

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The Company was established as a joint stock limited company in the PRC on September 10, 2002 by China Telecommunications Corporation, as the promoter (the “Promoter”) in accordance with the provisions set out in the PRC Company Law under the name of China Telecom Corporation Limited.

The Company has established a principal place of business in Hong Kong at 38th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong and has been registered with the Registrar of Companies as an oversea company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Ms. Zhang Fang has been appointed as our agent for the acceptance of service of process in Hong Kong. As the Company was established in the PRC, it is subject to the relevant laws, rules and regulations of the PRC. A summary of certain relevant aspects of PRC laws and principal regulatory provisions is set out in the Section headed “Regulation.” A summary of the relevant sections of our Articles of Association is set out in Appendix VII.

B. Changes in share capital

At the time of its establishment, the Company’s initial registered capital was RMB68,317,270,803, divided into 68,317,270,803 Domestic Shares of par value RMB1.00 each, all of which were held and fully paid up or created as fully paid up as follows:

<u>Promoter</u>	<u>No. of Domestic Shares Held</u>	<u>% of shareholding</u>
China Telecommunications Corporation	68,317,270,803	100

As part of a reform plan recently approved by the State Council on the administration of rural telecommunications services, China Telecommunications Corporation transferred a portion of its interest in our Company to Guangdong Rising Assets Management Co., Ltd., Jiangsu Guoxin Investment Group Co., Ltd. and Zhejiang Financial Development Company. Immediately prior to the Global Offering, the Company’s registered capital was RMB68,317,270,803 divided into 68,317,270,803 Domestic Shares of par value RMB1.00 each, all of which were held and fully paid up or created as fully paid up as follows:

<u>Name</u>	<u>No. of Domestic Shares Held</u>	<u>Approximate % of Shareholding</u>
China Telecommunications Corporation	59,444,743,382	87.0
Guangdong Rising Assets Management Co., Ltd.	5,719,768,087	8.4
Jiangsu Guoxin Investment Group Co., Ltd.	975,047,636	1.4
Zhejiang Financial Development Company	2,177,711,698	3.2

Immediately after the Global Offering, the registered share capital of the Company will be RMB83,588,470,803, made up of approximately 66,788,470,803 Domestic Shares and 16,800,000,000 H Shares, fully paid up or credited as fully paid up, representing approximately 79.9% and 20.1% of the registered capital, respectively (assuming the Over-allotment Option is not exercised).

Save as disclosed herein and in the paragraphs headed “Written Resolutions of our shareholders passed on September 10, 2002” and “The Reorganization” below, there has been no alteration in our share capital since our incorporation.

C. Written Resolutions of our shareholders passed on September 10, 2002

Written resolutions were passed by our shareholders on September 10, 2002 pursuant to which, among other matters:

- (a) conditional upon, amongst others, (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued as mentioned herein; and (ii) the Hong Kong Underwriting Agreement and International Underwriting Agreement becoming unconditional and not being terminated in accordance with their terms or otherwise, the Company approved:
 - (i) the conversion of the Company into an “overseas subscription company”;
 - (ii) the issue of H Shares and the granting of the Over-allotment Option; and
 - (iii) the listing of the H Shares on the Hong Kong Stock Exchange and the ADSs on the New York Stock Exchange;
- (b) the Articles of Association were adopted and the Directors were authorised to amend the Articles of Association in accordance with any comments from the relevant governing authorities in the PRC and the Hong Kong Stock Exchange;
- (c) a mandate was given to the Directors to issue Domestic Shares and/or H Shares within a period of 12 months from the date of the resolution on September 10, 2002 provided that the number of Domestic Shares and/or H Shares to be issued shall not exceed 20% of the numbers of Domestic Shares and H Shares separately then in issue; and
- (d) a general and unconditional mandate was given to the Directors to repurchase up to 10% of the aggregate number of H Shares in issue following the completion of the Global Offering.

