Supplementary Information for ADR Holders

The Group's accounting policies conform with generally accepted accounting principles in Hong Kong ("HK GAAP") which differ in certain material respects from those applicable generally accepted accounting principles in the United States of America ("US GAAP").

The significant differences relate principally to the following items and the adjustments considered necessary to present the net profit and shareholders' equity in accordance with US GAAP are shown in the tables set out below:

(a) Effect of combination of entities under common control

Under HK GAAP, the Group adopted the acquisition method to account for the purchase of Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile. Under the acquisition method, the acquired results are included in the results of operations from the date of their acquisition. Goodwill arising on the acquisition, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is eliminated against reserves immediately on acquisition.

As a result of the Group, Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile being under common control prior to the acquisition, such acquisitions under US GAAP are considered "combinations of entities under common control". Under US GAAP, combinations of entities under common control are accounted for under the "as if pooling-of-interests" method, whereby assets and liabilities are accounted for at historical cost and the financial statements of previously separate companies for periods prior to the combination generally are restated on a combined basis. The cash consideration paid by the Group has been treated as an equity transaction in the year of acquisition for US GAAP purposes.

(b) Capitalisation of interest

Under HK GAAP, the Group capitalises interest costs to the extent that the related borrowings are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

Under US GAAP, interest costs capitalised are determined based on specific borrowings related to the acquisition or construction of an asset, if an entity's financing plans associate a specific new borrowing with a qualifying asset. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with an asset, additional interest costs capitalised are based on the weighted average interest rate applicable to other borrowings of the entity.

(c) Revaluation and impairment of fixed assets

For certain periods prior to 31 May 1997, the fixed assets of the subsidiaries were revalued in compliance with PRC rules and regulations, resulting in an increase in shareholders' equity.

Additionally, the fixed assets of Guangdong Mobile and Zhejiang Mobile were revalued as of 31 May 1997 as a result of the Restructuring occurred in 1997. The fixed assets of Jiangsu Mobile were revalued as of 31 December 1997 upon its acquisition by the Group on 3 June 1998. The fixed assets of Fujian Mobile, Henan Mobile and Hainan Mobile were revalued as of 30 June

1999 upon their acquisitions by the Group on 11 November 1999. The fixed assets of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile were revalued as of 30 June 2000 upon their acquisitions by the Group on 10 November 2000. These fixed asset revaluations result in an increase in shareholders' equity with respect to the increase in carrying amount of certain fixed assets above their historical cost bases.

The carrying amount of fixed assets under HK GAAP is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline occurs, the carrying amount is reduced to the recoverable amount based on the expected future cash flows generated by the fixed assets, discounted to their present values. A subsequent increase in the recoverable amount is written back to results of operations when circumstances and events that led to the write-down or write-off cease to exist.

Under US GAAP, fixed assets are stated at their historical cost, less accumulated depreciation. However, as a result of the tax deductibility of the revaluation reserve, a deferred tax asset related to the reversal of the revaluation reserve is created under US GAAP with a corresponding increase in shareholders' equity.

Under US GAAP, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(d) Employee housing scheme

The Group provides staff quarters under its employee housing schemes at below market prices. Under HK GAAP, employee housing scheme costs borne by the corresponding PTAs and not charged to the subsidiaries are not recognised by the subsidiaries.

Under US GAAP, employee housing scheme costs borne by the corresponding PTAs and not charged to the subsidiaries are reflected as an expense in the statement of income and a corresponding capital contribution. Additionally, under US GAAP, the costs to be borne by the subsidiaries are accrued over the term of the program.

(e) Deferred taxation

Under HK GAAP, the Group provides for deferred tax liabilities only to the extent that there is a reasonable probability that such deferred tax liabilities will become payable in the foreseeable future. Deferred tax assets are not recognised unless their realisation is assured beyond reasonable doubt.

Supplementary Information for ADR Holders

Under US GAAP, provisions are made for all deferred taxes as they arise, except a valuation allowance is provided against deferred tax assets when realisation of such amounts does not meet the criterion of "more likely than not".

(f) Share option scheme

The Group grants share options to directors and employees. Under HK GAAP, the proceeds received are recognised as an increase to capital upon the exercise of the share options.

Under US GAAP, the Group determines compensation expenses based upon the excess, if any, of the quoted market price of the shares on the date of grant over the exercise price of the options and amortises this amount over the vesting period of the option concerned.

(g) Revenue recognition

Until 30 June 1999, under both HK GAAP and US GAAP, connection fee revenue and telephone number selection fee were recognised as received. Under US GAAP, effective 1 July 1999, net connection fees and telephone number selection fees received in excess of direct costs were deferred and recognised over the estimated customer usage period for the related service.

