

CHINA TELECOM CORP LTD

Form F-3

March 01, 2004

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As filed with the Securities and Exchange Commission on March 1, 2004

Registration No. 333-

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM F-3

### REGISTRATION STATEMENT

Under THE SECURITIES ACT OF 1933

(Exact Name of Registrant as Specified in its Charter)

**CHINA TELECOM CORPORATION LIMITED**

(Translation of Registrant's Name into English)

**The People's Republic of China**  
(State or Other Jurisdiction of Incorporation or Organization)

**None**  
(I.R.S. Employer Identification No.)

**31 Jinrong Street, Xicheng District**

**Beijing, China 100032**

**(86-10) 6642-8166**

(Address and Telephone Number of Registrant's Principal Executive Offices)

**CT Corporation System**

**111 Eighth Avenue, New York, New York 10011**

**Tel: (212) 664-1666**

(Name, Address and Telephone Number of Agent For Service)

*Copies to:*

**Chun Wei, Esq.**  
**Sullivan & Cromwell LLP**  
**28<sup>th</sup> Floor, No. 9 Queen's Road Central**  
**Hong Kong**  
**(852) 2826-8688**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**CALCULATION OF REGISTRATION FEE**

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered(1)(2)	Proposed Maximum Offering Price Per Unit(3)	Proposed Maximum Aggregate Offering Price(2)(3)	Amount of Registration Fee
H shares par value RMB1.00 per share(4)(5)	US\$ 1,000,000,000	100%	US\$ 1,000,000,000	US\$ 126,700
debt securities(4)				

- (1) Or, if any debt securities are issued (i) at an original issue discount, such greater amount as shall result in an aggregate offering price of US\$1,000,000,000, or (ii) with a principal amount denominated in a foreign currency, currency unit or composite currency, such amount as shall result in an aggregate offering price of US\$1,000,000,000.
- (2) In US dollars or their equivalent in foreign denominated currencies, currency units or composite currencies.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.
- (4) There is being registered an indeterminate principal amount of debt securities and an indeterminate number of H shares up to a total dollar amount of US\$1,000,000,000, or the equivalent amount in other currencies, currency units or composite currencies, as may be issued from time to time by the Registrant, including issuances of debt securities and H shares upon the conversion of debt securities to the extent any such debt securities are, by their terms, convertible into debt securities or H shares.
- (5) The H shares may be represented by American Depositary Shares, each of which represents 100 H shares. American Depositary Receipts evidencing American Depositary Shares issuable on deposit of H shares have been registered pursuant to a separate Registration Statement on Form F-6 (File No. 333-100617).

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION,**

**DATED MARCH 1, 2004**

**PROSPECTUS**

**US\$1,000,000,000**

**China Telecom Corporation Limited**

**Debt Securities**

**H shares**

**American Depositary Shares**

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This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using the shelf registration or continuous offering process. This means:

we may offer and sell the debt securities or H shares (directly or in the form of American Depositary Shares, or ADSs) covered by this prospectus from time to time in one or more offerings;

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this prospectus provides you with a general description of the securities we may offer; and

we will provide a prospectus supplement each time we sell the securities that will provide specific information about the terms of that offering and that also may add to, update or change information contained in this prospectus. You should carefully read this prospectus and any supplement before you invest in any of our securities.

Our ADSs are quoted on the New York Stock Exchange under the ticker symbol CHA.

**Investing in these securities involves certain risks. See Risk Factors on page 1.**

We may offer the securities in amounts, at prices and on terms determined at the time of the offering. The securities may be offered directly or to or through underwriters, dealers or agents. The names of any underwriters, dealers or agents will be included in a supplement to this prospectus.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offence.**

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*This prospectus may not be used to sell securities unless it is accompanied by a prospectus supplement.*

**The date of this prospectus is March , 2004.**

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**RISK FACTORS**

The following is a summary of some of the significant risks that could affect us. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. You should pay particular attention to the fact that we are a Chinese company and are governed by a legal and regulatory environment that in some respects may differ from that which prevails in other countries. Any of these risks could materially and adversely affect our business, operation, profits, assets, liquidity and capital resources. They should be considered in connection with any forward-looking statements made in this prospectus and the documents incorporated by reference. For more information, we refer you to the detailed discussion of these risk factors contained in our annual report on Form 20-F for the fiscal year ended December 31, 2002 and those identified in our future filings with the Securities and Exchange Commission, incorporated herein by reference.

**Risks Relating to Our Business**

*We face increasing competition, which may adversely affect our business growth and results of operations.*

The telecommunications industry in China is rapidly evolving. Until the mid-1990s, we were the sole provider of wireline telecommunications services in our service regions, which included Shanghai Municipality, Guangdong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality and Sichuan Province. As a result, we had a dominant market position in our service regions. We began to operate in a competitive market as the Chinese government started to implement a number of measures to restructure the telecommunications industry and encourage fair and orderly competition in the industry in the mid-1990s. We face increasing competition from other telecommunications service providers in China, including China Network Communications Group Corporation, or China Netcom Group. We expect our competitors to expand further their network coverage and increase their sales and marketing efforts in our service regions. In particular:

we face indirect competition in our local wireline telephone services from China's two mobile telephone service providers, China Mobile Communications Corporation, or China Mobile, and China United Telecommunications Corporation, or China Unicom, and have begun to face direct competition from China Railway Communication Co., Ltd., or China Railcom, and China Netcom Group;

we face increasingly intense competition in our long distance telephone services from other providers of long distance services using public switched telephone networks, including China Unicom, China Railcom and China Netcom Group, and other providers of long distance services using the voice-over-Internet-protocol, or VoIP, technology, including China Mobile, China Unicom, China Netcom Group and China Railcom;

we face increasing competition in our data and Internet services from many competitors, including, primarily, China Unicom, China Netcom Group, China Mobile and China Railcom; and

we may face additional competition from new entrants or providers of new telecommunications services, such as telephone and Internet services offered over cable TV networks.

Moreover, as a result of China's accession to the World Trade Organization, or the WTO, and China's commitment under its WTO Accession Protocol, the Chinese government will gradually open up the telecommunications market in China to foreign operators. Foreign operators may have greater financial, managerial and technical resources and more expertise in network management and sales and marketing. Furthermore,

advances in technology, as well as changes in the regulatory environment, may further intensify competition.

Our ability to compete effectively may be constrained by a number of factors. For example, under the Chinese government's policy of promoting fair and orderly competition in the telecommunications industry, certain competitors of ours, such as China Unicom and China Railcom, continue to enjoy certain preferential

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treatment from the Chinese government in tariff setting. They may set their respective tariffs for long distance services using public switched telephone networks and leased line services at levels below the tariffs of our company with the annual approval of the regulatory authorities. This preferential treatment is not available to us. As a result, our competitors who enjoy this preferential treatment may be able to provide their services at prices that are more competitive than ours. In addition, we are not yet permitted to provide mobile communications services. We, through China Telecom Group, are, however, actively seeking the issuance of a license for mobile communications in the PRC. We can provide no assurances, however, as to whether or when we may be able to receive any benefit of any license for mobile communications in China.

As a result, our customers may choose to use other providers' services. Increased competition from those providers may force us to lower our tariffs to the extent permitted under relevant laws, may reduce or reverse the growth of our customer base and may reduce usage of our networks. Any of these developments could materially adversely affect our business growth and results of operations.

***We will continue to be controlled by China Telecom Group, which could cause us to take actions that may conflict with the best interests of our other shareholders.***

As of February 26, 2004, China Telecom Group owned approximately 77.78% of our outstanding shares. Accordingly, subject to our articles of association and applicable laws and regulations, China Telecom Group will continue to be able to exercise significant influence over our management and policies by:

controlling the election of our directors and, in turn, indirectly controlling the selection of our senior management;

determining the timing and amount of our dividend payments;

approving our annual budgets;

deciding on increases or decreases in our share capital;

determining issuance of new securities;

approving mergers and acquisitions; and

amending our articles of association.

The interests of China Telecom Group as our controlling shareholder could conflict with our interests or the interests of our other shareholders. As a result, China Telecom Group may take actions with respect to our business that may not be in our or our other shareholders' best interests.

