
USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$23,267 million (RMB24,682 million), assuming that the Over-allotment Option is not exercised, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering and assuming an offer price of HK\$1.58 per H Share, the midpoint of the estimated offer price range. We intend to use these net proceeds for the following purposes:

- Up to 50%, or approximately HK\$11,634 million (RMB12,341 million), for the expansion and upgrading of our telecommunications network infrastructure, including the deployment of broadband access facilities and the upgrading of our intelligent network systems to provide more value-added services;
- Up to 10%, or approximately HK\$2,327 million (RMB2,468 million), for the improvement of our business operation supporting systems;
- Up to 10%, or approximately HK\$2,327 million (RMB2,468 million), for the development of telecommunications applications and technologies; and
- the remaining amount to fund potential acquisitions from China Telecom Group and strategic investments in the telecommunications industry in China that are consistent with our business strategies although no acquisitions or strategic investments are pending, and for general corporate purposes.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes and to the extent permitted by PRC law and regulations, we intend to deposit the net proceeds into interest-bearing bank accounts or to invest those proceeds in short-term investment grade debt securities.

We will make an appropriate announcement if there is any change in the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purposes.

The Selling Shareholders estimate that they will receive net proceeds from the Global Offering of approximately HK\$2,330 million (RMB2,471 million), assuming that the Over-allotment Option is not exercised, after deducting the estimated underwriting fees and expenses payable by them in the Global Offering and assuming an offer price of HK\$1.58 per H Share being the midpoint of the estimated offer price range.

We will not receive any of the proceeds from the sale of H Shares or ADSs by the Selling Shareholders in the Global Offering. All of the net proceeds from the sale of H Shares or ADSs by the Selling Shareholders will be remitted to the national security fund in accordance with the PRC government requirements. See the Section headed “Substantial Shareholder and Selling Shareholders.”

The net proceeds from the Global Offering received by us in US dollars and Hong Kong dollars will be accounted for in our financial statements at the exchange rate published by the PBOC in effect at the time the net proceeds are received.