

*The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus and received from Chesterton Petty Limited, an independent valuer, in connection with their valuations as at June 30, 2002 of the property interests of our Company. As described in the section “Documents Available for Inspection” in Appendix IX, a copy of the full valuation report is available for inspection.*



International Property Consultants

Chesterton Petty Ltd  
16/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

October 25, 2002

The Directors  
China Telecom Corporation Limited  
31 Jinrong Street  
Beijing  
The People's Republic of China

Dear Sirs

In accordance with your instructions to us to value the property interests held by China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002 and all of its subsidiaries (herein together referred to as the “Company”) in the People's Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of these property interests as at June 30, 2002.

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation assuming:-

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest”; and
- (e) that both parties to the transaction has acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation. Based on our enquiries and the confirmations received from the Company as we consider necessary, we are of the opinion that there has been no material adverse change in the value of the property interests held by the Company during the period from June 30, 2002 to August 31, 2002.

We have valued portion of the properties in Group I by using “Direct Comparison Approach” whenever market comparable transactions are available and assumed sale of the property interests with the benefit of vacant possession. However, for the rest of the properties in Group I, due to the fact that specific uses for those properties have been restricted, there are no readily identifiable market comparable, and the buildings and structures of these properties cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of their depreciated replacement cost. We would define “depreciated replacement cost” for these purposes to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings, including fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

The properties in Group II, which are under construction, have been valued on the basis of “Direct Comparison Approach” or “Depreciated Replacement Cost” with regard to their prevailing cost level and status of construction as at date of valuation, and we have also assumed that all consents, approvals and licences from the relevant Government authorities for these developments will be granted without any onerous conditions or undue delay which might affect their values.

The properties in Group III which are leased by the Company have no commercial value due to the prohibition against assignment, sub-letting or lack of substantial profit rent.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company and its PRC legal adviser, Jingtian & Gongcheng, regarding the titles to the properties.

We have relied to a very considerable extent on information given by the Company and the legal opinion of the Company's PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and/or its PRC legal advisers which is material to the valuations. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, leases, particulars of occupancy, identification of the properties, site and floor areas, construction costs incurred and all other relevant information. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents and leases provided to us and are therefore only approximations. No on-site measurements have been made. We have been advised by the Company that no material facts have been omitted from the information supplied.

We have inspected the exterior and where possible, the interior of the properties valued. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site in respect of the properties in Group II to determine the suitability of the ground conditions and the services, etc. for further development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In preparing our valuation report, we have had regard to the requirements contained within the provisions of Practice Note 12 and 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for those in respect of Rules 5.01, 5.06 and 5.07, paragraph 5(2)(a) of Practice Note 12, paragraphs 3(b)(1), 3(b)(3) and 3(c) of Practice Note 16 and the Hong Kong Stock Exchange's announcement entitled "Clarification on Requirements for Land Use Title of Properties Situated in the Mainland of the People's Republic of China" which requires listing applicants to have title certificates for all mainland properties unless permitted by the Hong Kong Stock Exchange. Wavier applications were being made to the Stock Exchange in respect of the aforesaid specific sections of the rules and relevant requirements in the announcement.

Unless otherwise specified, all amounts are denominated in Renminbi.

Our summary of values and valuation certificate are attached herewith.

Yours faithfully

For and on behalf of  
Chesterton Petty Limited

Charles C K Chan  
Chartered Estate Surveyor  
MSc FRICS FHKIS MCI Arb RPS(GP)  
Executive Director

Enc

Note: Charles C K Chan, MSc., F.R.I.C.S., F.H.K.I.S., M.C.I.Arb., R.P.S.(G.P.), has been a qualified valuer with Chesterton Petty Limited since June 1987 and has about 17 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China.

## SUMMARY OF VALUES

## Group I—Property interests held by the Company in the PRC

<u>Property</u>	<u>Open market value in existing state as at June 30 2002</u>
	<u>RMB'000</u>
1. Properties in Shanghai Municipality, the PRC	6,025,000
2. Properties in Zhejiang Province, the PRC	8,706,000
3. Properties in Jiangsu Province, the PRC	5,932,000
4. Properties in Guangdong Province, the PRC	<u>13,753,000</u>
Sub-total:	34,416,000

## Group II—Property interests held by the Company under development in the PRC

<u>Property</u>	
5. Properties in Shanghai Municipality, the PRC	918,000
6. Properties in Zhejiang Province, the PRC	1,804,000
7. Properties in Jiangsu Province, the PRC	1,411,000
8. Properties in Guangdong Province, the PRC	<u>5,823,000</u>
Sub-total:	9,956,000

## Group III—Property interests rented by the Company in the PRC

<u>Property</u>	
9. Properties in Shanghai Municipality, the PRC	No Commercial Value
10. Properties in Zhejiang Province, the PRC	No Commercial Value
11. Properties in Jiangsu Province, the PRC	No Commercial Value
12. Properties in Guangdong Province, the PRC	<u>No Commercial Value</u>
Sub-total:	<u>No Commercial Value</u>
Grand-total:	<u><u>44,372,000</u></u>