***The letter of undertakings provided to us by China Telecom Group contains vague terms that may not be implemented as we expect.***



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China Telecom Group has provided us a letter of undertakings, under which it has undertaken to support us in our existing operations and future development in the following specific areas:

to treat us equally with any other operators of wireline telephone, data and Internet, leased line and other related telecommunications services that are controlled by China Telecom Group;

to give us the right to provide additional telecommunications services in our service regions that fall within the business scope of China Telecom Group; and

to give us the preferential right to acquire China Telecom Group's interest in companies or other entities that provide telecommunications services.

The current terms of the letter of undertakings do not obligate China Telecom Group to provide any financial support to us. The letter of undertakings may not be implemented as we expect due to the vagueness of its terms. Other than the letter of undertakings, we have not entered into any agreement with China Telecom Group to provide for potential allocation of business opportunities between China Telecom Group and us outside our service regions.

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*We depend on China Telecom Group and its other subsidiaries to provide certain services and facilities for which we currently have limited alternative sources of supply.*

In addition to being our controlling shareholder, China Telecom Group, by itself and through its other subsidiaries, also provides us with services and facilities necessary for our business activities, including, but not limited to:

use of international gateway facilities;

provision of services in areas outside our service regions necessary to enable us to provide end-to-end services to our customers;

use of nationwide inter-provincial optic fibers; and

lease of properties.

The interests of China Telecom Group and its other subsidiaries as providers of these services and facilities may conflict with our interests. We currently have limited alternative sources of supply for these services. Therefore, we have limited leverage in negotiating with China Telecom Group and its other subsidiaries over the terms for the provision of these services.

*Since our services require interconnection with networks of other operators, disruption in interconnections with those networks could have a material adverse effect on our business and results of operations.*

Under the relevant telecommunications regulations, telecommunications operators are required to interconnect with networks of other operators. We have entered into interconnection arrangements with other telecommunications operators. Any disruption of our interconnection with the networks of those operators could have a material adverse effect on our business and results of operations. In particular, as a result of the restructuring of China's wireline telecommunications sector, most wireline telecommunications assets except for the nationwide inter-provincial optic fibers, including the last-mile access network, formerly owned by China Telecom Group in ten northern provinces in China were allocated to China Netcom Group. As we and China Telecom Group have limited local access facilities in those ten provinces, we will need to interconnect, indirectly through China Telecom Group, with China Netcom Group in order to provide end-to-end services to our customers with operations in the ten northern provinces. Any interruption in our interconnection with China Netcom Group could have a material adverse effect on our business and results of operations.

*If we are not able to respond successfully to technological or industry developments, our business may be adversely affected.*

The telecommunications market is characterized by rapid advancements in technology, evolving industry standards and changes in customer needs. We cannot assure you that we will be successful in responding to these developments. In addition, new services or technologies may render our existing services or technologies less competitive. In the event we do take measures to respond to technological developments and industry standard changes, the integration of new technology or industry standards or the upgrading of our networks may require substantial time, effort and capital investment. We cannot assure you that we will succeed in integrating these new technologies and industry standards or adapting our network system in a timely and cost-effective manner, or at all. Our inability to respond successfully to technological or industry developments may adversely affect our business, results of operations and competitiveness.

*If the new applications adopted by us do not perform as expected, or if we are unable to deliver commercially viable services based on these applications, our revenue and profitability may not grow as we expect.*

We are pursuing a number of new growth opportunities in the broader telecommunications industry, including advanced data and broadband information and application services. These opportunities relate to new

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services for which there are no established markets in China. Our ability to deploy and deliver these new services depends, in many instances, on the development of new applications, which may not be developed successfully or may not perform as we expect.

In addition, the success of our broadband Internet services is substantially dependent on the availability of content, applications and devices provided by third-party developers. If we are unable to deliver commercially viable new services, our revenue and profitability will not grow as we expect and our competitiveness may be adversely affected.

*Actual results of operations, performance or achievements of our company may differ materially from the prospective financial information contained in our report on Form 6-K incorporated by reference in this prospectus.*

We include certain prospective financial information in our report on Form 6-K dated October 30, 2003 incorporated by reference in this prospectus with respect to our shareholders' circular distributed to our shareholders in connection with our acquisition of telecommunications assets from China Telecom Group in 2003. The prospective financial information was based upon a number of assumptions and estimates that are inherently subject to significant business, economic and competitive uncertainties and contingencies. Many of those uncertainties and contingencies are beyond our control. In addition, the prospective financial information was also based upon assumptions with respect to our future business decisions that may change from time to time. As a result, the actual results of operations, performance or achievements of our company may differ materially from the prospective financial information. You should not unduly rely on the prospective financial information.

We have prepared the prospective financial information in accordance with local market practice in Hong Kong but not in compliance with the published guidelines of the United States Securities and Exchange Commission and the American Institute of Certified Public Accountants that contain more detailed requirements. The rules of the Hong Kong Stock Exchange specifically relating to financial projections only require us to disclose the principal assumptions on which we base our financial projections.

## **Risks Relating to the Telecommunications Industry in China**

*Extensive government regulation of the telecommunications industry may limit our flexibility in responding to market conditions, competition or changes in our cost structure.*

Our businesses are subject to extensive government regulation. The Ministry of Information Industry, which is the primary telecommunications industry regulator under China's State Council, regulates, among other things:

industry policies and regulations;

licensing;

tariffs;

competition;

telecommunications resource allocation;

service standards;

technical standards;

interconnection and settlement arrangements; and

universal service obligations.

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Other Chinese governmental authorities also take part in regulating tariff policies, capital investment and foreign investment in the telecommunications industry. Major capital investments, including telecommunications network development projects, are subject to the approval of relevant Chinese government authorities. The regulatory framework within which we operate may constrain our ability to implement our business strategies and limit our flexibility to respond to market conditions or to changes in our cost structure.

***Our revenues may be adversely affected by reductions in tariffs mandated by the Chinese government.***

Tariffs are the prices we charge our customers for our telecommunications services. We are subject to extensive government regulations on tariffs, especially those relating to our basic telecommunications services. Currently, the relevant provincial communications administrations and provincial price bureaus determine the monthly fee and usage fee tariffs for our wireline local telephone services, based on a guidance tariff range set by the Ministry of Information Industry in consultation with the State Development and Reform Commission. The Ministry of Information Industry and the State Development and Reform Commission jointly set tariffs for all domestic and international, Hong Kong, Macau and Taiwan long distance services using public switched telephone networks, leased lines and data services. We derive a substantial portion of our revenues from services that are subject to tariffs determined by the Chinese government. In the past, our revenues have been adversely affected by reductions in tariffs mandated by the Chinese government. In September 2002, the Ministry of Information Industry indicated in writing that it does not intend to initiate any adjustment to tariffs for wireline local telephone services during the next three to five years. We believe therefore that the risk of adjustment of such tariffs in such period has been substantially reduced. However, we cannot predict with accuracy or assure you on the timing, likelihood or likely magnitude of tariff adjustments generally or the extent or potential impact on our business of future tariff adjustments. We cannot assure you that our business or results of operations will not be adversely affected by any government-mandated tariff adjustments in the future.

***Future changes to the regulations and policies governing the telecommunications industry in China may have a material adverse effect on our business and operations.***

Possible future changes to regulations and policies of the Chinese government governing the telecommunications industry could adversely affect our business and operations. For example, to provide a uniform regulatory framework for the orderly development of the telecommunications industry, the Chinese government is currently preparing a draft telecommunications law. If and when the telecommunications law is adopted by the Standing Committee of the National People's Congress, it is expected to provide a new regulatory framework for telecommunications regulation in China. The contents of the draft telecommunications law have not yet been made public. We cannot be certain how this law will affect our business and operations and whether it will contain provisions more stringent than the current telecommunications regulations.

As part of the comprehensive plan to restructure China Telecom Group, as approved by China's State Council in November 2001, the Chinese government stated its intention to further adjust and improve its regulatory oversight of the telecommunications industry, including gradual deregulation of telecommunications tariffs. We cannot assure you that future regulatory changes, such as those concerning tariff setting, interconnection and competition, will not have a material adverse effect on our business and operations.

