

HONG KONG UNDERWRITERS

Joint Lead Managers

(in alphabetical order)

China International Capital Corporation (Hong Kong) Limited

Merrill Lynch Far East Limited

Morgan Stanley Dean Witter Asia Limited

Co-Lead Managers

BNP Paribas Peregrine Securities Limited

BOCI Asia Limited

CLSA Limited⁽¹⁾

The Hongkong and Shanghai Banking Corporation Limited

ICEA Capital Limited

Co-Managers

BCOM SECURITIES COMPANY LIMITED

CEF Capital Limited

Celestial Capital Limited

CITIC Capital Markets Limited

Core Pacific-Yamaichi International (H.K.) Limited

Credit Suisse First Boston (Hong Kong) Limited

DBS Asia Capital Limited

First Shanghai Securities Limited

Guotai Junan Securities (Hong Kong) Limited

J.P. Morgan Securities (Far East) Limited Inc.

Lehman Brothers Securities Asia Limited

Tai Fook Securities Company Limited

Tung Tai Securities Company Limited

Worldsec International Limited

(1) CLSA Limited has formed a strategic marketing alliance with CIBC World Markets Corp. pursuant to which they share underwriting obligations with respect to the Global Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Our Company is offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for termination

The obligation of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares is subject to termination if, at any time prior to 8 a.m. on the Listing Date:

If, at any time prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Hong Kong Stock Exchange:-

- (i) there shall develop, occur, exist or come into effect:-
 - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority of any relevant jurisdiction; or
 - (b) any change or development, or any event or series of events likely to result in any change or development, in local, national or international financial, political, economic or currency or market conditions or any monetary or trading settlement system (including but not limited to a material devaluation of the Hong Kong currency or the Renminbi against any foreign currencies) in the PRC, Hong Kong, Japan or the US; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Hong Kong Stock Exchange or New York Stock Exchange due to exceptional financial circumstances; or
 - (d) a change, or development occurs involving a prospective change, in taxation or exchange control in Hong Kong, the PRC, Japan or the US; or
 - (e) any outbreak or escalation of hostilities or calamity or crisis involving the PRC, Hong Kong or the US,

which, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):-

- (1) is or will be or is likely to be materially adverse to the business, financial or other condition or prospects of the Company or the Group or, in the case of sub-paragraph (d), to any present or prospective shareholder of the Company in his/its capacity as such; or

- (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (3) makes it inadvisable or impracticable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (ii) there comes to the notice of the Joint Global Coordinators any matter or event showing any of the warranties given by the Company in the Hong Kong Underwriting Agreement to be untrue or misleading in any respect which is material in the context of the Global Offering when given or repeated; or
 - (iii) there comes to the notice of the Joint Global Coordinators any breach on the part of the Company of any of the provisions of the Hong Kong Underwriting Agreement which is material in the context of the Global Offering,

then the Joint Global Coordinators may, and upon giving notice in writing to the Company and the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings

China Telecommunications Corporation has undertaken to the Hong Kong Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, (i) it will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Hong Kong Listing Rules, during the period of six months from the date on which dealing in the H Shares first commences on the Hong Kong Stock Exchange (the “First Six-month Period”), dispose of any of the Shares in respect of which China Telecommunications Corporation is shown by this prospectus to be the beneficial owner (the “Parent Shares”); (ii) it will not, without the prior written consent of the Hong Kong Stock Exchange, in the six month period commencing from the expiry of the First Six-month Period (the “Second Six-month Period”) dispose of any of the Parent Shares and to such extent that immediately following such disposal, China Telecommunications Corporation would then cease to be a controlling shareholder (as defined in the Hong Kong Listing Rules) of our Company; and (iii) it will, on any disposal of such Parent Shares during the Second Six-month Period, take all reasonable steps to ensure that any such disposal will not create a disorderly or false market.