VALUATION CERTIFICATE

Group I—Property interests held by the Company in the PRC

			Open market value in existing state as at June 30 2002																				
Property	Description and Tenure	Particulars of occupancy	RMB'000																				
1. Properties in Shanghai Municipality, the PRC	<p>The properties comprise 1,315 various operational and ancillary buildings and various structures of concrete/brick construction and reinforced concrete structure construction with a total gross floor area of about 1,247,412.10 sq.m. (13,427,144 sq. ft.) completed in about 1908 to 2002. Within the aforesaid total gross floor areas, approximately 1,221,834.44 sq.m. of buildings are erected on Contribution Lands and approximately 25,577.66 sq.m. are erected on Newly Acquired Lands. (Please see note 1 for the definition of Contribution and Newly Acquired Lands)</p> <p>Details of the gross floor area are listed as follows:</p> <table><tr><th rowspan="2">Use</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Base stations</td><td>491,448.23</td><td>5,289,949</td></tr><tr><td>Sales offices</td><td>12,492.24</td><td>134,466</td></tr><tr><td>Offices</td><td>154,363.69</td><td>1,661,571</td></tr><tr><td>Ancillary buildings</td><td>589,107.93</td><td>6,341,158</td></tr><tr><td>Total:</td><td>1,247,412.10</td><td>13,427,144</td></tr></table>	Use	Approximate Gross Floor Area		sq.m.	sq.ft.	Base stations	491,448.23	5,289,949	Sales offices	12,492.24	134,466	Offices	154,363.69	1,661,571	Ancillary buildings	589,107.93	6,341,158	Total:	1,247,412.10	13,427,144	<p>The properties are occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.</p> <p>Portion of the properties with a total gross floor area of 6,776.80 sq.m. is leased to China Telecom Group for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB2,400,000.</p>	6,025,000
Use	Approximate Gross Floor Area																						
	sq.m.	sq.ft.																					
Base stations	491,448.23	5,289,949																					
Sales offices	12,492.24	134,466																					
Offices	154,363.69	1,661,571																					
Ancillary buildings	589,107.93	6,341,158																					
Total:	1,247,412.10	13,427,144																					
<p>The land upon which the properties currently standing on comprises 406 parcels of land with a total area of 1,115,203.84 sq.m. (12,004,054 sq.ft.). The total land area is composed of Contribution Lands with an area of approximately 1,100,512.02 sq. m, and Newly Acquired Lands with an area of approximately 14,691.82 sq.m.</p> <p>The land use rights of the properties have been granted for terms ranging from 40 to 70 years.</p>																							

## Notes:

- (1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the "Contribution Lands") and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the "Newly Acquired Lands").
- (2) According to the information provided, approximately 1,053,789.82 sq.m. of Contribution Lands and approximately 14,691.82 sq.m. of Newly Acquired Lands of the properties have obtained Land Use Right Certificates. The remaining portion of the Contribution Lands with a total land area of approximately 46,722.20 sq.m. has been granted with Land Title Proof.
- (3) According to the information provided, approximately 1,111,292.24 sq.m. of buildings erected on Contribution Lands and approximately 25,577.66 sq.m. of buildings erected on the Newly Acquired Lands have obtained Building Ownership Certificates. The remaining portion of the buildings of the properties are erected on the Contribution Lands with a total gross floor areas of approximately 110,542.20 sq.m. and 108,262.09 sq.m. of which has been granted with Ownership Proof and the remaining 2,280.11 sq.m. of which has not been granted any title proof.
- (4) According to the information provided, the area of granted land of the Contribution Lands is approximately 27,902.05 sq.m. and the remaining land area of approximately 1,072,609.97 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion and the allocated land portion are approximately 4,649.82 sq.m. and 10,042.00 sq.m., respectively.
- (5) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

**Contribution Lands**

- a. For the Contribution Lands, China Telecommunications Corporation, a state-owned enterprise, and its subsidiaries excluding the Company (hereinafter referred to as the "China Telecom Group") has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates relating to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the

Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

### **Newly Acquired Lands**

- d. China Telecom Group has obtained either the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.
- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired Lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proofs for the buildings.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proof but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.



- h. For those buildings and construction works that have been injected into the Company as capital contribution (“Contribution Buildings”) and to those erected upon the granted land portion of the Newly Acquired Lands (“Newly Acquired Buildings” refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company (Building Ownership Certificates should be applied for those buildings with Ownership Proofs within the valid period of the Ownership Proofs and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.
- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registration within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.
- j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
- k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquire the ownerships of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- l. A building erected on the Contribution Lands of the properties with a gross floor area of approximately 2,280.11 sq m has not been granted any ownership proof. Upon a

confirmation letter issued by the Company dated October 21, 2002, all construction permits for the aforesaid building have been issued to the Company and registration of building ownership is in process. There will be no legal obstacle for the Company to apply for Building Ownership Certificate. Upon obtaining the Ownership Proof of the building registered under the name of the Company, the Company will legally and validly acquire the ownership of the building and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.

- (6) Due to insufficient title proof to the aforesaid building which has not been granted with any ownership proof with a gross floor area of approximately of 2,280.11 sq.m., we have attributed no commercial value to the building.
- (7) In the course of our valuation, the allocated land portion of Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at June 30 2002
			RMB'000
2. Properties in Zhejiang Province, the PRC	The properties comprise 7,404 various operational and ancillary buildings and various structures of concrete/brick construction and reinforced concrete structure construction with a total gross floor area of about 3,155,654.64 sq.m. (33,967,466 sq. ft.) completed in about 1972 to 2002. Within the aforesaid total gross floor areas, approximately 3,153,177.24 sq.m. of buildings are erected on Contribution Lands and approximately 2,477.40 sq.m. are erected on Newly Acquired Lands. (please see note 1 for the definition of Contribution and Newly Acquired Lands)	The properties are occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.	8,706,000

Details of the gross floor area are listed as follows:

Use	Approximate Gross Floor Area	
	sq.m.	sq.ft.
Base stations	1,093,850.92	11,774,211
Sales offices	449,234.57	4,835,561
Offices	1,320,206.68	14,210,704
Ancillary buildings	292,362.48	3,146,990
Total:	3,155,654.64	33,967,466

The land upon which the properties currently standing on comprises 5,516 parcels of land with a total area of 3,835,425.12 sq.m. (41,284,516 sq.ft.).The total land area is composed of Contribution Lands with an area of approximately 3,815,515.51 sq.m., and Newly Acquired Lands with an area of approximately 19,909.61 sq.m..

