by changes in the value of certain currencies other than the Renminbi, in which our earnings and obligations are denominated. In particular, a devaluation of the Renminbi is likely to increase the portion of our cash flow required to satisfy our foreign currency-denominated obligations. For further information on our foreign exchange risks and certain exchange rates, see the Section headed "Financial Information—Market Risks" as well as Appendix V—"Taxation and Foreign Exchange."

The PRC legal system has inherent uncertainties that could limit the legal protections available to you.

We are organized under the laws of China and are governed by our articles of association. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

In addition, our Articles of Association provide that most disputes between holders of H Shares and our Company, Directors, Supervisors, officers or holders of Domestic Shares, arising out of our Articles of Association or the PRC Company Law and related regulations concerning the affairs of our Company or with respect to the transfer of our shares, are to be resolved through arbitration by arbitration organizations in Hong Kong or China, rather than by a court of law. Awards that are made by Chinese arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China. However, to our knowledge, no action has been brought in China by any holder of H Shares to enforce an arbitral award, and we are uncertain as to the outcome of any action brought in China to enforce an arbitral award made in favour of holders of H Shares.

To our knowledge, there has not been any published report of judicial enforcement in China by holders of H Shares of their rights under articles of association or the PRC Company Law.

Furthermore, under applicable laws of China, shareholders do not have the right to sue the directors, supervisors, officers or other shareholders on behalf of the corporation to enforce a claim against such party or parties that the corporation has failed to enforce itself. Our shareholders may have to rely on other means to enforce directly their rights, such as through administrative proceedings.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, upon the listing of our H shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Shareholders may not be able to successfully enforce their rights in China under PRC Company Law or Hong Kong regulatory provisions.

We are organized under the laws of the People's Republic of China and are governed by our Articles of Association. In addition to our Articles of Association, the primary sources of our shareholders' rights are PRC Company Law and, upon listing on the Hong Kong Stock Exchange, the Hong Kong Listing Rules, which, among other things, impose certain standards of conduct, fairness and disclosure on our company, our directors and our controlling shareholder. To our knowledge, there has not been any published report of judicial enforcement in China by H Share shareholders of their rights under charter documents of joint stock limited companies or the PRC Company Law or in the application or interpretation of PRC or Hong Kong regulatory provisions applicable to Chinese joint stock limited companies.

The legal framework to which we are subject may be materially different from the Companies Ordinance with respect to, for example, the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate framework to which we are subject is also relatively undeveloped and untested. In China, shareholders do not have the right to sue the directors, supervisors, officers or other shareholders on behalf of the corporation to enforce a claim against such party or parties that the corporation has failed to enforce itself.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries, and therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Our Articles of Association and the Hong Kong Listing Rules provide that most disputes between holders of H Shares and us, our Directors, Supervisors, officers or holders of Domestic Shares, arising out of our Articles of Association or the PRC Company Law and related regulations concerning the affairs of our company or with respect to the transfer of our shares, are to be resolved through arbitration by arbitration organizations in Hong Kong or China, rather than by a court of law. On June 21, 1999, an arrangement was made between Hong Kong and China for the reciprocal enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of China and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement was made in accordance with the spirit of the New York Convention on the

Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards that are made by Chinese arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China. So far as we are aware, no action has been brought in China by any shareholder to enforce an arbitral award, and we are uncertain as to the outcome of any action brought in China to enforce an arbitral award made in favor of shareholders.

Holders of H Shares may be subject to PRC taxation.

Under the PRC's current tax laws, regulations and rulings, dividends paid by us to holders of H Shares outside the PRC are currently exempted from PRC income tax. In addition, gains realized by individuals or enterprises upon the sale or other disposition of H Shares are currently exempted from PRC income tax. If the exemptions are withdrawn in the future, holders of H Shares may be required to pay withholding tax on dividends, which is currently imposed at the rate of 20%, or capital gains tax, which may currently be imposed upon individuals at the rate of 20%. See Appendix V—"Taxation and Foreign Exchange."

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares or ADSs may not develop, and their trading prices may fluctuate significantly.