***The Chinese government may require us, along with other providers in China, to provide universal services with specified obligations, and we may not be compensated adequately for providing such services.***

Under the Telecommunications Regulations promulgated by the State Council, telecommunications service providers in China are required to fulfill universal service obligations in accordance with relevant regulations to be promulgated by the Chinese government, and the Ministry of Information Industry has the authority to delineate the scope of universal service obligations. The Ministry of Information Industry, together

with government finance and pricing authorities, is also responsible for formulating administrative rules relating to the

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establishment of a universal service fund and compensation schemes for universal services. These rules have not yet been promulgated, and there are currently no specific regulatory requirements relating to the provision of universal services in China. While the scope of universal services is not yet defined in any current PRC law or regulation, we believe that such services may include mandatory provision of basic telecommunications services in economically less developed areas in China. The Chinese government may require us, along with other service providers in China, to provide universal services with specified obligations. Although the Ministry of Information Industry has undertaken that we will be compensated in the event that universal service obligations are imposed on us, the Chinese government is still in the process of establishing schemes relating to the compensation of costs incurred by telecommunication operators in providing universal services, and telecommunication operators will be compensated for costs pursuant to these schemes as appropriate. In addition, we may not be able to realize adequate return on investments for expanding networks to, and providing telecommunications services in, those economically less developed areas due to potentially higher capital expenditure requirements, lower usage by customers and lack of flexibility in setting our tariffs. As a result, our financial condition and results of operations could be adversely affected.

## **Risks Relating to the People's Republic of China**

Substantially all of our assets are located in China and substantially all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

*China's economic, political and social conditions, as well as government policies, could affect our business.*

Substantially all of our business, assets and operations are located in China. The economy of China differs from the economies of most developed countries in many respects, including:

government involvement;

level of development;

growth rate;

control of foreign exchange; and

allocation of resources.

While China's economy has experienced significant growth in the past twenty years, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us.



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The economy of China has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict the purpose and effect of future economic policies or the impact of such economic policies on our business and operations.

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***Government control of currency conversion may adversely affect our operations and financial results.***

We receive substantially all of our revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet our foreign currency obligations. These foreign currency-denominated obligations include:

payment of interest and principal on foreign currency-denominated debt;

payment for equipment and materials purchased offshore; and

payment of dividends declared, if any, in respect of our H shares.

Under China's existing foreign exchange regulations, we will be able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for both current account transactions and capital account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADRs, if the Chinese government restricts access to foreign currencies for current account transactions.

Foreign exchange transactions under our capital account, including foreign currency-denominated borrowings from foreign banks, issuance of foreign currency-denominated debt securities and principal payments in respect of foreign currency-denominated obligations, continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange to meet our payment obligations under the debt securities or foreign exchange for capital expenditures.

***Fluctuation of the Renminbi could materially affect our financial condition and results of operations.***

We receive substantially all of our revenues, and our financial statements are presented, in Renminbi. The value of the Renminbi fluctuates and is subject to changes in China's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. Fluctuations in exchange rates may adversely affect the value, translated or converted into United States dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends payable on our H shares in foreign currency terms. Our financial condition and results of operations may also be affected by changes in the value of certain currencies other than the Renminbi, in which our obligations are denominated. In particular, a devaluation of the Renminbi is likely to increase the portion of our cash flow required to satisfy our foreign currency-denominated obligations. We cannot assure you that any future movements in the exchange rate of Renminbi against the United States dollar or other foreign currencies will not adversely affect our results of operations and financial condition.

***The PRC legal system has inherent uncertainties that could limit the legal protections available to you.***

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We are organized under the laws of the PRC and are governed by our articles of association. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

The direct enforcement by our shareholders of any rights of shareholders in respect of violations of corporate governance procedures may be limited. In this regard, our articles of association provide that most

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disputes between holders of H shares and our company, directors, supervisors, officers or holders of domestic shares, arising out of our articles of association or the PRC Company Law and related regulations concerning the affairs of our company, are to be resolved through arbitration by arbitration organizations in Hong Kong or China, rather than by a court of law. Awards that are made by Chinese arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China. However, to our knowledge, no action has been brought in China by any holder of H shares to enforce an arbitral award, and we are uncertain as to the outcome of any action brought in China to enforce an arbitral award made in favor of holders of H shares.

To our knowledge, there has not been any published report of judicial enforcement in China by holders of H shares of their rights under articles of association or the PRC Company Law.

Unlike in the United States, under applicable laws of China, shareholders do not have the right to sue the directors, supervisors, officers or other shareholders on behalf of the corporation to enforce a claim against such party or parties that the corporation has failed to enforce itself. Our shareholders may have to rely on other means to enforce directly their rights, such as through administrative proceedings. Chinese laws and regulations applicable to overseas listed companies do not distinguish among minority, affiliated and unaffiliated shareholders in terms of their rights and protections. In addition, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States.

Although we will be subject to the Hong Kong Stock Exchange Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, the holders of H shares will not be able to bring actions on the basis of violations of the Hong Kong Stock Exchange Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

### ***You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.***

We are a company incorporated under the laws of the PRC, and substantially all of our assets and our subsidiaries are located in China. In addition, most of our directors and officers reside within China, and substantially all of the assets of our directors and officers are located within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of China upon most of our directors or officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our Chinese counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. Our Hong Kong counsel has also advised us that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in China of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

### ***Holders of H shares may be subject to PRC taxation.***

Under the PRC's current tax laws, regulations and rulings, dividends paid by us to holders of our H shares outside the PRC are currently exempted from PRC capital gains tax. In addition, gains realized by individuals or enterprises upon the sale or other disposition of our H shares are currently exempted from PRC income tax. If the exemptions are withdrawn in the future, holders of our H shares may be required to pay withholding tax on dividends, which is currently imposed at the rate of 20%, or capital gains tax, which may be imposed upon individuals at the rate of 20%, and holders of our H shares may be required to pay PRC income tax upon the sale or other disposition of our H shares.



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**Risks Relating to the Securities**

*Our indentures do not restrict our ability to incur additional debt, which could make our debt securities more risky in the future.*

The indenture that govern the terms of the debt securities that we may offer under this prospectus may not restrict our ability or our subsidiaries ability to incur additional debt. The degree to which we incur additional debt could have important consequences to holders of the securities, including:

limiting our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes;

requiring us to dedicate a substantial portion of our cash flows from operations to the payment of debt and not for other purposes, such as working capital and capital expenditures;

limiting our flexibility to plan for, or react to, changes in our businesses;

making us more indebted than some of our competitors, which may place us at a competitive disadvantage; and

making us more vulnerable to a downturn in our businesses.

*The securities we are offering may not develop an active public market, which could depress the resale price of the securities.*

The securities that we offer under this prospectus, other than our ADSs and H shares, will be new issues of securities for which there is currently no trading market. We cannot predict whether an active trading market for the securities will develop or be sustained. If an active trading market does not develop, the securities could trade at price that may be lower than the initial offering price of the securities and you may find it difficult to sell your securities.

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**ABOUT THIS PROSPECTUS**

This document is called a prospectus and is part of a registration statement that we filed with the U.S. Securities and Exchange Commission using the shelf registration or continuous offering process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to an aggregate offering price of US\$1,000,000,000, or the equivalent amount in other currencies, currency units or composite currencies.

This prospectus provides you with a general description of the securities that we may offer. Each time we sell the securities, we will provide one or more prospectus supplements that will contain specific information about the terms of those securities and the offering. The prospectus supplements may include a discussion of any risk factors or other considerations that apply to those securities. The prospectus supplements may also add to, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplements together with the additional information described under the heading **Where You Can Find More Information**.

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov) or the offices of the Securities and Exchange Commission mentioned under the heading **Where You Can Find More Information**.

When acquiring any of the securities discussed in this prospectus, you should rely on the information provided in this prospectus and in any prospectus supplement, including the information incorporated by reference (see the discussion under the heading **Incorporation by Reference**). Neither we nor any underwriters or agents, have authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is prohibited. You should not assume that the information in this prospectus, any prospectus supplement, or any document incorporated by reference, is truthful or complete at any date other than the date mentioned on the cover page of these documents.

We may sell the securities to underwriters who will sell the securities to the public on terms determined at the time of sale. In addition, we may sell the securities directly or through dealers or agents that we designate from time to time. If we, directly or through agents, solicit offers to purchase any of the securities, we reserve the right to accept and, together with our agents, to reject, partially or entirely, any of those offers.

The prospectus supplement will contain the names of any underwriters, dealers or agents together with the terms of an offering of the securities, the compensation of those underwriters, and the net proceeds to us. Any underwriters, dealers or agents participating in an offering of the securities may be considered underwriters within the meaning of the U.S. Securities Act of 1933, as amended.