The land use rights of the properties have been granted for terms ranging from 23 to 70 years.

Notes:

- (1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the "Contribution Lands") and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the "Newly Acquired Lands").
- (2) According to the information provided, approximately 3,551,478.95 sq.m. of Contribution Lands and approximately 853.97 sq.m. of Newly Acquired Lands of the properties have obtained Land Use Right Certificates. The remaining portion of the Contribution Lands and Newly Acquired Land with a total land area of approximately 264,036.56 sq.m. and 19,055.64 sq.m. have been granted with Land Title Proof.
- (3) According to the information provided, approximately 2,908,253.75 sq.m. of buildings erected on Contribution Lands and approximately 2,477.40 sq.m. of buildings erected on the Newly Acquired Lands have obtained Building Ownership Certificates. The remaining portion of the buildings of the properties erected on the Contribution Lands with a total gross floor areas of approximately 244,923.49 sq.m. has been granted with Ownership Proof.
- (4) According to the information provided, the area of granted land of the Contribution Lands is approximately 1,246,703.19 sq.m. and the remaining land area of approximately 2,568,812.32 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion and the allocated land portion are approximately 19,190.40 sq.m. and 719.21 sq.m., respectively.
- (5) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

#### **Contribution Lands**

- a. For the Contribution Lands, China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation undertakes to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation further undertakes to be responsible for any costs, expenses claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the

Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

### **Newly Acquired Lands**

- d. China Telecom Group has obtained either the Land Use Right Certificate or Land Title Proof for Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.
- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired Lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proofs for the buildings.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proofs but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution ("Contribution Buildings") and to those erected upon the granted land portion of the Newly Acquired Lands ("Newly Acquired Buildings" refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building

Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company (Building Ownership Certificates should be applied for those buildings with Ownership Proofs within the valid period of the Ownership Proof and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.

- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.
  - j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
  - k. For the Newly Acquired Buildings, China Telecommunications Corporation consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecommunications Corporation and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquired the ownerships of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- (6) As at the date of this prospectus, the Company has obtained a new Building Ownership Certificate with a gross floor area of approximately 1,821.68 sq.m..
- (7) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at June 30 2002
			RMB'000
3. Properties in Jiangsu Province, the PRC	<p>The properties comprise 7,418 various operational and ancillary buildings and various structures of concrete/brick construction and reinforced concrete structure construction with a total gross floor area of about 3,019,389.20 sq.m. (32,500,705 sq. ft.) completed in about 1951 to 2002. Within the aforesaid total gross floor areas, approximately 3,016,201.00 sq.m. of buildings are erected on Contribution Lands and approximately 3,188.20 sq.m. are erected on Newly Acquired Lands. (please see note 1 for the definition of Contribution and Newly Acquired Lands)</p> <p>Details of the gross floor areas are listed as follows:</p>	<p>The properties are occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.</p> <p>Portion of the property with a total gross floor area of 28,827.83 sq.m. is leased to China Telecom Group for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB17,300,000.</p>	5,932,000

Use	Approximately Gross Floor Area	
	sq.m.	sq.ft.
Base stations	1,229,732.14	13,236,837
Sales offices	359,016.88	3,864,458
Offices	1,179,389.49	12,694,948
Ancillary buildings	251,250.69	2,704,462
Total:	3,019,389.20	32,500,705

The land upon which the properties currently standing on comprises 4,974 parcels of land with a total area of 4,319,832.88 sq.m. (46,498,681 sq.ft.). The total land area is composed of Contribution Lands with an area of approximately 4,314,081.36 sq.m., and Newly Acquired Lands with an area of approximately 5,751.52 sq.m.

The land use rights of the properties have been granted for a terms ranging from 31 to 70 years.

Notes:

- (1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the “Contribution Lands”) and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the “Newly Acquired Lands”).
- (2) According to the information provided, approximately 4,232,838.64 sq.m. of Contribution Lands and approximately 5,568.52 sq.m. of Newly Acquired Lands of the properties have obtained Land Use Right Certificates. The remaining portion of the Contribution Lands and

Newly Acquired Lands with a total land area of approximately 81,242.72 sq.m. and 183.00 sq.m. have been granted with Land Title Proof.

- (3) According to the information provided, approximately 2,973,647.19 sq.m. of buildings erected on Contribution Lands and approximately 3,145.98 sq.m. of buildings erected on the Newly Acquired Lands have obtained Building Ownership Certificates. The remaining portion of the buildings of the properties erected on the Contribution Lands and Newly Acquired Lands with a total gross floor areas of approximately 42,553.81 sq.m. and 42.22 sq.m., respectively have been granted with Ownership Proof.
- (4) According to the information provided, the area of granted land of the Contribution Lands is approximately 280,978.54 sq.m. and the remaining land area of approximately 4,033,102.82 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion and the allocated land portion are approximately 2,155.49 sq.m. and 3,596.03 sq.m., respectively.
- (5) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

### **Contribution Lands**

- a. For the Contribution Lands, China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecom Group has further undertaken to be responsible for any costs, expenses, claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

### **Newly Acquired Lands**

- d. China Telecom Group has either obtained the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to



process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.

- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired Lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proof for the buildings.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proof but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution ("Contribution Buildings") and to those erected upon the granted land portion of the Newly Acquired Lands ("Newly Acquired Buildings" refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company. (Building Ownership Certificates should be applied for those buildings with Ownership Proofs within the valid period of the Ownership Proofs and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses,

claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.

- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.
  - j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
  - k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquired the ownership of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- (6) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

			Open market value in existing state as at June 30 2002
Property	Description and tenure	Particulars of occupancy	RMB'000
4. Properties in Guangdong Province, the PRC	<p>The properties comprise 4,410 various operational and ancillary buildings and various structures of concrete/brick construction and reinforced concrete structure construction with a total gross floor area of about 5,072,398.08 sq.m. (54,599,293 sq. ft.) completed in about 1954 to 2002. Within the aforesaid total gross floor areas, approximately 5,023,338.28 sq.m. of buildings are erected on Contribution Lands and approximately 49,059.80 sq.m. are erected on Newly Acquired Lands. (please see note 1 for the definition of Contribution and Newly Acquired Lands)</p>	<p>The properties are occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.</p> <p>Portion of the properties with a total gross floor area of 84,712.79 sq.m. is leased to China Telecom Group for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB25,100,000.</p>	13,753,000

Details of the gross floor area are listed as follows:

Use	Approximately Gross Floor Area	
	sq.m.	sq.ft.
Base stations	2,916,183.09	31,389,794
Sales offices	429,540.09	4,623,570
Offices	1,438,470.36	15,483,695
Ancillary buildings	288,204.54	3,102,234
Total:	5,072,398.08	54,599,293

The land upon which the properties currently standing on comprises 3,219 parcels of land with a total area of 4,875,879.12 sq.m. (52,483,963 sq.ft.). The total land area is composed of Contribution Lands with an area of approximately 4,837,095.19 sq.m., and Newly Acquired Lands with an area of approximately 38,783.93 sq.m.

The land use rights of the properties have been granted for a terms ranging from 40 to 70 years.

## Notes:

- (1) The land use rights of the property are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the "Contribution Lands") and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the "Newly Acquired Lands").
- (2) According to the information provided, approximately 4,429,750.06 sq.m. of Contribution Lands and approximately 31,613.89 sq.m. of Newly Acquired Lands of the properties have obtained Land Use Right Certificates. The remaining portion of the Contribution Lands and Newly Acquired Land with a total land area of approximately 407,345.13 sq.m. and 7,170.04 sq.m. have been granted with Land Title Proof.
- (3) According to the information provided, approximately 4,494,749.72 sq.m. of buildings erected on Contribution Lands and approximately 48,809.80 sq.m. of building erected on the Newly Acquired Lands have been granted Building Ownership Certificates. Portion of the buildings of the properties with Ownership Proof is erected on the Contribution Lands and Newly Acquired Lands with a total gross floor areas of approximately 507,022.21 sq.m. and 250.00 sq.m., respectively. The remaining portion of the buildings of the property are erected on Contribution Lands with a total gross floor areas of approximately 70,626.14 sq.m. and has not obtained any title proof.
- (4) According to the information provided, the area of granted land of the Contribution Lands is approximately 2,336,918.35 sq.m. and the remaining land area of approximately 2,500,176.85 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion and the allocated land portion are approximately 30,876.06 sq.m. and 7,907.87 sq.m., respectively.
- (5) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

**Contribution Lands**

- a. For the Contribution Lands, China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with

granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

### **Newly Acquired Lands**

- d. China Telecom Group has either obtained the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.
- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proofs for the buildings.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proof but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution ("Contribution Buildings") and to those erected upon the granted land portion of the Newly Acquired Lands ("Newly Acquired Buildings" refer to those

buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company. (Building Ownership Certificates should be applied for those buildings with Ownership Proofs within the valid period of the Ownership Proofs and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.

- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.
- j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
- k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquire the ownership of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- l. 34 buildings erected on the Contribution Lands of the properties with a total gross floor areas of approximately 70,626.14 sq.m. have not been granted any ownership proof. Upon a confirmation letter issued by the Company dated October 21, 2002, all construction permits for the aforesaid buildings have been issued to the Company and registration of the building ownership is in progress. There is no legal obstacle for the Company to apply for the Building Ownership Certificates. Upon obtaining the Ownership Proofs of the building registered under the name of the Company, the

Company will legally and validly acquire the ownership of the buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.

- (6) As at the date of this prospectus, the Company has obtained new Building Ownership Certificates and Ownership Proofs for 47 buildings of the properties with a total gross floor areas of approximately 106,001.87 sq.m. and the total value of those buildings are approximately RMB225,000,000. As the Company has not obtained the aforesaid Building Ownership Certificates and Ownership Proofs for those buildings as at the valuation date, we have attributed no commercial value to those buildings.
- (7) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

Group II—Property interests held by the Company under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at June 30 2002
				RMB'000
5.	Properties in Shanghai Municipality, the PRC	<p>The properties comprise 12 various projects under construction. Upon completion, the total gross floor area of the buildings involved will be about 50,536.73 sq.m. (543,977 sq. ft.), all erected on Contribution Lands (please see note 1 for the definition of Contribution and Newly Acquired Lands)</p> <p>The land upon which the properties currently standing on comprises 24 parcels of Contribution Lands with a total area of 279,591.05 sq.m. (3,009,518 sq.ft.)</p> <p>The land use rights of the properties have been granted for terms ranging from 40 to 70 years.</p>	The properties are currently under construction. Upon completion, the properties will be occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.	918,000

Notes:

- (1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the “Contribution Lands”) and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the “Newly Acquired Lands”).
- According to the information provided, approximately 123,612.30 sq.m. of Contribution Lands of the property have been granted with Land Use Right Certificates. The remaining portion of the Contribution Lands with a total land area of approximately 155,978.75 sq.m. has been granted with Land Title Proof.
- (2) According to the information provided, the area of granted land of the Contribution Lands is approximately 65,050.65 sq.m. and the remaining land area of approximately 214,540.40 sq.m. is allocated land.
- (3) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

Contribution Lands

- a. For the Contribution Lands, China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land



held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.

- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

#### **Newly Acquired Lands**

- d. China Telecom Group has either obtained the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.
- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired Lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

**Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proofs for the buildings and relevant permit licenses for the construction works.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proof but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution (“Contribution Buildings”) and to those erected upon the granted land portion of the Newly Acquired Lands (“Newly Acquired Buildings” refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company. (Building Ownership Certificates should be applied for those buildings with Ownership Proofs within the valid period of the Ownership Proofs and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expense, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.
- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the applications and registration related to the foregoing.
- j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
- k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings.

However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquired the ownership of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.

- (4) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

			Open market value in existing state as at June 30 2002
	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>
			RMB'000
6.	Properties in Zhejiang Province, the PRC	<p>The properties comprise 199 various projects under construction. Upon completion, the total gross floor area of the buildings involved will be about 353,994.24 sq.m. (3,810,394 sq. ft.). Within the aforesaid total gross floor areas, approximately 352,314.17 sq.m. of buildings are erected on Contribution Lands and approximately 1,630.07 sq.m. are erected on Newly Acquired Lands. (please see note 1 for the definition of Contribution and Newly Acquired Lands)</p> <p>The land upon which the properties currently standing on comprises 248 parcels of land with a total area of 637,419.62 sq.m. (6,861,185 sq.ft.) The total land area is composed of Contribution Lands with an area of approximately 618,839.32 sq.m., and Newly Acquired Lands with an area of approximately 18,580.30 sq.m..</p> <p>The land use rights of the properties have been granted for terms ranging from 34 to 70 years.</p>	<p>The properties are currently under construction. Upon completion, the properties will be occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.</p>

Notes:

- (1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the “Contribution Lands”) and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the “Newly Acquired Lands”).
- According to the information provided, approximately 520,417.80 sq.m. of Contribution Lands and approximately 14,375.60 sq.m. of Newly Acquired Lands of the property have been granted with Land Use Right Certificates. The remaining portion of the Contribution Lands and Newly Acquired Lands with a total land area of approximately 98,421.52 sq.m. and 4,204.70 sq.m. have been granted with Land Title Proof.
- (2) According to the information provided, the area of granted land of the Contribution Lands is approximately 275,324.35 sq.m. and the remaining land area of approximately

343,514.97 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion and the allocated land portion are approximately 15,632.60 sq.m. and 2,947.70 sq.m., respectively.

- (3) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

#### **Contribution Lands**

- a. For the Contribution Lands, China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

#### **Newly Acquired Lands**

- d. China Telecom Group has either obtained the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.
- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use

Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proofs for the buildings and relevant permit licenses for the construction works.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proofs but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution (“Contribution Buildings”) and to those erected upon the granted land portion of the Newly Acquired Lands (“Newly Acquired Buildings”) refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company. (Building Ownership Certificates should be applied for those buildings with Ownership Proof within the valid period of the Ownership Proof and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.
- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.
- j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant

Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

- k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquired the ownership of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- (4) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

			Open market value in existing state as at June 30 2002
Property	Description and tenure	Particulars of occupancy	RMB'000
7. Properties in Jiangsu Province, the PRC	<p>The properties comprise 195 various projects under construction. Upon completion, the total gross floor area of the buildings involved will be about 517,562.81 sq.m. (5,571,046 sq. ft.). Within the aforesaid total gross floor areas, approximately 514,621.35 sq.m. of buildings are erected on Contribution Lands and approximately 2,941.46 sq.m. are erected on Newly Acquired Lands. (please see note 1 for the definition of Contribution and Newly Acquired Lands)</p> <p>The land upon which the properties currently standing on comprises 196 parcels of land with a total area of 391,482.74 sq.m. (4,213,920 sq.ft.) The total land area is composed of Contribution Lands with an area of approximately 387,791.84 sq.m., and Newly Acquired Lands with an area of approximately 3,690.90 sq.m..</p> <p>The land use rights of the properties have been granted for terms ranging from 34 to 70 years.</p>	The properties are currently under construction. Upon completion, the properties will be occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.	1,411,000

Notes:

(1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the “Contribution Lands”) and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the “Newly Acquired Lands”).

According to the information provided, approximately 386,316.64 sq.m. of Contribution Lands and approximately 3,213.90 sq.m. of Newly Acquired Lands of the property have been granted with Land Use Right Certificates. The remaining portion of the Contribution Lands and Newly Acquired Lands with a total land area of approximately 1,475.20 sq.m. and 477.00 sq.m. have been granted with Land Title Proof.



- (2) According to the information provided, the area of granted land of the Contribution Lands is approximately 114,585.22 sq.m. and the remaining land area of approximately 273,206.62 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion and the allocated land portion are approximately 53.30 sq.m. and 3,637.60 sq.m., respectively.
- (3) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

**Contribution Lands**

- a. For the Contribution Lands, China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation further has undertaken to be responsible for any costs, expenses, claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

**Newly Acquired Lands**

- d. China Telecom Group has either obtained the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted lands. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.

- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) months from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired Lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proofs for the buildings and relevant permit licenses for the construction works.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proofs but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution ("Contribution Buildings") and to those erected upon the granted land portion of the Newly Acquired Lands ("Newly Acquired Buildings" refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company. (Building Ownership Certificates should be applied for those buildings with Ownership Proof within the valid period of the Ownership Proof and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expense, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.
- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.

