

CORPORATE HISTORY

We were incorporated as a limited liability company in Hong Kong on 28 June 1994. We were founded by China Resources, the holding company of a major PRC state-owned conglomerate based in Hong Kong, Telepaging, one of the leading paging companies in Hong Kong, Unisource N.V., a joint venture company held by KPN, Telia AB, Swiss Telecom PTT and Telefonica S.A., and Mobile Systems, one of the largest radio planning consulting companies in the world, which initially held 54.5 per cent., 18.0 per cent., 22.0 per cent., and 5.5 per cent., respectively, of our issued share capital. Telepaging was holding its shares in us on behalf of Onwel Strategic Holdings Limited. The strong financial resources and extensive local and overseas telecommunications experience of these initial shareholders provided us with a solid foundation for the successful establishment of our business.

On 30 September 1996, we obtained a PRS licence to construct and operate a PCS1800 network in Hong Kong, using frequency in the 1800 MHz band. We became the first operator to launch a PCS1800 service commercially on 28 January 1997. Under our PRS licence, we were originally issued with a spectrum of 5.0 MHz for each uplink and downlink frequency. We were issued further spectrum of 2.5 MHz, 2.5 MHz and 1.6 MHz for each of uplink and downlink frequency on 16 March 1998, 14 April 1999 and 19 April 2002, respectively.

Following the launch of our post-paid services on 28 January 1997, we launched our pre-paid services on 7 December 1998. We have developed and expanded our services aimed at meeting the changing needs of our customers. Our mobile Internet service was introduced on 13 December 2000 to allow customers access to the Internet through their mobile phones. We launched our WAP portal on 26 January 2001 and subsequently relaunched it as our *COLOR* portal on 8 July 2003 with enhanced data services available to our customers. We have offered inter-operator SMS service to our post-paid customers since 3 December 2001 and have extended the service to our pre-paid customers since 21 December 2001. Our MMS service was introduced on 6 July 2002. We have offered GPRS roaming since 30 January 2003.

On 22 October 1997, Unisource N.V. transferred its 22.0 per cent. shareholding in us to Telia Overseas AB and KPN in equal shares. Subsequently, on 3 March 2003 Telia Overseas AB changed its name to Overseas Telecom AB. On 28 August 1998, Mobile System transferred its 5.5 per cent. shareholding in us to its subsidiary, Celtel.

During the period between 17 August 1999 and 22 August 2000, we issued and allotted 112,511,339, 37,247,507 and 4,366,154 Preference Shares to China Resources, Telepaging and Celtel, respectively. This represented approximately 19.2 per cent., 6.3 per cent. and 0.7 per cent., respectively, of our total issued share capital, which is comprised of all our issued Shares and Preference Shares. As a result, the shareholdings of KPN, Overseas Telecom and Celtel in our total issued share capital were diluted down to approximately 8.1 per cent., 8.1 per cent. and 4.8 per cent., respectively, while China Resources and Telepaging's shareholdings in our total issued share capital were increased to approximately 59.4 per cent. and 19.6 per cent., respectively. For further details on the Preference Shares, please refer to the section headed "Share Capital — Preference Shares" of this prospectus.

On 2 January 2004, Telepaging, which was holding its shares in us on behalf of Onwel Strategic Holdings Limited, transferred all its shareholding in us to Onwel Capital.

On 3 February 2004, each of the Preference Shareholders gave an undertaking to the effect that, conditional upon the closing of the Global Offering and the Capitalisation Issue taking effect (which is expected to be immediately after the closing of the Global Offering but before the commencement of dealings in the Shares on the Stock Exchange on 31 March 2004), they will convert their respective Preference Shares into fully paid Shares at the conversion rate of one Share for every one Preference Share

upon the terms of the Articles of Association, provided that fractions of Shares arising from such conversion will not be allotted to the relevant Preference Shareholders. Please see the section headed “Share Capital” of this prospectus for further details of the Conversion.

The Capitalisation Issue will be made in return for, among other things, the Preference Shareholders agreeing to convert their respective Preference Shares as described above immediately after the closing of the Global Offering but before the listing of the Shares on the Stock Exchange and thereby forfeiting their respective rights to any cumulative preferential dividend that may be paid to them by the Company in the future if and when the Company has accumulated realised net profits.

4,602,676, 1,527,107 and 170,074 Shares will be issued to China Resources, Onwel Capital and Celtel, respectively pursuant to the Capitalisation Issue. The respective number of Shares so issued to the Preference Shareholders was determined by reference to the amount of cumulative preferential dividend which they would have respectively received, if the Company had accumulated realised net profits at the time of the Conversion, divided by the Offer Price. Please refer to the section headed “Share Capital” of this prospectus for further details of the Conversion and the section headed “1. Further Information about the Company — C. Resolutions of the shareholders of the Company” in Appendix V to this prospectus for further details of the Capitalisation Issue.