Unless otherwise indicated, all United States dollar equivalents provided in this prospectus (excluding the documents incorporated by reference in this prospectus) are approximate and are translated from the Renminbi amounts based on the noon buying rate prevailing on December 31, 2003 of US\$1.00 to RMB8.2767. We make no representation that Renminbi amounts could be translated into US dollars at this rate or at all.

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*In this prospectus, PRC refers to The People's Republic of China, and unless otherwise indicated, US\$ or US dollars means United States dollars and RMB or Renminbi means the legal currency of The PRC. Also, all references in this prospectus to we, us, our, or similar references mean China Telecom Corporation Limited and our subsidiaries. In respect of any time prior to our incorporation, references to us, we and China Telecom are to the telecommunications businesses in which our predecessors were engaged and which were subsequently assumed by us. All references to China Telecom Group are to China Telecommunications Corporation, our controlling shareholder. Unless the context otherwise requires, these references include all of its subsidiaries, including us and our subsidiaries.*



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**WHERE YOU CAN FIND MORE INFORMATION**

You may read and copy documents referred to in this prospectus that have been filed with the U.S. Securities and Exchange Commission at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Rooms and their copy charges. The SEC also maintains a web site at <http://www.sec.gov> that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference the information that we file with the SEC. This permits us to disclose important information to you by referring to these filed documents. Any information referred to in this way is considered part of this prospectus, and any information that we file with the SEC after the date of this prospectus and incorporate by reference into this prospectus will automatically be deemed to update and supersede this information. We incorporate by reference the following documents that have been filed with the SEC:

our annual report on Form 20-F for our fiscal year ended December 31, 2002;

our report on Form 6-K dated October 8, 2003 with respect to our interim report for the six-month period ended June 30, 2003; and

our report on Form 6-K dated October 30, 2003 with respect to the announcement and the shareholders' circular distributed to our shareholders in connection with the acquisition of Anhui Telecom, Fujian Telecom, Jiangxi Telecom, Guangxi Telecom, Chongqing Telecom and Sichuan Telecom as well as certain network management and research and development facilities in 2003.

The shareholders' circular contained prospective financial information which was prepared in accordance with local market practice in Hong Kong. Our independent auditors have not examined, compiled or otherwise applied procedures to the prospective financial information for the purpose of incorporation by reference in this registration statement and, accordingly, do not express any opinion or any form of assurance on the prospective financial information.

We will also incorporate by reference any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the U.S. Securities Exchange Act of 1934 until we terminate the offering contemplated by any prospectus supplement. In addition, we will incorporate by reference some future reports on Form 6-K, but only to the extent specifically indicated in those reports.

We will provide without charge upon written or oral request a copy of any or all of the documents that are incorporated by reference into this prospectus, other than exhibits which are specifically incorporated by reference into such documents. Requests should be directed to China Telecom Corporation Limited, 31 Jinrong Street, Xicheng District, Beijing, China 100032; attention Company Secretary. Telephone requests may be directed to (86-10) 6642-8166.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some of the information contained or incorporated by reference in this prospectus and accompanying prospectus supplements may constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements are, by their nature, subject to significant risks and uncertainties, and include, without limitation, statements relating to:

- our business and operating strategies;
- our network expansion and capital expenditure plans;
- our operations and business prospects;
- our financial condition and results of operations;
- the industry regulatory environment as well as the industry outlook generally; and
- future developments in the telecommunications industry in China.

The words anticipate, believe, could, estimate, expect, intend, may, plan, seek, will, would and similar expressions, as they are used in this prospectus, are intended to identify a number of these forward-looking statements.

When considering these forward-looking statements, you should keep in mind the cautionary statements contained or incorporated by reference in this prospectus. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events, which may change, and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results, performance or achievements may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, certain risks described in this prospectus and the accompanying prospectus supplement or the documents incorporated by reference, and the following:

any changes in the regulatory policies of the Ministry of Information Industry and other relevant government authorities relating to, among other matters:

- the granting and approval of licenses;
- tariff policies;
- interconnection and settlement arrangements;

capital investment priorities; and

numbering resources allocation;

the effects of competition on the demand for and pricing of our services;

the development of new technologies and applications or services affecting our current and future businesses;

changes in political, economic, legal and social conditions in China, including the Chinese government's specific policies with respect to foreign investment in the telecommunications industry, economic growth, inflation, foreign exchange and the availability of credit; and

changes in population growth and gross domestic product, or GDP, growth and the impact of those changes on the demand for our services.

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**CHINA TELECOM CORPORATION LIMITED**

**General**

We are the leading provider of wireline telephone, data and Internet and leased line services in ten regions in China. Our service regions consist of Shanghai Municipality, Guangdong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality and Sichuan Province.

We offer a full range of wireline telecommunications services in our service regions, including local telephone, domestic and international, Hong Kong, Macau and Taiwan long distance telephone, interconnection services, data, Internet and leased line services. We own and operate an extensive and advanced backbone network system, as well as substantially all of the local access networks in our service regions. Our backbone and local network systems, together with the network of China Telecom Group, our controlling shareholders, form an advanced, integrated and reliable nationwide network system that is the largest in China.

We completed the acquisition from China Telecom Group of Anhui Telecom, Fujian Telecom, Jiangxi Telecom, Guangxi Telecom, Chongqing Telecom and Sichuan Telecom as well as certain network management, research and development facilities on December 31, 2003. The acquisition expanded the geographic coverage of our telecommunications operations and our subscriber base.

For a description of our business, financial condition, results of operations and other important information regarding us, see our filings with the Securities and Exchange Commission incorporated by reference in this prospectus. For instructions on how to find copies of these and our other filings incorporated by reference in this prospectus, see [Incorporation By Reference](#).

We are a joint stock company with limited liability incorporated in The People's Republic of China in 2002. Our principal executive office is located at 31 Jin Rong Street, Xicheng District, Beijing, China 100032. Our telephone number is (86-10) 6642-8166.

**Table of Contents****CAPITALIZATION AND INDEBTEDNESS**

The following table sets forth our cash and cash equivalents, short-term debt and capitalization as of June 30, 2003. The table is based on our consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards, or IFRS. The table should be read in conjunction with the consolidated financial statements and other information included in the documents incorporated by reference in this prospectus. Our capitalization is presented:

on an actual basis; and

on an as adjusted basis to reflect the effect of the acquisition of Anhui Telecom, Fujian Telecom, Jiangxi Telecom, Guangxi Telecom, Chongqing Telecom and Sichuan Telecom as well as certain network management and research and development facilities on December 31, 2003, as if the acquisition was consummated on June 30, 2003.

	As of June 30, 2003			
	Actual	As Adjusted	Actual	As Adjusted
	RMB	RMB	US\$( <sup>1</sup> )	US\$( <sup>1</sup> )
		(in millions)		
<b>Cash and cash equivalents</b>	17,835	9,158	2,155	1,106
<b>Short-term debt:</b>				
Short-term debt	16,745	37,756	2,023	4,562
Current portion of long-term debt	1,852	6,689	224	808
<b>Total short-term debt</b>	<b>18,597</b>	<b>44,445</b>	<b>2,247</b>	<b>5,370</b>
<b>Capitalization:</b>				
Long-term debt	4,937	50,316	597	6,079
Shareholders' equity	133,595	119,213	16,141	14,404
<b>Total capitalization</b>	<b>138,532</b>	<b>169,529</b>	<b>16,738</b>	<b>20,483</b>

(1) Translated at the noon buying rate on December 31, 2003 of RMB1.00=US\$8.2767.

None of our debt as of June 30, 2003 was secured.

**Table of Contents****RATIOS OF EARNINGS TO FIXED CHARGES**

The following table shows our ratios of earnings to fixed charges for the periods indicated, computed using amounts derived from our financial statements prepared in accordance with IFRS and amounts derived from our financial statements prepared in accordance with U.S. GAAP.

For purposes of calculating these ratios:

fixed charges include interest incurred on all indebtedness and one-third of rental expenses (which is used to be representative of an interest factor); and

earnings are defined as our income before income tax, minority interests and equity in income of associates, plus fixed charges reduced by the amounts of capitalized interest.

	<b>Six-month Period Ended June 30, 2003</b>	<b>Year Ended December 31,</b>			
		<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
IFRS	16.7	13.6	4.6	16.9	17.6
U.S. GAAP	15.7	12.6	12.1	16.9	17.6

**USE OF PROCEEDS**

We intend to use the net proceeds from the sale of the securities for general corporate purposes, including, without limitation, capital expenditures, working capital and acquisitions. We may also invest the proceeds in certificates of deposit, United States government securities or certain other interest-bearing securities. If we decide to use the net proceeds from a particular offering of securities for a specific purpose, we will describe that in the related prospectus supplement.