2. THE REORGANIZATION

The Reorganization, which was effected in preparation for the listing of our H Shares on the Hong Kong Stock Exchange and our ADSs on the New York Stock Exchange, involved the following:

- (a) On June 17, 2002 the Ministry of Land and Resources issued an approval document (*Guo Tu Zi Han [2002] No. 225*) to China Telecommunications Corporation approving the General Plan for the Disposal of the Land Assets in the Restructuring and Listing of China Telecommunications Corporation;
- (b) On July 25, 2002 the Ministry of Land and Resources issued a letter of reply (*Guo Tu Zi Han [2002] No. 270*) in connection with the Disposal of Land Assets in the Restructuring and Listing of China Telecommunications Corporation;
- (c) On August 6, 2002, the Ministry of Finance issued an approval document (*Cai Qi [2002] No. 321*) to China Telecommunications Corporation approving the appraisal of the assets of our Company;

- (d) On August 26, 2002, the Ministry of Finance issued an approval document (*Cai Qi 2002 No. 336*) to China Telecommunications Corporation concerning the management of the State-owned equity interests in our Company;
- (e) On September 6, 2002, the SETC approved the establishment of our Company (*Guo Jing Mao Qi Gai [2002] No. 656*);
- (f) On September 6, 2002, China Telecommunications Corporation convened an inaugural meeting of our Company at which, among other resolutions:
 - (i) the establishment of our Company was approved;
 - (ii) the initial articles of association of our Company were adopted;
- (g) On September 10, 2002, a business licence (No. 1000001003712(4-1)) was issued by the SAIC, whereupon our Company was established as a joint stock limited company and acquired the status of an enterprise legal person;
- (h) On September 10, 2002, our Company convened an extraordinary shareholders' meeting at which, among other things:
 - (i) the conversion of the Company into an "overseas subscription company" was approved;
 - (ii) the issue of H Shares and the granting of the Over-allotment Option were approved; and
 - (iii) the listing of the H Shares on the Hong Kong Stock Exchange and the ADSs on the New York Stock Exchange were approved;
 - (iv) the Articles of Association were adopted, and the Directors were authorised to amend the Articles of Association in accordance with any comments from the relevant governing authorities in the PRC and the Hong Kong Stock Exchange;
- (i) On September 10, 2002, China Telecommunications Corporation entered into the Reorganization Agreement with our Company;
- (j) On September 13, 2002, the SETC authorised the conversion of our Company into an "overseas subscription company" and approved the Articles of Association of our Company (*Guo Jing Mao Qi Gai [2002] No. 671*); and
- (k) On September 16, 2002, the CSRC issued an approval document (*Zheng Jian Guo He Zi [2002] No. 26*) authorising our Company to issue overseas listed foreign-invested shares pursuant to the Global Offering.

For further information about the Reorganization see the Section headed "Our Reorganization."

3. OUR SUBSIDIARIES

A. Investments in subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

B. Changes in share capital

Save as disclosed in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

4. REPURCHASE OF OUR OWN SECURITIES

This section includes information relating to the repurchase by us of our own securities, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase.

A. Relevant Legal and Regulatory Requirements in Hong Kong and the PRC

The PRC Company Law (to which our Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its shares. The Mandatory Provisions which our Company has incorporated into its Articles of Association provide that subject to obtaining the approval of the relevant regulatory authorities and compliance with its Articles of Association, share repurchases may be effected by a joint stock limited company listed outside the PRC for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its shares or in circumstances permitted by law or administrative regulations.

The Hong Kong Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the directors to repurchase shares of such company that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders in general meeting and special resolutions passed by holders of domestic shares and overseas listed foreign shares in separate meetings.

The repurchase of H Shares by the Company is subject to the approval of the CSRC.