Under US GAAP, effective 1 January 2000, the Group adopted the provisions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB101"). Under SAB101, connection fees and telephone number selection fees received and incremental direct costs up to, but not exceeding such fees, are deferred and amortised over the estimated customer usage period for the related service. The cumulative effect from the adoption of SAB101 was not material.

(h) Interconnection, roaming and leased line agreements

In May 2000, the Group entered into new agreements with China Mobile for inter-provincial interconnection and domestic and international roaming services, and inter-provincial long distance transmission leased line arrangement with retrospective effect from 1 October 1999 for Guangdong Mobile, Zhejiang Mobile and Jiangsu Mobile and from 1 April 1999 for Fujian Mobile, Henan Mobile and Hainan Mobile. Under HK GAAP, the net savings refunded to the Group as a result of the two agreements taking retrospective effect were recorded in operations for the period ended 30 June 2000. Under US GAAP, such net savings are deferred and amortised on a straight-line basis over seven years.

(i) Recently issued accounting standards

In June 1998, the United States Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires that an entity recognise all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. SFAS 133, as amended, is effective for fiscal years beginning after 15 June 2000. Because the Group does not hold any derivative instruments and does not engage in hedging activities, the adoption of SFAS 133 did not have any impact on the Group's operations or financial position under US GAAP.

Effect on net profit of significant differences between HK GAAP and US GAAP is as follows:

	2000 US$ million	2000 RMB million	1999 RMB million	1998 RMB million
		(except per share data)		
Net profit under HK GAAP	**2,178**	**18,027**	4,797	6,900
Adjustments:				
Effect of combination of entities under common control	**862**	**7,139**	4,886	7,357
Capitalised interest	**2**	**17**	96	84
Revaluation of fixed assets	**73**	**603**	3,781	1,250
Employee housing scheme	**1**	**2**	(227)	(346)
Deferred taxation	**(48)**	**(395)**	352	(189)
Share option scheme	**(12)**	**(99)**	(22)	(32)
Amortisation of net connection fees and telephone number selection fees	**(65)**	**(542)**	(1,511)	—
Amortisation of net savings from interconnection, roaming and leased line agreements	**(66)**	**(543)**	—	—
Deferred tax effects of US GAAP adjustments	**8**	**71**	(1,159)	(441)
Net profit under US GAAP	**2,933**	**24,280**	10,993	14,583
Basic and diluted net profit per share in accordance with US GAAP	**0.15**	**1.26**	0.61	0.81
Basic and diluted net profit per ADS in accordance with US GAAP*	**0.76**	**6.30**	3.04	4.06

* Based on a ratio of 5 ordinary shares to one ADS.

Supplementary Information for ADR Holders

Effect on shareholders' equity of significant differences between HK GAAP and US GAAP is as follows:

	2000 US$ million	2000 RMB million	1999 RMB million
Shareholders' equity under HK GAAP	**10,118**	**83,760**	57,092
Adjustments:			
Effect of combination of entities			
under common control	**—**	**—**	21,030
Capitalised interest	**59**	**491**	475
Revaluation of fixed assets			
— Cost	**(1,378)**	**(11,410)**	(6,586)
— Accumulated depreciation and other	**745**	**6,167**	5,506
Deferred tax adjustments on revaluations	**205**	**1,697**	304
Employee housing scheme	**(144)**	**(1,193)**	(1,195)
Deemed capital contribution for			
employee housing scheme	**144**	**1,193**	1,110
Deferral of net connection fees and			
telephone number selection fees	**(248)**	**(2,054)**	(1,511)
Deferral of net savings from interconnection,			
roaming and leased line agreements	**(66)**	**(543)**	—
Recognition of deferred taxes	**153**	**1,264**	833
Deferred tax effects of US GAAP adjustments	**35**	**288**	15
Shareholders' equity under US GAAP	**9,623**	**79,660**	77,073

Solely for the convenience of the reader, the 31 December 2000 tables above and following information have been translated into United States dollars at the rate of US$1.00 = RMB8.2781 quoted by the People's Bank of China on 31 December 2000. No representation is made that the Renminbi amounts could have been, or could be, converted into United States dollars at that rate or at any other certain rate on 31 December 2000, or any other certain date.