Prior to the Global Offering, no public market for our H Shares or ADSs has existed. We cannot assure you that a liquid public market for either our H Shares or ADSs will develop or be sustained after the Global Offering. If an active public market for our H Shares or ADSs does not develop after the Global Offering, the market price and liquidity of our H Shares or ADSs may be adversely affected.

Our actual financial performance could vary materially from the profit forecast contained in this prospectus.

The financial projections included under the Section headed "Financial Information—Profit Forecast" represent our estimate of the results of operations for the year ending December 31, 2002. The profit forecast is based upon a number of assumptions, some of which may not materialize or may change. In addition, unanticipated events could adversely affect the actual results that we achieve in 2002. As a result, our actual results may vary materially from the profit forecast. You should not unduly rely on the profit forecast.

Because the initial public offering price is higher than the net tangible book value per share, you will incur immediate dilution.

The initial public offering price of our H Shares is higher than the net tangible book value per Share issued to China Telecommunications Corporation. Therefore, purchasers of our H Shares or ADSs in the Global Offering will experience an immediate dilution in pro forma combined net tangible book value of HK$0.11 per H Share, and China Telecommunications Corporation and the other Selling Shareholders will receive an increase in the net tangible book value per share of their Shares. If we issue additional H Shares or ADSs in the future, purchasers of our H shares and ADSs may experience further dilution.

Since there will be a five business day time gap between pricing and trading of our H Shares and ADSs offered in this offering, holders of our H Shares and holders of our ADSs are subject to the risk that the trading prices of our H Shares and ADSs could fall during the period before trading of our H Shares and ADSs begins.

The initial public offering price to the public of our H Shares and ADSs sold in the Global Offering will be determined on the date of pricing. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. Trading of our ADSs on the New York Stock Exchange will not commence until the business day immediately preceding the commencement of trading of our H Shares on the Hong Kong Stock Exchange. As a result, investors may not be able to sell or otherwise deal in our H Shares or ADSs during that period. Accordingly, holders of our H Shares and holders of our ADSs are subject to the risk that the trading prices of our H Shares and ADSs could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

An underwriter sent unauthorized e-mails to potential investors in the United States.

Merrill Lynch distributed unauthorized e-mails to 52 institutional investors based in the United States. Neither we, China Telecommunications Corporation, the other Selling Shareholders, our auditors nor any other member of the underwriting syndicate group authorized, encouraged or were involved in any way in the preparation or distribution of those e-mails (or participated in the preparation of any of Merrill Lynch's projections, or any of the financial models or assumptions on which those projections were based, included in those e-mails) and each of us specifically disclaims any responsibility for the distribution of those e-mails. The distribution of the e-mails to institutional investors in the United States may have constituted an offer by Merrill Lynch that did not meet the requirements of the Securities Act of 1933. Once Merrill Lynch became aware of the mistaken distribution, it contacted the addressees and notified them that the e-mail they received from Merrill Lynch was sent in error, the information in the e-mail should be disregarded and not relied upon and the e-mail should be deleted from their computer system.

The e-mails distributed by Merrill Lynch contained historical non-IFRS financial information and projections and other forward-looking statements prepared by Merrill Lynch relating to our Company and the Global Offering that are summarized below. **We strongly caution you not to consider any of the information set forth in those e-mails or the summary of those e-mails set forth in the following paragraph, including the historical financial information and projections, valuation, regulatory environment and other forward-looking statements contained in those e-mails, and urge you not to make an investment decision without carefully considering the risks and other information contained in this prospectus.**

