Open Dialogue with the Company's Senior Management

The Company announced its 2002 annual results on 18 March 2003. In addition to the publication of a press release and the posting of the annual results on its Internet web-site, on the same day the Company also conducted an investment analyst conference, a press conference, an investor telephone conference and various discussions with investors to explain the results to investors and the general public in Hong Kong and overseas, and address their questions.

The following is a summary of certain key questions raised by some of the leading investment analysts and replies given by the Company's senior management.

What were the major considerations underlying the decision to recommend a final dividend of HK$0.32 per share for the financial year 2002?

(Mr. Craig IRVINE, head of Asia Pacific telecommunications research at Salomon Smith Barney)

Mr. WANG Xiaochu, Chairman and Chief Executive Officer of the Company:

The Company holds in the highest regard the interests of its shareholders and the returns achieved for its shareholders, especially minority shareholders. Taking into account such factors as the Company's business growth, financial position and cash flow, the Board is of the view that the Company has sufficient cash flow and financial strength to support its long-term development targets and to make a cash payout to shareholders. Having also considered the need to maintain a solid financial position and flexibility, as well as to retain sufficient financial resources and capability to complete future acquisitions and investments in quality assets and a possible share buy-back under appropriate circumstances, with a view to generating the best possible return for shareholders, the Board recommended the first ever payment of a final dividend of HK$0.32 per share for the financial year 2002, representing a dividend payout ratio of 20 per cent. The Company will endeavor to achieve a sustainable, steadily increasing dividend, with a view to generating the best possible return for shareholders.

Does the Company have a share buy-back plan?

(Mr. Mark SHUPER, Co-head of Asia Pacific telecommunications research at Morgan Stanley)

Mr. WANG Xiaochu, Chairman and Chief Executive Officer of the Company:

At its last Annual General Meeting, the Board of Directors of the Company obtained authorization from its shareholders to repurchase up to 10% of the issued share capital of the Company. If the share price of the Company persistently and substantially deviates from its underlying value, the Board may consider such a share buy-back. Compared to paying a dividend, the Board will be more cautious in considering a share buy-back. Not only should a buy-back lead to an EPS enhancement, taking into account that any shares repurchased are required to be cancelled, but a buy-back must also aim at providing long-term support to the Company's share price.

Does the Company have any plan to engage in large-scale handset subsidies to develop new subscribers?

(Mr. NiQ LAI, head of Asia Pacific telecommunications research at Credit Suisse First Boston)

Mr. WANG Xiaochu, Chairman and Chief Executive Officer of the Company:

The Company's operational objectives are to sustain profit growth and maximize corporate value. Accordingly, in growing its subscriber base and revenue, the Company also has high regard for the cost effectiveness of the subscriber acquisition costs.

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Since China has the largest mobile subscriber market in the world, but an ARPU generally much lower than those in Europe and US, any aggressive sales measures through handset subsidies offered by a mobile operator in China to develop new subscribers will likely have a significant impact on profitability. Hence, the Company has always been very cautious towards sales measures such as handset subsidies and the Company reported no material communications revenue for 2002 gained at the costs of handset subsidies or similar promotional practices. However, the effective control of SG&A contributed to the Company's sustained robust profit growth.

Can the Company elaborate as to its CAPEX plan for the coming 3 years?

(Mr. Edison LEE, head of Asia Pacific telecommunications research at JP Morgan)

Mr. LI Yue, Director and Vice President of the Company:

With a view to ensuring its long-term development and continued market leadership, the Group is committed to optimizing capital expenditure to the fullest and enhancing its cost effectiveness. The Group's newly budgeted capital expenditure for the 2003 to 2005 period totals US$15 billion. The budgeted capital expenditure for each of the three years is US$5.6 billion, US$4.9 billion and US$4.5 billion, respectively. New capital expenditure planned for 2003 and 2004 is less than the sums originally budgeted. The capital expenditure for the three-year period will be used mainly for the construction of GSM networks (45%), support systems (13%), for the development of new technologies and new businesses (15%), and for the construction of transmission facilities, infrastructure buildings and other. The required funds will be sourced largely from cash generated from the Group's operations.

What is the Company's strategy in relation to the increasing market competition?

(Mr. Alistair SCOTT, head of Asia Pacific telecommunications research at Merrill Lynch)

Mr. LU Xiangdong, Director and Vice President of the Company:

Despite increasing market competition, the Company will continue to implement its rational and effective competitive strategy. We will specifically strengthen our business development strategy in response to market changes. We aim to maintain the Company's fundamentals and consolidate our leading market position through market segmentation and product differentiation, brand building and brand value enhancement, leveraging our leading position in new businesses, as well as further enhancing network quality. We will leverage the Company's pioneering and leading market position in China's mobile telecommunications market, and capitalize on the economies of scale and cost benefits derived from the world's largest subscriber base and single integrated premium network. The Company will focus exclusively on the business of mobile telecommunications to continue to enhance customer satisfaction and nurture new revenue drivers, always with a view to generating value for customers and shareholders.

Could the Company comment on the development of its new businesses?

(Mr. Tim STOREY, head of Asia Pacific telecommunications research at Goldman Sachs)

Mr. XUE Taohai, Director and Chief Financial Officer of the Company:

The Group's new businesses, driven largely by SMS, continued their sustained rapid growth in 2002. The Group has leveraged the advantages derived from technologies and our networks to the fullest, capturing the first-mover advantage and continuously innovating, to lead the introduction of MMS, "e-Freedom", and a whole series of new mobile data businesses, to promote the rapid and robust development of mobile data businesses and vigorously drive revenue growth. In 2002, the Group's pro-forma combined revenue from new businesses reached RMB8.7 billion, an increase of 143 per cent. over 2001 and representing 6.1 per cent. of the total operating revenue. In 2002, the Group's mobile data users reached 57.73 million and the pro-forma combined SMS usage exceeded 40 billion messages, an increase of 4.6 times over 2001. SMS revenue for 2002 represented about one half of the total revenue from new businesses.

Does the Company have any plan to acquire the remaining 10 provincial mobile businesses from the parent company this year?

(Mr. Dylan TINKER, Asia Pacific regional telecom analyst at UBS Warburg)

Mr. HE Ning, Director and Vice President of the Company:

Increasing shareholder value through the acquisition of mobile businesses in Mainland China is one of the Company's established developmental strategies. However, the Company is currently focusing on further implementing resources integration and management reforms for the newly-acquired subsidiaries, and further enhancing management and operational efficiency, with a view to providing quality services to our customers and increasing the return to shareholders. As a result, the Company does not currently have a fixed time-table for the acquisition of the remaining 10 provincial mobile businesses from the parent company.