- j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
  - k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquired the ownership of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- (4) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

			Open market value in existing state as at June 30 2002
	Property	Description and tenure	Particulars of occupancy
			RMB'000
8.	Properties in Guangdong Province, the PRC	<p>The properties comprise 223 various projects under construction. Upon completion, the total gross floor area of the buildings involved will be about 1,229,735.10 sq.m. (13,236,869 sq. ft.). Within the aforesaid total gross floor areas, approximately 1,229,715.10 sq.m. of buildings are erected on Contribution Lands and approximately 20.00 sq.m. are erected on Newly Acquired Lands. (please see note 1 for the definition of Contribution and Newly Acquired Lands)</p> <p>The land upon which the properties currently standing on comprises 781 parcels of land with a total area of 2,511,867.65 sq.m. (27,037,743 sq.ft.) The total land area is composed of Contribution Lands with an area of approximately 2,511,847.65 sq.m., and Newly Acquired Lands with an area of approximately 20.00 sq.m..</p> <p>The land use rights of the properties have been granted for terms ranging from 40 to 70 years.</p>	<p>The properties are currently under construction. Upon completion, the properties will be occupied by the Company for office, retail outlets, machine rooms and other ancillary uses.</p>

5,823,000

Notes:

(1) The land use rights of the properties are held by the Company under two categories. They are the lands injected in the Company as capital contribution (the “Contribution Lands”) and the land use rights of lands acquired by the Company within the period from 31 December 2001 to 30 June 2002 (the “Newly Acquired Lands”).

According to the information provided, approximately 2,248,267.18 sq.m. of Contribution Lands and approximately 20.00 sq.m. of Newly Acquired Lands of the properties have been granted with Land Use Right Certificates. The remaining portion of the Contribution Lands with a total land area of approximately 263,580.47 sq.m. has been granted with Land Title Proof.

- (2) According to the information provided, the area of granted land of the Contribution Lands is approximately 1,616,925.68 sq.m. and the remaining land area of approximately 894,921.97 sq.m. is allocated land. For the Newly Acquired Lands, the areas of the granted land portion are approximately 20.00 sq.m..
- (3) We have been provided with a legal opinion on the title to the properties issued by Jingtian & Gongcheng, which contains, inter alia, the following information:-

**Contribution Lands**

- a. For the Contribution Lands, the China Telecom Group has acquired the requisite approvals from relevant authorities and obtained the relevant State-owned Land Use Right Certificates or Land Title Proof. For the portion of Contribution Lands held under Land Use Right Certificates, the Company should apply for change of registration of land user under the name of the Company. For the remaining land held under the Land Title Proof, the Company should process the land use right registration procedure and obtain the relevant Land Use Right Certificates.
- b. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims incurred and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing.
- c. There is no legal impediment for the Company to register or change the land user registration of the land use rights. Upon completing the registration and obtained the Land Use Right Certificates, the Company will legally and validly acquire the land use rights of the Contribution Lands. For the portion of the Contribution Lands with granted land use rights, the Company is entitled to transfer, lease, mortgage or handled the land use rights by other legal means within the valid land use right term. For the portion of the Contribution Lands with allocated land use rights, the Company is entitled to transfer, let the land use rights according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.

**Newly Acquired Lands**

- d. China Telecom Group has either obtained the Land Use Right Certificate or Land Title Proof of the Newly Acquired Lands and the Company has commenced to process the procedures of changing the allocated land portion of the Newly Acquired Lands to granted. The Newly Acquired Lands can thus be legally used by the Company, however, the Company should process the relevant land use right registration or transfer procedures and alter the allocated land to granted land nature. There will be no legal obstacle to process all the aforesaid registration or transfer procedures. Upon obtaining the Land Use Right Certificates, the Company will legally own the land use rights of the Newly Acquired Lands and has the rights to transfer, let, mortgage or handle the land use rights by other legal means within the valid land use right term.

- e. China Telecommunications Corporation has undertaken to have Land Use Right Certificates registered under the name of the Company within 6 months (Land Use Right Certificates should be applied for those lands with Land Title Proof within the valid period of the Land Title Proof) from the incorporation date of the Company as at 10 September 2002 for the granted land portion of the Newly Acquired Lands. China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Land Use Right Certificates related to the foregoing. For the allocated land portion of the Newly Acquired Lands, China Telecommunications Corporation has further undertaken to assist the Company to complete the process of changing the nature of the allocated lands to granted lands in the name of the Company within 2 years from the date of incorporation of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the failure of the conversion of allocated lands to granted lands.

### **Buildings and Construction Works**

- f. China Telecom Group has obtained, unless otherwise being mentioned in context, either Building Ownership Certificates or Ownership Proof for the buildings and relevant permit licenses for the construction works.
- g. For the buildings with Building Ownership Certificates, the Company should apply for change of owner registration under the name of the Company. For the buildings with Ownership Proof but without Building Ownership Certificate, the Company should process the ownership registration procedures in order to obtain the relevant Building Ownership Certificates. The Company should also apply for the ownership registration for the construction works upon completion.
- h. For those buildings and construction works that have been injected into the Company as capital contribution ("Contribution Buildings") and to those erected upon the granted land portion of the Newly Acquired Lands ("Newly Acquired Buildings" refer to those buildings and construction works newly acquired by the Company within the period from 31 December 2001 to 30 June 2002), China Telecommunications Corporation has undertaken to have relevant Building Ownership Certificates registered under the name of the Company within 6 months from the incorporation date of the Company. (Building Ownership Certificates should be applied for those buildings with Ownership Proofs within the valid period of the Ownership Proofs and for the buildings upon completion of the construction works). China Telecommunications Corporation has further undertaken to be responsible for any costs, expenses, claims and to indemnify the Company against any losses, claims, charges or expenses arising from the application of Building Ownership Certificates related to the foregoing.
- i. For the Newly Acquired Buildings erected upon the allocated land portion, China Telecommunications Corporation has further undertaken to assist the Company to apply and complete the building ownership registration and/or change of ownership registrations within 2 years from the incorporation date of the Company and to indemnify the Company against any losses, claims, charges or expenses arising from the application and registration related to the foregoing.