The following is a summary of the statements, including projections and other forward-looking statements, contained in the e-mails prepared and distributed by Merrill Lynch that are inconsistent with, or provide information not otherwise contained in, other parts of this prospectus: (1) a statement that as a result of deregulation and tariff adjustment, the regulatory risks for our Company are far lower than those potentially facing the mobile industry; (2) a statement highlighting non-IFRS historical financial information for our fiscal year ended December 31, 2001 and the first half of 2002, including EBITDA of US$4.54 billion and normalized net income of US$1.79 billion for 2001 and EBITDA margin of 56.8% for the first six months of 2002; (3) a projection that our EBITDA margin should remain stable; (4) a projection of compound annual growth in our adjusted revenue, adjusted EBITDA and adjusted net income of 8%, 8% and 11%, respectively, for the three-year period from 2002 to 2004, and a projection of compound annual growth in our revenue, EBITDA and net income of 6%, 6% and 3%, respectively, for the three-year period from 2002 to 2004; (5) a statement that the adjusted financial information is arguably more important than our actual financial information when analyzing our growth rate; and (6) a statement projecting the price range for this offering at between 6 to 10 times our 2003 earnings per share, as estimated by Merrill Lynch, which would represent a price-to-adjusted earnings ratio range of 8.8 to 14.6, a PEG ratio (which is a ratio that compares the price-to-earnings ratio to projected earnings growth) range of 1.7 to 2.9, a yield (which is calculated by dividing the estimated dividend by the estimated share price, expressed as a percentage) of 3.3% to 2% and an enterprise value (which is market value plus net debt) to EBITDA ratio range of 2.8 to 4.3. For actual information related to the pricing of the Global Offering, see the cover page of this prospectus.

Merrill Lynch informed us that in those e-mails, it calculated EBITDA by taking operating income for 2001 (US$2.19 billion) and adding back depreciation and amortization (US$2.35 billion). EBITDA is not a measure of financial performance under IFRS or US GAAP and should not be considered as an alternative to net income (or any other measure of performance under IFRS or US GAAP), cash flows from operating, investing or financing activities, as an indicator of cash flows or as a measure of liquidity.

As summarized above, those e-mails included Merrill Lynch's compound annual growth projections for adjusted revenues, adjusted EBITDA and adjusted net income. Merrill Lynch has informed us that the adjustment made by it in order to calculate such adjusted revenue, adjusted EBITDA and adjusted net income growth was the elimination of connection fee revenues that we had been receiving until July 2001 and which we amortize over a 10-year period. Merrill Lynch has informed us that they eliminated these connection fee revenues from the calculation since we no longer receive such connection fees yet such fees will appear in our financial statements as non-cash revenues until such fees are fully amortized and that including such fees in projected revenues results in projections for lower compound annual growth rates for our revenues and earning but higher projections for revenues and earnings. See the Section headed "Financial Information—Critical Accounting Policies—Revenue and Expense Items—Operating Revenue."

As summarized above, those e-mails included information relating to our normalized net income for 2001. Merrill Lynch has informed us that they calculated normalized net income by taking our actual net income for fiscal year 2001 (US$831 million) and adding the charge taken in respect of the deficit on revaluation of property, plant and equipment (US$1,441 million) and subtracting tax that would have otherwise been payable without such charge (US$476 million) based on the statutory tax rate of 33%. Please refer to the Section headed "Financial Information—Our Reorganization and Asset Revaluation" and our financial statements for information relating to the revaluation of property, plant and equipment.

The projections that were included in the e-mails are forward-looking statements that are necessarily speculative in nature. Merrill Lynch has informed us that the projections were prepared using Merrill Lynch's estimates and a significant number of assumptions, including assumptions relating to, among other things, customer growth, regulatory environment, tariff structure, market share and operating margins, which as such are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates and assumptions on which the projections were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. See the Section headed "Forward-Looking Statements." In addition, these projections were prepared as of September 19, 2002 and have not been updated for any subsequently available information. Accordingly, actual results during the periods covered will vary from the financial projections, which variations may be material and adverse. These projections do not meet the published guidelines of the Securities and Exchange Commission, the American Institute of Certified Public Accountants or generally accepted accounting principles. In particular, the projections do not include disclosures of all information required by AICPA guidelines. Neither our auditors nor any other independent accountants have expressed an opinion or any other form of assurance on these projections. In addition, none of we, China Telecommunications Corporation, the other Selling Shareholders, our auditors, Merrill Lynch or any other member of the underwriting syndicate or any other person make any representation that any of Merrill Lynch's projections or the assumptions underlying the projections will be achieved. We do not intend in the future to make public financial projections or revisions to existing projections.

No person should consider the e-mails distributed by Merrill Lynch, or the statements contained in those e-mails or summarized above, when making an investment decision and we urge you not to make an investment decision on whether to purchase H shares or ADSs in this offering without carefully considering the risks described in this section and throughout this prospectus, as well as the other information contained in this prospectus.