On 3 February 2004, the Capital Reduction was unanimously approved by the holders of our Shares and the Preference Shareholders. By reducing the Company’s accumulated losses with the credit arising out of the Capital Reduction, the time when the Company will be in a position to pay dividends has been brought forward, although this will still be subject to certain considerations as further discussed in the section headed “Dividend Policy” of this prospectus.

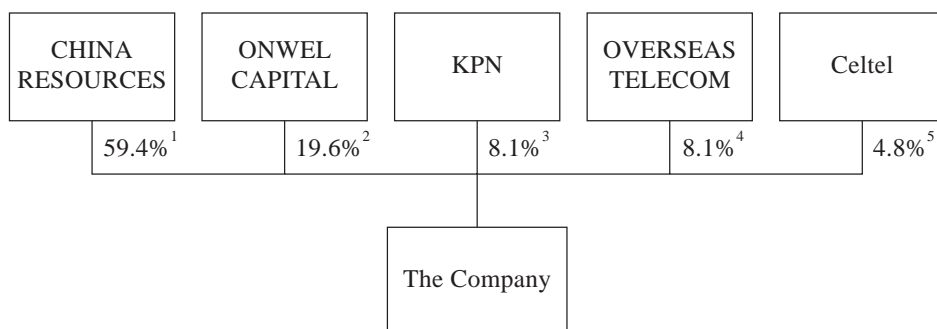
The Company petitioned to the High Court of Hong Kong for confirmation of the Capital Reduction and a hearing on the Summons for Directions in relation to the Capital Reduction was held on 10 February 2004, at which the High Court of Hong Kong ordered, amongst other things, that the petition be heard on 17 February 2004 and that the settlement of a list of creditors of the Company pursuant to section 59(2) of the Companies Ordinance be dispensed with. The High Court of Hong Kong subsequently confirmed the Capital Reduction at the hearing of the petition on 17 February 2004 and the Capital Reduction became effective on the same date. For further details of the Capital Reduction, please refer to the section headed “Share Capital — Capital Reduction” of this prospectus.

On 25 February 2004 we changed our legal name from “Peoples Telephone Company Limited” to “China Resources Peoples Telephone Company Limited”. We believe that our new name will more accurately reflect our close relationship with our controlling shareholder, China Resources, which has been supportive to us since the commencement of our business.

COMPANY HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

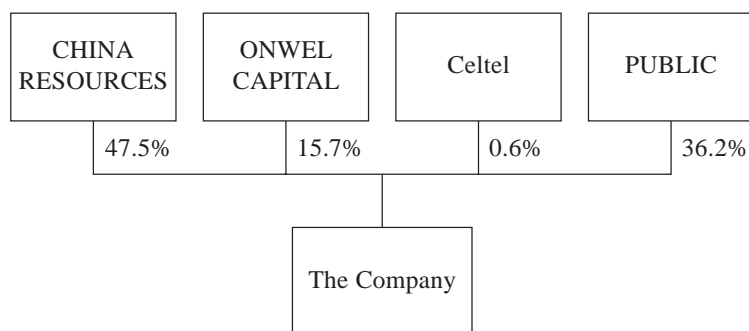
The chart below sets out the shareholding in our total issued share capital prior to the Global Offering, the Capitalisation Issue and the Conversion:



Notes:

- China Resources' shareholding comprises 235,985,000 Shares and 112,511,339 Preference Shares, constituting 54.5 per cent. and 73.0 per cent. of the total issued Shares and Preference Shares of our Company, respectively.
- Onwel Capital's shareholding comprises 77,940,000 Shares and 37,247,507 Preference Shares, constituting 18.0 per cent. and 24.2 per cent. of the total issued Shares and Preference Shares of our Company, respectively.
- KPN holds 47,630,000 Shares, constituting 11.0 per cent. of the total issued Shares of our Company.
- Overseas Telecom holds 47,630,000 Shares, constituting 11.0 per cent. of the total issued Shares of our Company.
- Celtel's shareholding comprises 23,815,000 Shares and 4,366,154 Preference Shares, constituting 5.5 per cent. and 2.8 per cent. of the total issued Shares and Preference Shares of our Company, respectively.

The chart below sets out the shareholding in the issued share capital of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Capitalisation Issue and the Conversion⁶:



Note:

- The shareholdings shown in this chart are based on 742,874,857 Shares expected to be in issue following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), Capitalisation Issue and Conversion. No Preference Shares will remain issued or outstanding after the Global Offering, the Capitalisation Issue and the Conversion. The shareholding in the issued share capital of our Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Capitalisation Issue and the Conversion, and assuming that 58,400,000 Shares have been issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and that, in respect of the Capitalisation Issue, the Offer Price is HK\$5.10 per Share, being the mid-point of the price range stated in this prospectus, are: China Resources 44.0 per cent.; Onwel Capital 14.6 per cent.; Celtel 0.6 per cent.; grantees of options under the Pre-IPO Share Option Scheme 7.3 per cent.; and the public 33.5 per cent.