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**DESCRIPTION OF SHARE CAPITAL**

The following is a summary of information relating to our share capital, based upon provisions of our articles of association, the PRC Company Law, the Hong Kong Stock Exchange Listing Rules and certain other applicable laws and regulations. You and your advisors should refer to the text of our articles of association and to the texts of applicable laws and regulations for further information. A copy of our articles of association was filed as an exhibit to our annual report on Form 20-F for the fiscal year ended December 31, 2002, which is incorporated herein by reference. Certificates representing the shares are and will be issued in registered form.

Our share capital consists of domestic shares and H shares, including H shares represented by ADSs. They are all ordinary shares in our share capital. The par value of both our domestic shares and H shares is RMB1.00. Domestic shares may only be subscribed for by, and traded among, legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in Renminbi. All dividends in respect of domestic shares are to be paid by us in Renminbi. H shares are overseas listed foreign invested shares that have been admitted for listing on the Hong Kong Stock Exchange, the par value of which is denominated in Renminbi, and that are subscribed for and traded in Hong Kong dollars by and among investors of Hong Kong, Macau, Taiwan and any country other than China. H shares may also be listed on a stock exchange in the United States in the form of American depositary shares evidenced by American depositary receipts or in other places.

Holders of domestic shares and H shares are deemed to be shareholders of different classes for various matters, which affect their respective interests. For instance, if we propose an increase in domestic shares, holders of H shares would be entitled to vote on that proposal as a separate class. See [Voting Rights and Shareholders Meetings](#).

As of December 31, 2003, our total share capital consists of 8,027,410,000 H shares and 67,586,776,503 domestic shares.

The following discussion primarily concerns H shares and rights of holders of H shares. The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the ADS depository facility in which the H shares are held in order to exercise their shareholders' rights in respect of H shares. The ADS depository agrees, so far as it is practical, to vote or cause to be voted the amount of H shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs. See [Description of American Depositary Receipts Voting Rights](#).

**Sources of Shareholders' Rights**

Currently, the primary sources of shareholders' rights are our articles of association, the PRC Company Law and the Hong Kong Stock Exchange Listing Rules that, among other things, impose certain standards of conduct, fairness and disclosure on us, our directors and our controlling shareholder. Our articles of association have incorporated the provisions set forth in the Mandatory Provisions for the Articles of Association of Companies Listed Overseas, or the Mandatory Provisions, adopted in 1994, pursuant to the requirement of the China Securities Regulatory Commission. Any amendment to those provisions will only become effective after approval by the relevant governmental department authorized by the State Council and the China Securities Regulatory Commission. The Hong Kong Stock Exchange Listing Rules require a number of additional provisions to the Mandatory Provisions to be included in our articles of association.

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The listing agreement between us and the Hong Kong Stock Exchange, or the Listing Agreement, provides that we may not amend certain provisions of our articles of association that have been mandated by the Hong Kong Stock Exchange. These provisions relate to:

varying the rights of existing classes of shares;



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voting rights;  
our power to purchase our own shares;  
rights of minority shareholders; and  
liquidation procedures.

In addition, for so long as our H shares are listed on the Hong Kong Stock Exchange, we will be subject to the relevant

ordinances, rules and regulations applicable to companies listed on the Hong Kong Stock Exchange, including, among other things, the Hong Kong Stock Exchange Listing Rules, the SDI Ordinance, the Securities (Insider Dealing) Ordinance and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.

Unless otherwise specified, all rights, obligations and protection discussed below are derived from our articles of association and the PRC Company Law.

**Dividends**

Our board of directors may propose dividend distributions at any time. Our board of directors may declare interim and special dividends under general authorization by a shareholders' ordinary resolution. A distribution of final dividends for any fiscal year is subject to shareholders' approval. Dividends may be distributed in the form of cash or shares. A distribution of shares, however, must be approved by special resolution of the shareholders.

We may only distribute dividends from our retained earnings as determined in accordance with the accounting principles of the PRC or IFRS, whichever is lower, after allowance has been made for:

recovery of losses, if any;

allocations to the statutory common reserve fund of 10% of our net income, as determined in accordance with Chinese accounting rules;

allocations to the statutory common welfare fund (the minimum and maximum aggregate allocations to the statutory common welfare fund being 5% and 10%, respectively, of our net income, as determined in accordance with Chinese accounting rules); and

allocations to a discretionary common reserve fund if approved by the shareholders.

If we record no net income for a year, we may not normally distribute dividends for that year.

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Our articles of association require us to appoint on behalf of the holders of H shares a receiving agent that is registered as a trust corporation under the Trustee Ordinance of Hong Kong to receive dividends declared by us in respect of the H shares on behalf of such shareholders. Our articles of association require that cash dividends in respect of H shares be declared in Renminbi and paid by us in Hong Kong dollars. The Bank of New York, as the ADS depository, will convert these proceeds into U.S. dollars and will remit the converted proceeds to holders of our ADSs after deduction of related fees and expenses and any withholding tax. See [Description of American Depositary Receipts](#) [Share Dividends and Other Distributions](#).

Dividend payments may be subject to Chinese withholding tax. See [Taxation](#) [People's Republic of China](#) [Taxation of Dividends](#).

### **Voting Rights and Shareholders Meetings**

Our board of directors will convene a shareholders' annual general meeting once every year and within six months from the end of the preceding fiscal year. Our board of directors must convene an extraordinary general meeting within two months of the occurrence of any of the following events:

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where the number of directors is less than the number stipulated in the PRC Company Law or two-thirds of the number specified in our articles of association;

where our unrecovered losses reach one-third of the total amount of our share capital;

where shareholder(s) holding 10% or more of our issued and outstanding voting shares so request(s) in writing;

whenever our board of directors deems necessary or our board of supervisors so requests; or

whenever two or more of our independent directors so request.

All shareholders' meetings must be convened by our board of directors by written notice given to shareholders not less than 45 days before the meeting. The quorum for a shareholders' meeting is the number of our shareholders holding one-half of our total voting shares. The accidental omission by us to give notice of a meeting to, or the non-receipt of notice of a meeting by, a shareholder will not invalidate the proceedings at that shareholders' meeting.

Shareholders at meetings have the power, among other matters, to approve or reject our profit distribution plans, annual budget, financial statements, increases or decreases in share capital, issuances of debentures, mergers, liquidation and any amendment to our articles of association. Resolutions proposed by shareholders holding 5% or more of the total number of voting shares shall be included in the agenda for the relevant annual general meeting if they relate to matters that fall within the authority of shareholders at the general meeting. In addition, the rights of a class of shareholders may not be modified or abrogated, unless approved by a special resolution of shareholders at a general shareholders' meeting and by a special resolution of shareholders of that class of shares at a separate meeting. Our articles of association enumerate various amendments which would be deemed to be a modification or abrogation of the rights of a class of shareholders, including, among others, increasing or decreasing the number of shares of a class disproportionate to increases or decreases of other classes of shares, removing or reducing rights to receive dividends in a particular currency or creating shares with voting or equity rights superior to those of shares of that class. There are no restrictions under PRC law or our articles of association on the ability of investors that are not Chinese residents to hold H shares and exercise voting rights.

Each H shareholder is entitled to one vote on all matters submitted for vote at all shareholders' meetings, except for meetings of a special class of shareholders other than H shareholders where only holders of shares of the affected class are entitled to vote on the basis of one vote per share of the affected class.

Shareholders are entitled to attend and vote at meetings either in person or by proxy. Proxies must be in writing and deposited at our legal address or such other place as is specified in the meeting notice, not less than 24 hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the relevant resolution(s).

Resolutions on any of the following matters must be approved by more than two-thirds of the voting rights held by shareholders who are present in person or by proxy:

an increase or decrease in our share capital or the issuance of shares, warrants, debentures and other similar securities;

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our division, merger, dissolution or liquidation (shareholders who object to a proposed merger are entitled to demand that either we or the shareholders who approved the merger purchase their shares at a fair price);

amendments to our articles of association;

amendment of shareholders' rights of any class of shares; and

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any other matters determined by a majority of shareholders at a general meeting to have a material impact on us and should be approved by two-thirds of the voting rights.