Consolidated Statements of Income prepared under US GAAP

	Years ended 31 December			
	2000	**2000**	1999	1998
	US$ million	**RMB million**	RMB million	RMB million
		(except per share data)		
Operating revenue				
Usage fees	**7,758**	**64,220**	47,726	33,447
Monthly fees	**1,735**	**14,364**	10,935	8,806
Connection fees	**219**	**1,811**	4,479	7,546
Other operating revenue	**1,279**	**10,585**	7,463	4,576
	10,991	**90,980**	70,603	54,375
Operating expenses				
Leased lines	**959**	**7,937**	7,999	8,928
Interconnection	**1,664**	**13,773**	12,550	8,264
Depreciation	**1,712**	**14,169**	12,952	8,539
Personnel	**588**	**4,871**	3,271	2,560
Other operating expenses	**1,706**	**14,121**	9,896	9,046
Write-down and write-off analog network equipment	**187**	**1,547**	9,775	136
	6,816	**56,418**	56,443	37,473
Profit from operations	**4,175**	**34,562**	14,160	16,902
Other net income	**134**	**1,107**	628	206
Non-operating net income/(expenses)	**5**	**38**	(49)	58
Interest income	**129**	**1,070**	809	1,624
Finance costs	**(169)**	**(1,399)**	(938)	(294)
Profit from ordinary activities before taxation	**4,274**	**35,378**	14,610	18,496
Taxation	**(1,340)**	**(11,097)**	(3,617)	(3,912)
Profit from ordinary activities after taxation	**2,934**	**24,281**	10,993	14,584
Minority interests	**(1)**	**(1)**	–	(1)
Net profit	**2,933**	**24,280**	10,993	14,583
Basic and diluted net profit per share	**0.15**	**1.26**	0.61	0.81
Basic and diluted net profit per ADS*	**0.76**	**6.30**	3.04	4.06

* Based on a ratio of 5 ordinary shares to one ADS.

Consolidated Balance Sheets prepared under US GAAP

	31 December		
	2000	2000	1999
	US$ million	RMB million	RMB million
Assets			
Current assets			
Cash and cash equivalents	3,346	27,702	23,990
Deposits with banks	1,474	12,204	8,252
Accounts receivable	876	7,252	7,642
Other receivables	157	1,299	955
Inventories	100	828	359
Prepayments and other current assets	156	1,289	968
Amount due from ultimate holding company	67	557	542
Amounts due from related parties	121	998	3,002
Total current assets	6,297	52,129	45,710
Fixed assets	9,932	82,223	71,791
Construction in progress	1,694	14,019	12,096
Investment securities	7	61	88
Interest in associates	6	46	46
Deferred tax assets	608	5,031	5,442
Deferred expenses	213	1,765	960
Total assets	18,757	155,274	136,133
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	983	8,132	9,298
Bills payable	121	1,005	1,779
Bank loans and other interest-bearing borrowings	1,265	10,471	9,179
Current instalments of obligations under finance leases	196	1,624	1,753
Taxation	661	5,471	2,868
Amounts due to related parties	416	3,449	3,643
Accrued expenses and other payables	1,016	8,408	6,150
Amount due to immediate holding company	500	4,136	—
Amount due to ultimate holding company	82	678	664
Total current liabilities	5,240	43,374	35,334
Bank loans and other interest-bearing borrowings	2,795	23,134	16,035
Deferred tax liabilities	—	—	1,530
Deferred revenue	948	7,854	3,912
Obligation under finance leases, excluding current instalments	149	1,235	2,249
Total liabilities	9,132	75,597	59,060
Minority interests	2	17	—
Shareholders' equity	9,623	79,660	77,073
Total liabilities and shareholders' equity	18,757	155,274	136,133

Supplementary Information for ADR Holders

Note: The above "Consolidated Balance Sheets" and "Consolidated Statements of Income" as at 31 December 1999 and 2000 and for each of the three years ended 31 December 1998, 1999 and 2000 include the results of the Company and its subsidiaries, Guangdong Mobile, Zhejiang Mobile, Jiangsu Mobile BVI and Jiangsu Mobile, Fujian Mobile BVI and Fujian Mobile, Henan Mobile BVI and Henan Mobile, Hainan Mobile BVI and Hainan Mobile, Beijing Mobile BVI and Beijing Mobile, Shanghai Mobile BVI and Shanghai Mobile, Tianjin Mobile BVI and Tianjin Mobile, Hebei Mobile BVI and Hebei Mobile, Liaoning Mobile BVI and Liaoning Mobile, Shandong Mobile BVI and Shandong Mobile, Guangxi Mobile BVI and Guangxi Mobile, China Mobile (Shenzhen) Limited and Aspire Holdings Limited, prepared under US GAAP as if the current Group structure had been in place throughout the relevant periods.