- j. For the Contribution Buildings, there will be no legal impediment for the Company to complete all the building ownership registration or change of ownership registration procedures. Upon completion of the aforesaid procedures and obtained the relevant Building Ownership Certificates, the Company will legally acquire the building ownership. For the Contribution Buildings erected upon the granted land, the Company is entitled to transfer, lease, mortgage or handled the buildings ownership by other legal means. For the remaining Contribution Buildings erected upon the allocated lands, the Company is entitled to transfer, let the building ownership according to the State law and regulations and the approval document [2002] No. 270 issued by the Ministry of Land and Resources.
  - k. For the Newly Acquired Buildings, China Telecom Group consented for the interests of those buildings and construction works on the Newly Acquired Lands to be vested in the Company. As the relevant Land Use Right Certificates, Land Title Proofs and Construction Work Working Permits have been obtained by China Telecom Group and the procedures of changing the nature of allocated land to granted lands in the name of the Company are in progress, the Company could legally use the buildings. However the Company has to apply for the registration or change of registration of the building ownership and process the change of ownership registration for those buildings erected upon the allocated lands. There is no legal impediment for the Company to complete the aforesaid ownership registration procedures. Upon obtaining the new Building Ownership Certificates, the Company will legally and validly acquired the ownership of Newly Acquired Buildings and will be entitled to transfer, lease, mortgage or handle the building ownership by other legal means.
- (4) In the course of our valuation, the allocated land portion of the Newly Acquired Lands and the buildings erected thereon have been excluded due to the fact that the aforesaid allocated land portion and the buildings erected thereon are not freely transferable in the market at the date of our valuation. We have thus attributed no commercial value to the aforesaid portion of the property.

Group III – Property interests rented by the Company in the PRC

			Open market value in existing state as at June 30 2002																				
Property	Description and tenure	Particulars of occupancy	RMB'000																				
9. Properties in Shanghai Municipality, the PRC	<p>The properties comprise 777 various operational and ancillary buildings with a total gross floor areas of about 280,209.30 sq.m. (3,016,173 sq. ft.).</p> <p>Details of the gross floor areas are listed as follows:</p> <table><tr><th rowspan="2">Use</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Base stations</td><td>95,842.82</td><td>1,031,652</td></tr><tr><td>Sales office</td><td>9,870.03</td><td>106,242</td></tr><tr><td>Offices</td><td>93,829.29</td><td>1,009,978</td></tr><tr><td>Ancillary buildings</td><td>64,901.35</td><td>698,598</td></tr><tr><td>Total:</td><td>264,443.49</td><td>2,846,470</td></tr></table>	Use	Approximate Gross Floor Area		sq.m.	sq.ft.	Base stations	95,842.82	1,031,652	Sales office	9,870.03	106,242	Offices	93,829.29	1,009,978	Ancillary buildings	64,901.35	698,598	Total:	264,443.49	2,846,470	<p>The properties are occupied by the Company for office, retail outlets, base stations and other ancillary uses.</p>	No Commercial Value
Use	Approximate Gross Floor Area																						
	sq.m.	sq.ft.																					
Base stations	95,842.82	1,031,652																					
Sales office	9,870.03	106,242																					
Offices	93,829.29	1,009,978																					
Ancillary buildings	64,901.35	698,598																					
Total:	264,443.49	2,846,470																					
<p>The properties are subject to two tenancy agreements. Approximately 110,707.26 sq.m. of the properties are subject to a tenancy agreement for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB37,500,000 inclusive of management fee. The remaining area of approximately 153,736.23 sq.m. is originally leased by independent third parties to China Telecom Group (hereinafter referred to as "Original Lease Agreements") and subsequently rented to the Company by China Telecom Group. Those remaining properties are subject to another lease agreement for terms stipulated in the Original Lease Agreements at a current annual rental of approximately RMB72,600,000.</p>																							

Note:

- (1) According to the lease agreement of the remaining properties with an area of approximately 153,736.23 sq.m., China Telecom Group warrants that i) the rental, management fee or other charges being transferred to the Company from the Original Lease Agreements are transacted at arm's length, ii) the relevant tax, management fee charged either by local Government or the State and other charges arising from the transfer of the Original Lease Agreements will be borne by China Telecom Group and iii) China Telecom Group undertakes to indemnify the Company against any loss due to defects of the building ownership or use rights of those remaining properties.



			Open market value in existing state as at June 30 2002																				
Property	Description and tenure	Particulars of occupancy	RMB'000																				
10. Properties in Zhejiang Province, the PRC	<p>The properties comprise 2,235 various operational and ancillary buildings with a total gross floor areas of about 209,755.86 sq.m. (2,257,812 sq. ft.).</p> <p>Details of the gross floor areas are listed as follows:</p> <table><tr><th rowspan="2">Use</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Base stations</td><td>109,019.39</td><td>1,173,485</td></tr><tr><td>Sales office</td><td>18,132.18</td><td>195,175</td></tr><tr><td>Offices</td><td>57,639.90</td><td>620,436</td></tr><tr><td>Ancillary buildings</td><td>24,964.39</td><td>268,716</td></tr><tr><td>Total:</td><td>209,755.86</td><td>2,257,812</td></tr></table>	Use	Approximate Gross Floor Area		sq.m.	sq.ft.	Base stations	109,019.39	1,173,485	Sales office	18,132.18	195,175	Offices	57,639.90	620,436	Ancillary buildings	24,964.39	268,716	Total:	209,755.86	2,257,812	<p>The properties are occupied by the Company for office, retail outlets, base stations and other ancillary uses.</p>	No Commercial Value
Use	Approximate Gross Floor Area																						
	sq.m.	sq.ft.																					
Base stations	109,019.39	1,173,485																					
Sales office	18,132.18	195,175																					
Offices	57,639.90	620,436																					
Ancillary buildings	24,964.39	268,716																					
Total:	209,755.86	2,257,812																					
<p>The properties are subject to two tenancy agreements. Approximately 43,563.19 sq.m. of the properties are subject to a tenancy agreement for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB26,100,000 inclusive of management fee. The remaining area of approximately 166,192.67 sq.m. is originally leased by independent third parties to China Telecom Group (hereinafter referred to as "Original Lease Agreements") and subsequently rented to the Company by China Telecom Group. Those remaining properties are subject to another lease agreement for terms stipulated in the Original Lease Agreements at a current annual rental of approximately RMB52,200,000.</p>																							