(a) Shareholders' approval

All proposed repurchases of H Shares (subject to the condition that there will be minimum public float) by our Company must be approved in advance by special resolutions of the shareholders in general meeting and of the holders of H Shares and Domestic Shares at separate meetings of such holders either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by the shareholder of our Company on September 10, 2002, a general unconditional mandate (the "Repurchase Mandate") was

given to our Directors authorising any repurchase by our Company of H Shares of up to 10% of the total number of H Shares of our Company to be sold in the Global Offering (including the H Shares which may be issued under the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of our Company, the date by which the next annual general meeting of our Company is required by applicable laws and the Articles of Association to be held or when revoked or varied by special resolutions of our Company's shareholders in general meeting and of the holders of H Shares and Domestic Shares at separate meetings of such holders, whichever shall occur first (the "Relevant Period").

(b) Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the PRC laws. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of funds of our Company which would otherwise be available for dividend or distribution or out of an issue of new shares made for the purpose of the repurchase.

(c) Trading restrictions

The total number of H Shares which our Company may repurchase is up to 10% of the total number of H Shares to be sold in the Global Offering (including the H Shares which may be issued under the Over-allotment Option). Our Company may not issue or announce a proposed issue of H Shares for a period of 30 days immediately following a repurchase of H Shares, without the prior approval of the Hong Kong Stock Exchange. In addition, repurchases of H Shares on the Hong Kong Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of H Shares on the Hong Kong Stock Exchange in the immediately preceding calendar month. Our Company is also prohibited from repurchasing H Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed H Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of H Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(d) Status of repurchased H Shares

Pursuant to the Share Repurchase Approval, all repurchased H Shares must be cancelled within 10 days of the relevant repurchase. The registered share capital of our Company will be reduced by an amount equivalent to the aggregate value of the H Shares so cancelled.

All repurchased H Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those H Shares must be cancelled and destroyed.

(e) Suspension of repurchase

Pursuant to the Hong Kong Listing Rules, our Company may not make any repurchase of H Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of the Company's annual results or the publication of its interim report our Company may not repurchase its H Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of the H Shares on the Hong Kong Stock Exchange if our Company has breached the Hong Kong Listing Rules.

(f) Procedural and reporting requirements

Pursuant to the Share Repurchase Approval, after the expiry of the Relevant Period, our Company is required to apply to the relevant authorities for reduction of its registered share capital in connection with the repurchased H Shares which have been cancelled and to apply to the relevant authorities for the registration of change of registered share capital. In addition, our Company is required to report to the relevant authorities details of any repurchase within 15 days after the expiry of the Relevant Period.

As required by the Hong Kong Listing Rules, repurchase of H Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day reporting the total number of H Shares purchased the previous day, the purchase price per H Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of H Shares made during the year, including a monthly analysis of the number of H Shares repurchased, the purchase price per H Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Connected parties

A PRC incorporated company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "connected person," that is, a director, supervisor, chief executive, substantial shareholder or promoter of such company or any of its subsidiaries or any of their associates (as defined in the Hong Kong Listing Rules) and a connected person shall not knowingly sell his securities to the company on the Hong Kong Stock Exchange, unless certain requirements are fulfilled.

B. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our shareholders for the Directors to have general authority from the shareholders to enable our Company to repurchase H Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per H Share and/or earnings per H Share and will only be made where the Directors believe that such repurchases will benefit our Company and its shareholders.

C. Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Articles of Association, the Hong Kong Listing Rules and the PRC laws.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 16,800,000,000 H Shares in issue immediately after the Global Offering (and assuming that the Over-allotment Option is not exercised), could accordingly result in up to 1,680,000,000 H Shares being repurchased by us during the Relevant Period. If the Over-allotment Option is exercised in full, the exercise in full of the Repurchase Mandate on the basis of 19,200,000,000 H Shares in issue immediately after the Global Offering could result in up to 1,920,000,000 H Shares being repurchased by us during the Relevant Period.

D. General

None of our Directors, nor to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), currently intends to sell any H Shares to us.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Hong Kong Listing Rules and the relevant laws of the PRC.

If, as a result of any repurchase of H Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate.