All other actions taken by the shareholders will be approved by a majority of the voting rights held by shareholders.

Any shareholder resolution that is in violation of any laws or regulations of China or the articles of association will be null and void.

## **Liquidation Rights**

We are organized as a joint stock company with limited liability of indefinite duration, but must renew our business license annually with the State Administration of Industry and Commerce. In the event of our liquidation, the H shares will rank pari passu with the domestic shares, and payment of debts out of our remaining assets shall be made in the order of priority prescribed by applicable laws and regulations or, if no such standards exist, in accordance with such procedure as the liquidation committee that has been appointed either by us or the People's Courts of China may consider to be fair and reasonable. After payment of debts, we shall distribute the remaining property to shareholders according to the class and proportion of their shares.

## **Information Rights**

Our shareholders may, without charge, inspect copies of the minutes of the shareholders' general meetings during our business hours. Shareholders may also request copies of such minutes from us, and we must deliver those copies to the relevant shareholders within seven days of receipt of such reasonable fees as we may require.

Our fiscal year is the calendar year ending December 31. In respect of each fiscal year, we must send to holders of H shares, not less than 45 days before the date of the shareholders' annual general meeting, our audited financial statements, together with the auditor's report as required by the Hong Kong Stock Exchange Listing Rules, relating to that fiscal year. These and any interim financial statements must be prepared in accordance with PRC accounting standards and, for so long as our H shares are listed on the Hong Kong Stock Exchange, in accordance with either Hong Kong accounting standards or IFRS. The financial statements must be approved by a majority of our shareholders at the annual general meeting.

The Hong Kong Stock Exchange Listing Rules also require us to prepare in respect of the first six months of each fiscal year an interim report no later than three months after the end of such period. Further, a preliminary announcement of such interim report is required to be published in the newspapers on the next business day after such report is approved by us. A copy of such interim report is also required to be sent to every shareholder as soon as reasonably practicable after such publication.

Under the Listing Agreement, we are required to keep the Hong Kong Stock Exchange, our shareholders and other holders of our listed securities informed as soon as reasonably practicable of any information relating to us and our subsidiaries, including information on any major new developments that is not public information, which:

is necessary to enable them and the public to appraise the position of us and our subsidiaries;

is necessary to avoid the establishment of a false market in our securities; and

might reasonably be expected to materially affect market activity in, and the price of, our securities.

We are also required under the Hong Kong Stock Exchange Listing Rules to disclose to our shareholders details of certain acquisitions or disposals of assets and other transactions (including transactions with connected parties).

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### **Enforceability of Shareholders' Rights**

Enforceability of our shareholders' rights may be limited.

See **Risk Factors** **Risks Relating to the People's Republic of China**. The PRC legal system has inherent uncertainties that could limit the legal protections available to you and **Limitations on Enforcement of Civil Liabilities**.

### **Restrictions on Transferability and the Share Register**

Under our articles of association, in order for any Chinese shareholder to sell its domestic shares to persons outside China who will receive H shares upon the sale, such sales must be approved by two-thirds of our domestic shareholders and H shareholders at duly convened meetings of domestic shareholders and H shareholders held separately and at a duly convened joint meeting of domestic shareholders and H shareholders. Such sales are also subject to approval by the State-Owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and other relevant governmental authorities.

We are required to keep a register of our shareholders which shall be comprised of various parts, including one part which is to be maintained in Hong Kong in relation to holders of H shares. Shareholders have the right to inspect and, for a reasonable charge, to copy the share register. No transfers of ordinary shares shall be recorded in our share register within thirty days prior to the date of a shareholders' general meeting or within five days prior to the record date established for the purpose of distributing a dividend.

We have appointed Hong Kong Registrars Limited to act as the registrar of our H shares. This registrar maintains our register of holders of H shares at our offices in Hong Kong and enters transfers of H shares in such register upon the presentation of the documents described above.

### **Increases in Share Capital**

Under our articles of association, issuance of new securities, including ordinary shares, securities convertible into ordinary shares, options, warrants or similar rights to subscribe for any ordinary shares or convertible securities, must be approved by two-thirds of all shareholders and two-thirds of each of the class of domestic shares and the H shares, respectively. No such approval is required if, but only to the extent that we issue domestic shares and H shares, either separately or concurrently, in numbers not exceeding 20% of the number of domestic shares and H shares then outstanding, respectively, in any 12-month period, as already approved by two-thirds of all shareholders.

Shareholders are not liable to make any further contribution to the share capital other than according to the terms that were agreed upon by the subscriber of the relevant shares at the time of subscription. New issues of shares must also be approved by relevant Chinese authorities.

### **Decrease in Share Capital and Repurchase**

We may reduce our registered share capital only upon obtaining the approval of at least two-thirds of our shareholders and, in certain circumstances, of relevant Chinese authorities. The number of H shares that may be repurchased is subject to the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.

**Restrictions on Large or Controlling Shareholders**

Our articles of association define a controlling shareholder as any person who acting alone or in concert with others:

is in a position to elect more than one-half of the board of directors;

has the power to exercise, or to control the exercise of, 30% or more of our voting rights;



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holds 30% or more of our issued and outstanding shares; or

has de facto control of us in any other way.

As of the date of this prospectus, China Telecom Group, a wholly state-owned enterprise, is our only controlling shareholder.

Our articles of association provide that, in addition to any obligation imposed by laws and administrative regulations or required by the Hong Kong Stock Exchange Listing Rules, a controlling shareholder shall not exercise its voting rights in a manner prejudicial to the interests of all or some shareholders:

to relieve a director or supervisor from his or her duty to act honestly in our best interests;

to approve the appropriation by a director or supervisor (for his or her own benefit or for the benefit of any other person) of our assets in any way, including, without limitation, opportunities which may benefit us; or

to approve the appropriation by a director or supervisor (for his or her own benefit or for the benefit of any other person) of the individual rights of any other shareholders, including, without limitation, rights to distributions and voting rights (except in accordance with a restructuring of our company which has been submitted for approval by the shareholders at a general meeting in accordance with our articles of association).

If a controlling shareholder exercises its voting rights in violation of the provisions set forth above, a shareholder can sue such controlling shareholder and enforce its rights through arbitration in China or Hong Kong.

**Board of Directors**

Our directors shall be elected by our shareholders at a general meeting. Because the domestic shares and H shares do not have cumulative voting rights, a holder of a majority of our ordinary shares is able to elect all of the directors. Directors are elected for a term of three years and may serve consecutive terms if re-elected.

Article 23 of Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies provides that directors, supervisors, and senior officers of a company owe duties of honesty, care and diligence to their company. In addition, our articles of association provide that in discharging their respective duties, directors, supervisors and senior officers are required to act with care, diligence and skills that are expected of a reasonable person under similar circumstances and in accordance with the fiduciary principle.

Our articles of association provide that each of our directors, supervisors and senior officers is obligated to each shareholder:

to act honestly in our company's best interests;

not to exploit corporate assets for personal gains; and

not to expropriate the rights of our shareholders.

Moreover, our articles of association provide that unless otherwise provided for in our articles of association or with the informed consent of our shareholders, our directors, supervisors and senior officers must not enter into transactions or contracts with us. Our articles of association also prohibits our directors, supervisors and senior officers to make corporate loans to any persons or provide guarantees for loans of any shareholder or any other person with corporate assets. In particular, our directors, supervisors and senior officers have obligations to disclose to the board of directors if they have any direct or indirect material interest in any contracts or transactions with us. They may not vote on any contracts, transactions or arrangements in which they have any

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material interest. Further, we may not make loans or provide guarantees to directors, supervisors or senior officers, unless such loans or guarantees are approved at shareholders' meetings or made in the ordinary course of business. All decisions relating to the compensation of directors are made at shareholders' meetings.

There are no provisions under our articles of association or PRC law which relate to:

the retirement or non-retirement of directors under any age limit requirement;

directors' borrowing power; or

number of shares required for directors' qualification.

Subject to all relevant laws and administrative regulations, the shareholders may remove any director before the expiration of his or her term of office by a majority vote. Subject to certain conditions, a director, supervisor, chief executive officer, chief financial officer, president, vice presidents or other senior officer may be relieved of liability for a specific breach of his or her duties by the consent of shareholders.

