

SHARE CAPITAL

The following tables set forth information with respect to the ownership of our share capital immediately after the Global Offering, by each person known to us to beneficially own our Shares. All of our shareholders have the same per share voting rights. The first table assumes that the Over-allotment Option is not exercised whereas the second table assumes that the Over-allotment Option is exercised.

Prior to the Global Offering, we had 68,317,270,803 Domestic Shares issued and outstanding, all of which were held in the PRC. Currently we have four holders of our Domestic Shares on our share register: China Telecommunications Corporation, Guangdong Rising Assets Management Company Limited, Jiangsu Guoxin Investment Group Co., Ltd. and Zhejiang Financial Development Company.

Guangdong Rising Assets Management Co., Ltd., Jiangsu Guoxin Investment Group Co., Ltd. and Zhejiang Financial Development Company are state-owned enterprises owned and controlled by the respective provincial governments in Guangdong, Jiangsu and Zhejiang provinces.

Assuming the Over-allotment Option is not exercised, our share capital will be as follows:

		<u>RMB'000</u>	<u>Approximate percentage of issued share capital</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:</i>			
<i>('000 Shares)</i>			
58,114,492	Domestic Shares held by China Telecommunications Corporation ⁽¹⁾	58,114,492	69.5%
5,591,771	Domestic Shares held by Guangdong Rising Assets Management Co., Ltd. ⁽²⁾	5,591,771	6.7%
953,228	Domestic Shares held by Jiangsu Guoxin Investment Group Co., Ltd. ⁽³⁾	953,228	1.1%
2,128,979	Domestic Shares held by Zhejiang Financial Development Company ⁽⁴⁾	2,128,979	2.6%
16,800,000	H Shares under the Global Offering ⁽⁵⁾	16,800,000	20.1%
<u>83,588,470</u>		<u>83,588,470</u>	<u>100%</u>

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Assuming the Over-allotment Option is exercised in full, our share capital will be as follows:

		RMB'000	Approximate percentage of issued share capital
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:</i>			
<i>('000 Shares)</i>			
57,924,456	Domestic Shares held by China Telecommunications Corporation	57,924,456	67.5%
5,573,486	Domestic Shares held by Guangdong Rising Assets Management Co., Ltd.	5,573,486	6.5%
950,111	Domestic Shares held by Jiangsu Guoxin Investment Group Co., Ltd.	950,111	1.1%
2,122,017	Domestic Shares held by Zhejiang Financial Development Company	2,122,017	2.5%
19,200,000	H Shares under the Global Offering ⁽⁵⁾	19,200,000	22.4%
<u>85,770,070</u>		<u>85,770,070</u>	<u>100%</u>

Notes:

- (1) China Telecommunications Corporation, located at 31 Jin Rong Avenue, Beijing, 100032, China, is offering 13,302,511 ADSs, representing 1,330,251,100 H Shares in the Global Offering.
- (2) Guangdong Rising Assets Management Co., Ltd., located at Kai Xuan Hua Mei Da Hotel, 15/F, No.9, 1 Ming Yue Yi Road, Dongshan District, Guangzhou City, Guangdong Province, China, is offering 1,279,966 ADSs, representing 127,996,600 H Shares in the Global Offering.
- (3) Jiangsu Guoxin Investment Group Co., Ltd., located at 88 Chang Jiang Road, Xuan Wu District, Nanjing City, Jiangsu Province, China, is offering 218,196 ADSs, representing 21,819,600 H Shares in the Global Offering.
- (4) Zhejiang Financial Development Company, located at 1 Huazhe Square, 28/F, Hangzhou City, Zhejiang Province, China, is offering 487,327 ADSs, representing 48,732,700 H Shares in the Global Offering.
- (5) The 16,800,000,000 H Shares offered under the Global Offering are inclusive of 1,528,800,000 Domestic Shares to be converted into H Shares by the Selling Shareholders and offered for sale under the Global Offering, in accordance with PRC law. This represents 10% of the number of newly issued H Shares offered by the Company for subscription under the Global Offering.

The sale of H Shares or ADSs by the Selling Shareholders in connection with the Global Offering has been approved by the China Securities Regulatory Commission and the Ministry of Finance in accordance with approval from the State Council. All net proceeds from these sales will be remitted to the national social security fund in accordance with relevant PRC government requirements.

Ranking

Domestic Shares and H Shares are both ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Macau, Taiwan or any country or region other than the PRC. Domestic Shares, on the other hand, may only be subscribed for by, and traded between, legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of the H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by our Company in Renminbi.

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A total of 68,317,270,803 of the existing Domestic Shares are held by the Promoter as promoter shares (as defined in the PRC Company Law). Promoter shares may not be transferred within a period of three years from the date of establishment of our Company. However, China Telecommunications Corporation has obtained approval from the State Council to transfer some of its Domestic Shares to Guangdong Rising Assets Management Co., Ltd., Jiangsu Guoxin Investment Group Co., Ltd. and Zhejiang Financial Development Company. In addition, China Telecommunications Corporation, Guangdong Rising Assets Management Co., Ltd., Jiangsu Guoxin Investment Group Co., Ltd. and Zhejiang Financial Development Company have obtained approval from the State Council to sell 9.1% of the total number of Offer Shares in accordance with the State Council Tentative Measures Regarding Sale of State-owned Shares and Contribution to Social Security Fund. The Domestic Shares are not admitted for listing on any stock exchange and no arrangement has been made for the Domestic Shares to be traded or dealt with on any other authorised trading facility in the PRC.

Except as described above and in relation to the despatch of notices and financial reports to shareholders, dispute resolution, registration of Shares on different parts of the registers of shareholders, the method of Share transfer and the appointment of dividend receiving agents, which are all provided for in our Articles of Association and summarised in Appendix VIII to this prospectus, the Domestic Shares and the H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

We have not approved any share issue plan other than the Global Offering.

We have given certain undertakings in respect of the issuance of Shares and other securities. See the Section headed “Underwriting—Undertakings.”