Any repurchase of H Shares which results in the number of H Shares held by the public being reduced to less than 10% of our total issued share capital, is prohibited under the Hong Kong Listing Rules.

No connected person (as defined in the Listing Rules) has notified us that he has a present intention to sell H Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

5. FURTHER INFORMATION ABOUT OUR BUSINESS


A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus which are or may be material:

- (a) the restructuring agreement dated September 10, 2002 entered into between our Company and China Telecommunications Corporation regarding the Reorganization referred to in the Sections headed “Our Reorganization” and “Business—Connected Transactions” on pages 54 to 55 and 88 to 89 of this prospectus, respectively;
- (b) the Non-Competition Agreement dated September 10, 2002 entered into between our Company and China Telecommunications Corporation regarding the regulation of competition issues between us and China Telecommunications Corporation referred to in the Section headed “Business—Connected Transactions” on page 90 of this prospectus;
- (c) the Letter of Undertakings dated September 10, 2002 entered into between our Company and China Telecommunications Corporation regarding certain undertakings given to us by China Telecommunications Corporation referred to in the Section headed “Business—Connected Transactions” on pages 89 to 90 of this prospectus;
- (d) the Trademark Licence Agreement dated September 10, 2002 entered into between us and China Telecommunications Corporation regarding the licencing of logo and certain trademarks referred to in the Section headed “Business—Connected Transactions” on pages 92 to 93 of this prospectus;
- (e) the Community Services Agreements entered into in October, 2002 between us and each of the four provincial subsidiaries regarding the provision of certain community services referred to in the Section headed “Business—Connected Transactions” on pages 100 to 101 of this prospectus; and
- (f) the Hong Kong Underwriting Agreement dated October 24, 2002 entered into between our Company, the Joint Global Coordinators and the Hong Kong Underwriters referred to in the Section headed “Underwriting—Underwriting Arrangements and Expenses” on pages 161 to 164 of this prospectus.

B. Our intellectual property rights

Pursuant to the Trademark Licence Agreement, our Company has been granted a non-exclusive right to use the trademark bearing the “China Telecom” logo, which is in the process of being registered at the PRC State Trademark Bureau as a registered trademark. China Telecommunications Corporation has also granted to the Company on a royalty-free basis the right to use the trademarks “宜通” to denote roaming international telephone cards using IP technology, and “一線通” to denote N-ISDN, a combined technology of providing voice, data and image simultaneously. Details of these trademarks are set out below.

Trademark for	Date of Application for Registration	Classes ⁽¹⁾ Applied
	March 12, 2002	9, 16, 35, 38, 39, 42

Trademark	Expiry Date	Class ⁽¹⁾	Registration Number
Yi Tong	November 13, 2010	9	1473807
Yi Tong	August 20, 2010	16	1434593
Yi Tong	August 20, 2010	35	1436953
Yi Tong	August 27, 2010	38	1439976
Yi Tong	July 27, 2010	39	1427616
宜通	November 13, 2010	9	1473802
宜通	August 20, 2010	16	1434556
宜通	July 20, 2010	35	1424689
宜通	July 27, 2010	38	1433755
宜通	July 27, 2010	39	1427615
宜通	July 27, 2010	42	1427814
一線通	February 13, 2010	9	1363699
一線通	September 9, 2009	16	1317921
一線通	December 13, 2009	35	1344874
一線通	December 6, 2009	38	1342445
一線通	October 20, 2009	39	1327345
一線通	November 20, 2009	42	1337439

Notes:

- (1) Class 9 (electrical and scientific apparatus) includes apparatus for recording, transmission or reproduction of sound or images, magnetic data carriers, data processing equipment and computers. Class 16 relates to paper goods and printed matter. Class 35 relates to advertising and business services. Class 38 (service) includes telegraphy business, telephony business and telephony communications. Class 39 relates to transportation and storage services. Class 42 relates to scientific and technological services.