The Company has undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering or the Over-allotment Option:

- (i) in the First Six-month Period, the Company will not allot or issue or agree to allot or issue any H Shares or other securities (including warrants or other convertible securities) or grant or agree to grant options or rights over any H Shares or other securities or enter into swap or other arrangements that transfer, in whole or in part, any part, of the economic consequences of ownership of any H Shares or offer or agree to do any of the foregoing or announce any intention to do so, without the prior consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Hong Kong Stock Exchange Listing Rules; and

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- (ii) in the Second Six-month Period, the Company will not allot or issue or agree to allot or issue any H Shares or other securities (including warrants or other convertible securities) or grant or agree to grant options or rights over any H Shares or other securities or enter into swap or other arrangements that transfer, in whole or in part, any part of the economic consequence of ownership of any H Shares or offer or agree to do any of the foregoing or announce any intention to do so, if such action would result in China Telecommunications Corporation ceasing to be the Company's controlling shareholder (as defined in the Hong Kong Stock Exchange Listing Rules).

Pursuant to the Hong Kong Underwriting Agreement and the International Underwriting Agreement, the Company has agreed with the Hong Kong Underwriters and the International Underwriters that, except pursuant to the Global Offering, at any time after the date of the Hong Kong Underwriting Agreement and the International Underwriting Agreement up to and including the date falling 180 days after the date of this prospectus and the date of the US Prospectus respectively, it will not, without the Joint Global Coordinators' prior written consent, (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, or repurchase, any of our share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive our share capital or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our share capital, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the restrictions referred to in this paragraph shall not apply to transactions relating to the Offer Shares or other securities acquired in open market transactions after completion of the Global Offering.

Further, China Telecommunications Corporation has undertaken with the Hong Kong Underwriters and the International Underwriters that it will not, without the Joint Global Coordinators' prior written consent, at any time after the date of the Hong Kong Underwriting Agreement and the International Underwriting Agreement up to and including the date falling 180 days after the date of this prospectus and the date of the US Prospectus respectively (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any of our share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive our share capital or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our share capital, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the restrictions referred to in this paragraph shall not apply to transactions relating to the Offer Shares or other securities acquired in open market transactions after completion of the Global Offering.

Commission and expenses

The Hong Kong Underwriters will receive a commission of 2.5% of the Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering,

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out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the US Offering or the International Offering, our Company will pay an underwriting commission at the rate applicable to the US Offering or the International Offering (as the cases may be) and such commission will be paid to the US Underwriters or the International Underwriters (as the cases may be) and not the Hong Kong Underwriters.

Hong Kong Underwriters' interest in our Company

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any member of our Company.

International Offering and US Offering

International Underwriting Agreement

In connection with the International Offering and the US Offering, our Company and the Selling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters and the US Underwriters. Under the International Underwriting Agreement, the underwriters to be named therein would severally agree to purchase 159,600,000 ADSs representing 15,960,000,000 H Shares.

Under the International Underwriting Agreement, we and the Selling Shareholders intend to grant to the International Underwriters and the US Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of such Underwriters for up to 30 days after the date on which dealings in the H Shares first commence on the Hong Kong Stock Exchange or the New York Stock Exchange, whichever is earlier, to require the Selling Shareholders to sell up to an aggregate of 218,400,000 additional H Shares and us to issue up to an aggregate of 2,181,600,000 additional H Shares (all or a portion of which may be deliverable in the form of ADSs), representing approximately 14.3% of the maximum number of Offer Shares initially available under the Global Offering. These H Shares will be issued or sold at the same price per H Share under the US Offering and the International Offering and will be solely for the purpose of covering over-allocations in the International Offering and the US Offering, if any.

Each of Guangdong Rising Assets Management Co., Ltd., Jiangsu Guoxin Investment Group Co., Ltd. and Zhejiang Financial Development Company has agreed, pursuant to the International Underwriting Agreement, with the Joint Global Coordinators on behalf of the Underwriters that it will not sell or otherwise transfer any of its Shares in our Company during the period until and including the date 12 months after the Listing Date and that it will not, for each six-month period during the two years after the expiration of the 12-month lock-up period, sell Shares in our Company in such amounts that in aggregate will exceed 20% of the Shares it held in our Company at the date of this prospectus.

Total Expenses

The aggregate commission and fees, together with the Hong Kong Stock Exchange listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately US\$153.4 million (assuming the Over-allotment Option is not exercised) in total, are payable by us and the Selling Shareholders in proportion to the number of H Shares or ADSs sold by us and each Selling Shareholder in the Global Offering.