Note:

- (1) According to the lease agreement of the remaining properties with an area of approximately 166,192.67 sq.m., China Telecom Group warrants that i) the rental, management fee or other charges being transferred to the Company from the Original Lease Agreements are transacted at arm's length, ii) the relevant tax, management fee charged either by local Government or the State and other charges arising from the transfer of the Original Lease Agreements will be borne by China Telecom Group and iii) China Telecom Group undertakes to indemnify the Company against any loss due to defects of the building ownership or use rights of those remaining properties.

			Open market value in existing state as at June 30 2002
Property	Description and tenure	Particulars of occupancy	RMB'000
11. Properties in Jiangsu Province, the PRC	The properties comprise 1,619 various operational and ancillary buildings with a total gross floor areas of about 253,661.11 sq.m. (2,730,408 sq. ft.).	The properties are occupied by the Company for office, retail outlets, base stations and other ancillary uses.	No Commercial Value

Details of the gross floor areas are listed as follows:

Use	Approximate Gross Floor Area	
	sq.m.	sq.ft.
Base stations	107,501.30	1,157,144
Sales office	35,874.04	386,148
Offices	63,690.26	685,562
Ancillary buildings	46,595.51	501,554
Total:	253,661.11	2,730,408

The properties are subject to two tenancy agreements. Approximately 56,782.02 sq. m. of the properties are subject to a tenancy agreement for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB34,000,000 inclusive of management fee. The remaining area of approximately 196,879.09 sq.m. is originally leased by independent third parties to China Telecom Group (hereinafter referred to as “Original Lease Agreements”) and subsequently rented to the Company by China Telecom Group. Those remaining properties are subject to another lease agreement for terms stipulated in the Original Lease Agreements at a current annual rental of approximately RMB50,600,000.

Note:

- (1) According to the lease agreement of the remaining properties with an area of approximately 196,879.09 sq.m., China Telecom Group warrants that i) the rental, management fee or other charges being transferred to the Company from the Original Lease Agreements are transacted at arm's length, ii) the relevant tax, management fee charged either by local Government or the State and other charges arising from the transfer of the Original Lease Agreements will be borne by China Telecom Group and iii) China Telecom Group undertakes to indemnify the Company against any loss due to defects of the building ownership or use rights of those remaining properties.

		Open market value in existing state as at June 30 2002																					
		RMB'000																					
Property	Description and tenure	Particulars of occupancy	No Commercial Value																				
12. Properties in Guangdong Province, the PRC	<p>The properties comprise 5,099 various operational and ancillary buildings with a total gross floor areas of about 969,929.37 sq.m. (10,440,320 sq. ft.).</p> <p>Details of the gross floor areas are listed as follows:</p> <table><tr><th rowspan="2">Use</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Base stations</td><td>455,029.57</td><td>4,897,938</td></tr><tr><td>Sales office</td><td>46,703.73</td><td>502,719</td></tr><tr><td>Offices</td><td>402,600.19</td><td>4,333,589</td></tr><tr><td>Ancillary buildings</td><td>65,595.88</td><td>706,074</td></tr><tr><td>Total:</td><td>969,929.37</td><td>10,440,320</td></tr></table>	Use	Approximate Gross Floor Area		sq.m.	sq.ft.	Base stations	455,029.57	4,897,938	Sales office	46,703.73	502,719	Offices	402,600.19	4,333,589	Ancillary buildings	65,595.88	706,074	Total:	969,929.37	10,440,320	<p>The properties are occupied by the Company for office, retail outlets, base stations and other ancillary uses.</p> <p>The properties are subject to two tenancy agreements. Approximately 140,940.38 sq.m. of the properties are subject to a tenancy agreement for a term of 3 years commencing from 1 January 2002 at a current annual rental of approximately RMB49,600,000 inclusive of management fee. The remaining area of approximately 828,988.99 sq.m. is originally leased by independent third parties to China Telecom Group (hereinafter referred to as "Original Lease Agreements") and subsequently rented to the Company by China Telecom Group. Those remaining properties are subject to another lease agreement for terms stipulated in the Original Lease Agreements at a current annual rental of approximately RMB209,200,000.</p>	
Use	Approximate Gross Floor Area																						
	sq.m.	sq.ft.																					
Base stations	455,029.57	4,897,938																					
Sales office	46,703.73	502,719																					
Offices	402,600.19	4,333,589																					
Ancillary buildings	65,595.88	706,074																					
Total:	969,929.37	10,440,320																					

Note:

- (1) According to the lease agreement of the remaining properties with an area of approximately 828,988.99 sq.m., China Telecom Group warrants that i)the rental, management fee or other charges being transferred to the Company from the Original Lease Agreements are transacted at arm's length, ii) the relevant tax, management fee charged either by local Government or the State and other charges arising from the transfer of the Original Lease Agreement will be borne by China Telecom Group and iii) China Telecom Group undertakes to indemnify the Company against any loss due to defects of the building ownership or use rights of those remaining properties.