In addition to the above, applications for registration of a further 26 trademarks in under various classes have been submitted to the Trademark Bureau. A further 20 trademarks have already been registered with the Trademark Bureau under various classes.

No intellectual property rights are currently registered in the name of our Company.

6. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, MANAGEMENT AND STAFF

A. Particulars of Directors' and Supervisors' Service Agreements

Each of the Directors has entered into a service contract with us for a term of three years from October 23, 2002 and thereafter subject to termination by either party giving not less than three months' written notice to the other party. These contracts are identical in all material aspects, the major terms of which are as follows:

- (i) each of the executive Directors is entitled to reimbursement for all necessary and reasonable expenses properly incurred in the course of employment;
- (ii) the aggregate annual salary for all the executive directors shall be RMB 1,743,340; and
- (iii) we may, at our sole discretion, pay an executive Director a year end bonus of such amount as the Board may determine, subject to approval by our shareholders.

Save as disclosed in this prospectus, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

B. Directors' and Supervisors' salaries

The current basic annual salaries of the Directors (except independent non-executive Directors) for the year ending December 31, 2002 are estimated as follows:

	<u>(RMB)</u>
Zhou Deqiang	77,624
Chang Xiaobing	59,638
Wu Andi	60,599
Zhang Jiping	60,171
Huang Wenlin	60,413
Li Ping ⁽¹⁾	25,375
Wei Leping	60,562
Feng Xiong	57,660
Cheng Xiyuan	61,380

Notes:

(1) Li Ping did not become a member of our senior management until July, 2002 and we did not pay him a salary prior to this.

The current basic annual salaries of the Supervisors (except the independent Supervisor) for the year ending December 31, 2002 are estimated as follows:

	<u>(RMB)</u>
Zhang Xiuqin	53,667
Tan Ming	39,374
Xie Songguang	46,980
Li Jing	27,360

C. Directors' and Supervisors' remuneration

The aggregate amount of salaries, housing allowances, other allowances and benefits in kind paid by us to our Directors (excluding our independent non-executive Directors) and our Supervisors (excluding our independent Supervisors) for the seven months ended December 31, 2000 (i.e., since the renaming of China Telecommunications Corporation in May 2000) and the twelve months ended December 31, 2001 were approximately RMB724,000 and RMB1,747,000, respectively. Under the arrangements currently in force, it is estimated that aggregate amounts of approximately RMB1,865,000 and RMB746,700 will be paid by us to our Directors and Supervisors, respectively, for the year ending December 31, 2002.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 1999, 2000 and 2001 and the six months ended June 30, 2002 by us to our Directors and Supervisors.

D. Personal guarantees

Our Directors and Supervisors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

7. DISCLOSURE OF INTERESTS**A. Disclosure of interests**

- (a) So far as our Directors are aware, China Telecommunications Corporation will immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, be interested in approximately 58,114 million Domestic Shares, representing approximately 69.5% of the Shares carrying rights to vote in all circumstances at our general meetings (or, assuming the Over-allotment Option is exercised in full, approximately 57,924 million Domestic Shares, representing approximately 67.5% of the Shares carrying rights to vote in all circumstances at our general meetings).
- (b) Save as disclosed herein, but not taking into account any Shares which may be taken up under the Global Offering, our Directors are not aware of any legal person or individual (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the Shares then in issue, or an equity interest in any subsidiaries of our Company.

B. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or Supervisors has any interest in any of our Shares or debentures or in any shares or debentures of any associated company within the meaning of the SDI Ordinance, which will have to be notified to us and the Hong Kong Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in each case once the H Shares are listed. For this purpose, the relevant provisions of the SDI Ordinance will be interpreted as if they applied to the Supervisors;
- (b) none of our Directors or Supervisors nor any of the parties listed in paragraph 8E of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (c) none of our Directors or Supervisors nor any of the parties listed in paragraph 8E of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company's business;

- (d) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 8E of this Appendix:
 - (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (e) save as referred to above, there are no existing or proposed service contracts (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensations) between our Company or our subsidiaries and any other Directors or Supervisors;
- (f) no amount or benefit has been paid or given within the two years preceding the date of this prospectus to our Promoter nor is any such amount or benefit intended to be paid or given; and
- (g) none of our Directors or Supervisors or their associates (as defined in the Hong Kong Listing Rules) or our Promoter(s) has any interest in our five largest suppliers or our top five business customers.

8. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised by Jingtian & Gongcheng that no liability for estate duty is likely to fall on us or any of our subsidiaries under PRC law.

B. Litigation

Save as disclosed in the section headed “Business—“Legal Proceedings,” we are not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

C. Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

D. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$650,000 and are payable by us.

E. Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

<u>Name⁽¹⁾</u>	<u>Qualification</u>
China International Capital Corporation (Hong Kong) Limited	Registered investment adviser under the Securities Ordinance
Merrill Lynch Far East Limited	Registered investment adviser under the Securities Ordinance
Morgan Stanley Dean Witter Asia Limited	Registered investment adviser under the Securities Ordinance
KPMG	Certified public accountants
Chesterton Petty Limited	Property valuers
Jingtian & Gongcheng	PRC legal advisers

(1) Names of the Joint Sponsors are in alphabetical order

F. Taxation of holders of H Shares

The Hong Kong Offer Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (as amended) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of H Shares.

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty and the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

G. No material adverse change

Save as disclosed in this prospectus, our Directors believe that there has been no material adverse change in our financial or trading position since June 30, 2002.

H. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

I. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) we have not issued nor agreed to issue any founder shares, management shares or deferred shares; and
 - (iv) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (v) we have no outstanding convertible debt securities or debentures;
 - (vi) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
 - (vii) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any H Shares in the Company.
- (b) Our Company does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-foreign Joint Venture Law.

J. Consents

Each of the Joint Sponsors, KPMG as our independent reporting accountants, Chesterton Petty Limited as our property valuer, and Jingtian & Gongcheng as our legal advisers on PRC law, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

K. Particulars of the Selling Shareholders

China Telecommunications Corporation, located at No. 31 Jin Rong Avenue, Beijing, China 100032, is offering 13,302,511 ADSs, representing 1,330,251,100 H Shares in the Global Offering. Up to an aggregate of 1,900,359 ADSs, representing an additional 190,035,900 H Shares, will be sold by China Telecommunications Corporation if the Over-allotment Option is exercised in full.

Guangdong Rising Assets Management Co., Ltd., located at Kai Xuan Hua Mei Da Hotel, 15F, No. 9, 1 Ming Yue Yi Road, Dongshan District, Guangzhou City, Guangdong Province, China, is offering 1,279,966 ADSs, representing 127,996,600 H Shares in the Global Offering. Up to an aggregate of 182,852 ADSs, representing an additional 18,285,200 H Shares, will be sold by Guangdong Guangsheng Assets Management Company Limited if the Over-allotment Option is exercised in full.

Jiangsu Guoxin Investment Group Co., Ltd., located at 88 Chang Jiang Road, Xuan Wu District, Nanjing City, Jiangsu Province, China, is offering 218,196 ADSs, representing

21,819,600 H Shares in the Global Offering. Up to an aggregate of 31,171 ADSs, representing an additional 3,117,100 H Shares, will be sold by Jiangsu Guoxin Investment Group Company Limited if the Over-allotment Option is exercised in full.

Zhejiang Financial Development Company, located at 1 Huazhe Square, 28/F, Hangzhou City, Zhejiang Province, China, is offering 487,327 ADSs, representing 48,732,700 H Shares in the Global Offering. Up to an aggregate of 69,618 ADSs, representing an additional 6,961,800 H Shares, will be sold by Zhejiang Finance Development Company if the Over-allotment Option is exercised in full.

L. Promoter

The promoter of our Company is China Telecommunications Corporation. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named above in connection with the Global Offering or the related transactions described in this prospectus.