**Supervisory Committee**

Our supervisory committee is composed of five members appointed or elected to monitor our financial matters and management. The supervisory committee's powers are generally limited to investigating and reporting to shareholders, the China Securities Regulatory Committee and other relevant governmental authorities on our affairs and to proposing to convene shareholders' extraordinary general meetings. Reasonable expenses incurred by the supervisory committee in carrying out its duties will be paid by us.

The supervisory committee is accountable, and will report, to the shareholders in the shareholders' general meetings.

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**DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS**

**American Depositary Receipts**

The Bank of New York, as ADS depository, will execute, issue and deliver the ADRs. Each ADR will represent ownership interests in 100 H shares or the right to receive 100 H shares which we will deposit with the Hong Kong office of The Hongkong and Shanghai Banking Corporation, as custodian. Each ADR will also represent securities, cash or other property deposited with the ADS depository but not distributed to ADR holders. The corporate trust office of the ADS depository is located at 101 Barclay Street, New York, New York 10286. The principal executive office of the ADS depository is located at One Wall Street, New York, New York 10286.

You may hold ADRs either directly or indirectly through your broker or other financial institution. If you hold ADRs directly, you are an ADR holder. This description assumes you hold your ADRs directly. If you hold the ADRs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because the ADS depository will actually own the H shares, you must rely on it to exercise the rights of a shareholder. The obligations of the ADS depository are set out in a deposit agreement among us, the ADS depository, owners and beneficial owners from time to time of the ADRs issued under the deposit agreement. The deposit agreement and the ADRs are generally governed by New York law.

The following is a summary of the material terms of the deposit agreement dated November 14, 2002 among the ADS depository, owners and beneficial owners from time to time of ADSs and us, which is filed with the Securities and Exchange Commission as an exhibit to the registration statement on Form F-6 (File No. 333-100617). This summary may not contain all the information that may be important to you.

**Share Dividends and Other Distributions**

***How will you receive dividends and other distributions on the H shares?***

The ADS depository has agreed to pay to you the cash dividends or other distributions it receives on H shares or other deposited securities, after deducting related fees and expenses. You will receive these distributions in proportion to the number of H shares your ADRs represent.

***Cash.*** The ADS depository will convert any cash dividend or other cash distribution that we pay in Hong Kong dollars on the H shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any approval from the Chinese government is needed and cannot be obtained, the deposit agreement allows the ADS depository to distribute the Hong Kong dollars only to those ADR holders to whom it is possible to do so. It will hold the Hong Kong dollars it cannot convert for the account of the ADR holders who have not been paid. It will not invest the Hong Kong dollars and will not be liable for any interest. Before making a distribution, any withholding taxes that must be paid under PRC law will be deducted. See *Taxation People's Republic of China Taxation related to H shares and ADSs Taxation of Dividends.* It will distribute only whole U.S.

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dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the ADS depositary cannot convert the Hong Kong dollars, you may lose some or all of the value of the distribution.*

**Shares.** The ADS depositary may, or upon our request shall, distribute new ADRs representing any H shares we distribute as a dividend or free distribution, if we furnish it promptly with satisfactory evidence that it is legal to do so. The ADS depositary will only distribute whole ADRs. It will sell H shares which would require it to issue a fractional ADR and distribute the net proceeds in the same way

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as it would with cash. If the ADS depository does not distribute additional ADRs, each ADR will also represent the new H shares. If we offer or cause to be offered to holders of H shares an option to elect to receive dividends in fully paid H shares instead of cash, we and the ADS depository will determine, after consultation with each other, whether that option will be made available to you and, if so, the related procedures.

***Rights to Receive Additional Shares.*** If we offer holders of our securities any rights to subscribe for additional H shares or any other rights, the ADS depository may, after consultation with us, make these rights available to you. We must first instruct the ADS depository to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or give these instructions, and the ADS depository decides it is practical to sell the rights, the ADS depository will, after consultation with us, sell the rights and distribute the proceeds in the same way as it would with cash. The ADS depository may allow rights that are not distributed or sold to lapse. *In that case, you will receive no value for them.*

If the ADS depository makes rights available to you, upon your instruction it will exercise the rights and purchase the H shares on your behalf. The ADS depository will then deposit the H shares and issue ADRs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights and the deposit agreement requires you to pay. U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADRs issued as a result of exercise of rights. For example, you may not be able to trade or transfer the ADSs represented by the ADRs issued as a result of exercise of rights freely in the United States.

***Other Distributions.*** The ADS depository will send to you anything else we distribute on deposited securities by any means it determines is legal, fair and practical. If it cannot make the distribution in that way, the ADS depository has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it would with cash. Or, it may decide to hold what we distributed, in which case the outstanding ADRs will also represent the newly distributed property.

The ADS depository is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register additional ADRs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of additional ADRs, shares, rights or anything else to ADR holders. *This means that you may not receive the distributions we make on our H shares or any value for them if it is illegal or impractical for us to make them available to you.*

## **Deposit, Withdrawal and Cancellation**

### ***How does the ADS depository issue ADRs?***

The ADS depository will issue ADRs if you or your broker deposit H shares or evidence of rights to receive H shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, if applicable, such as stamp taxes or stock transfer taxes or fees, the ADS depository will register the appropriate number of ADRs in the names you request and will deliver the ADRs at its corporate trust office to the persons you request. The ADS depository will not, however, knowingly accept H shares for deposit that cannot be traded freely in the United States in accordance with U.S. securities laws or if we instruct the ADS depository in writing that the deposit of such H shares would violate U.S. securities laws or our articles of association.

### ***How do ADR holders cancel an ADR and obtain shares?***

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You may turn in your ADRs at the ADS depository's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, the ADS depository will deliver:

the underlying H shares to an account designated by you; and

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any other deposited securities underlying the ADR at the office of the custodian or, at your request, risk and expense, at its corporate trust office.

**Voting Rights**

***How do you vote?***

You may instruct the ADS depository to vote the H shares underlying your ADRs if we ask the ADS depository for your instructions. Otherwise, you will not be able to exercise your right to vote unless you withdraw the H shares. If we ask for your instructions, the ADS depository will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will:

describe the matters to be voted on; and

explain how you, by a certain date, may instruct the ADS depository to vote the H shares or other deposited securities underlying your ADRs as you direct. For instructions to be valid, the ADS depository must receive them on or before the date specified. The ADS depository will try, as far as practical, subject to PRC law and the provisions of our articles of association, to vote or to have its agents vote the H shares or other deposited securities as you instruct. If the ADS depository does not receive your valid instruction, they will deem that you have instructed them to give a discretionary proxy to a person designated by us to vote such deposited securities.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the ADS depository to vote your H shares, or withdraw the H shares to vote on your own. In addition, the ADS depository and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions, provided that any such action or inaction is in good faith. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your H shares are not voted as you requested.

**Fees and Expenses**

**ADR holders must pay:**

US\$5.00 (or less) per 100 ADRs (or portion thereof)

US\$.02 (or less) per ADR

Registration or transfer fees

Expenses of the ADS depository

**For:**

Each issuance of an ADR, including as a result of a distribution of shares or rights or other property

Each cancellation of an ADR, including if the deposit agreement terminates

Each distribution of securities, other than shares or ADRs, treating the securities as if they were shares for purpose of calculating fees

Any cash distribution (not including cash dividend distribution)

Transfer and registration of shares on the share register of our transfer agent and the registrar in Hong Kong from your name to the name of the ADS depository or its agent when you deposit or withdraw shares

Conversion of Hong Kong dollars to U.S. dollars





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**ADR holders must pay:**

Taxes and other governmental charges the ADS depository or the custodian has to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes

**For:**

Cable, telex and facsimile transmission expenses

Servicing of the shares or deposited securities

As necessary

**Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADRs or on the deposited securities underlying your ADRs. The ADS depository may refuse to transfer your ADRs or allow you to withdraw the deposited securities underlying your ADRs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADRs to pay any taxes owed and you will remain liable for any deficiency. If the ADS depository sells deposited securities, it will, if appropriate, reduce the number of ADRs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

**Reclassifications, Recapitalizations and Mergers**

If we:

Change the nominal or par value of our H shares

Reclassify, split up or consolidate any of the deposited securities

Distribute securities on the H shares that are not distributed to you

Recapitalize, reorganize, merge, consolidate or sell assets

Then:

The cash, shares or other securities received by the ADS depository will become deposited securities.

Each ADR will automatically represent its equal share of the new deposited securities.

The ADS depository may, and will if we request it to, ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

**Amendment and Termination**

*How may the deposit agreement be amended?*

We may agree with the ADS depository to amend the deposit agreement and the ADRs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes, other governmental charges, registration fees or certain expenses of the ADS depository, or prejudices an important right of ADR holders, it will only become effective 30 days after the ADS depository notifies you of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADRs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

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### ***How may the deposit agreement be terminated?***

The ADS depository will terminate the deposit agreement if we ask it to do so by mailing notice of termination to us and the owners of ADRs at least 90 days prior to the date fixed in the notice of termination. The ADS depository may also terminate the deposit agreement if the ADS depository has told us that it would like to resign and we have not appointed a new ADS depository bank within 90 days. In both cases, the ADS depository must notify you at least 90 days before termination.

After termination, the ADS depository and its agents will be required to do only the following under the deposit agreement:

collect distributions on the deposited securities; and

deliver H shares and other deposited securities upon cancellation of ADRs.

One year after termination, the ADS depository will, if practical, sell any remaining deposited securities by public or private sale. After that, the ADS depository will hold the money it received from the sale, as well as any other cash it is holding under the deposit agreement, for the benefit of the ADR holders that have not surrendered their ADRs. It will not invest the money and has no liability for interest. The ADS depository's only obligations will be to account for the money and other cash and with respect to indemnification. After termination our only obligations will be with respect to indemnification and to pay certain amounts to the ADS depository.

### **Limitations on Obligations and Liability to ADR Holders**

#### ***Limits on our obligations and the obligations of the ADS depository; Limits on liability to holders of ADRs***

The deposit agreement expressly limits our obligations and the obligations of the ADS depository, which will not affect our liability under U.S. securities laws. It also limits our liability and the liability of the ADS depository. We and the ADS depository:

are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;

are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;

are not liable if either of us exercises any discretion permitted under the deposit agreement;

have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the deposit agreement on your behalf or on behalf of any other party; and

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may rely upon any advice of or information from legal counsel, accountants, persons depositing shares, any registered holders or other persons believed by it in good faith to be competent to give such advice or information.

In the deposit agreement, we and the ADS depositary agree to indemnify each other under certain circumstances.

### **Requirements for ADS Depositary Actions**

Before the ADS depositary will issue or register a transfer of an ADR, make a distribution on an ADR, or permit withdrawal of H shares, the ADS depositary may require:

payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any H shares or other deposited securities;

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production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary;

compliance with laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities; and

compliance with reasonable regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The ADS depository may refuse to deliver, transfer, or register transfers of ADRs generally when the transfer books of the ADS depository are closed or at any time if the ADS depository thinks it is advisable to do so.

The ADS depository will maintain the records of ADR holders at its corporate trust office. You may inspect those records at the ADS depository's corporate trust office at all reasonable time but solely for the purpose of communicating with other ADR holders in the interest of business matters relating to the ADRs and the deposit agreement.

## **Your Right to Receive the Shares Underlying your ADRs**

You have the right to cancel your ADRs and withdraw the underlying H shares at any time except:

when temporary delays arise because the ADS depository or the custodian has closed its transfer books in connection with voting at a shareholders' meeting or the payment of dividends;

when you or other ADR holders seeking to withdraw H shares owe money to pay fees, taxes and similar charges; or

when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADRs or to the withdrawal of H shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

## **Pre-Release of ADRs**

In certain circumstances, subject to the provisions of the deposit agreement, the ADS depository may issue ADRs before deposit of the underlying H shares. This is called a pre-release of the ADR. The ADS depository shall not proceed with any pre-release if we deliver a written notice to it and request it not to do so. The ADS depository may also deliver H shares upon receipt and cancellation of pre-released ADRs, whether or not such cancellation is prior to the termination of the pre-release or the ADS depository knows that the ADR has been pre-released. The ADS depository may receive ADRs in lieu of H shares in satisfaction of a pre-release. Each pre-release will be (a) preceded or accompanied by a written representation from the person to whom ADRs are to be delivered that such person, or its customer, (i) owns the H shares or ADRs to be remitted, as the case may be, (ii) assigns all beneficial rights, title and interest in the H shares or ADRs, as the case may be, to the ADS depository and for the benefit of the owner of the ADRs, and (iii) will not take any action with respect to the H shares or ADRs, as the case may

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be, that is inconsistent with the transfer of beneficial ownership, including, without the consent of the ADS depository, disposing of the H shares or ADRs, as the case may be, other than in satisfaction of the pre-release, (b) at all times fully collateralized with cash or such other collateral that will provide substantially similar liquidity and security, (c) terminable by the ADS depository on not more than five business days' notice, and (d) subject to further indemnities and credit regulations as the ADS depository deems appropriate.

In addition, the ADS depository will limit the number of ADRs that may be outstanding at any time as a result of pre-releases, although the ADS depository may disregard the limit from time to time as it deems

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appropriate. The ADS depositary may retain for its own account any compensation received by it in connection with the pre-releases.

**Ownership Disclosures and Restrictions**

You may be requested to provide information to us regarding the capacity in which you own your ADSs, the identity of any persons previously or currently holding any interest in your ADSs and the nature of that interest. You agree to provide such information to the extent that it is available to you and can be disclosed under applicable law.



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**DESCRIPTION OF DEBT SECURITIES**

*The following is a summary of the general terms of the debt securities that we may issue from time to time in one or more series. We may issue as many distinct series of debt securities under the Indenture as we wish. Each time that we issue debt securities, we will file a prospectus supplement with the Securities and Exchange Commission, which will be attached to this prospectus. You should read that prospectus supplement carefully. The prospectus supplement may contain additional terms of those debt securities. If there is any inconsistency between the terms presented here and those in the prospectus supplement, however, the terms in the prospectus supplement will apply and will replace those presented here.*

*Because the following is only a summary of the Indentures and the debt securities, it does not contain all information that you may find useful. You should also read the Indenture under which we will issue the debt securities. We have filed the form of the Indenture with the Securities and Exchange Commission as an exhibit to the registration statement of which this prospectus is a part. The terms of the debt securities include those stated in the Indenture and those made part of the Indenture by reference to the U.S. Trust Indenture Act of 1939.*

*As used in this section of the prospectus, the terms **we**, **us** and **our** mean China Telecom Corporation Limited only, and not subsidiaries of China Telecom Corporation Limited.*

The debt securities will represent our direct, unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness.

We are a holding company and conduct all of our operations through subsidiaries. Consequently, our ability to pay our obligations, including our obligation to pay interest on the debt securities, to repay the principal amount of the debt securities at maturity or upon redemption or to buy back the debt securities will depend upon our subsidiaries' earnings and their distributing those earnings to us and upon our subsidiaries repaying investments and advances we have made to them. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the debt securities or to make funds available to us to do so. Our subsidiaries' ability to pay dividends or make other payments or advances to us will depend upon their operating results and will be subject to applicable laws and contractual restrictions. The Indenture will not limit our subsidiaries' ability to enter into other agreements that prohibit or restrict dividends or other payments or advances to us.

The relevant prospectus supplement for any particular series of debt securities will describe, among other things, the following terms of the debt securities offered:

the specific designation or title of the debt securities and the aggregate principal amount being offered;

the price or prices (expressed as a percentage of the aggregate principal amount) at which the debt securities will be issued;

the denominations in which the debt securities will be issued;

any limit on the aggregate principal amount of the series of debt securities;

the annual interest rate or rates, or how to calculate the interest rate or rates;

the date or dates from which interest will accrue, the interest payment dates on which such interest will be payable or the manner of determination of such interest payment dates, the right, if any, to extend the interest payment periods and the duration of that extension, and the record dates for the determination of holders to whom interest is payable on any interest payment dates;

the places at which any interest and principal payments are payable;

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any date of maturity and the right, if any, to extend such date;

the terms of any mandatory or optional redemption or repurchase of the debt securities, including the amount of any premium;

the terms of any defeasance of any debt securities;

provisions for a sinking fund purchase or other analogous fund, if any;

the form of the debt securities;

any provisions relating to conversion or exchange for other securities issued by us or by others, for a basket or index of securities, for cash value or any combination of these;

the currency or currencies in which the debt securities are denominated and in which we will make any payments, and if payments of principal of, premium or interest on the debt securities will be made in one or more currencies or currency units other than that or those in which the debt securities are denominated, the manner in which the exchange rate with respect to these payments will be determined;