



SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file numbers: 1-14696; 333-12222

China Mobile (Hong Kong) Limited

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

Hong Kong, China

(Jurisdiction of Incorporation or Organization)

**60th Floor, The Center
99 Queen's Road Central
Hong Kong, China**
(Address of Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Ordinary shares, par value HK\$ 0.10 per share

New York Stock Exchange, Inc.*

* Not for trading, but only in connection with the listing on the New York Stock Exchange, Inc. of American depositary shares representing the ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)



Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2003, 19,671,653,899 ordinary shares, par value HK\$ 0.10 per share, were issued and outstanding.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18



TABLE OF CONTENTS
China Mobile (Hong Kong) Limited

	<u>Page</u>
<u>PART I</u>	
Item 1. <u>Identity of Directors, Senior Management and Advisers.</u>	4
Item 2. <u>Offer Statistics and Expected Timetable.</u>	4
Item 3. <u>Key Information.</u>	4
Item 4. <u>Information on the Company.</u>	16
Item 5. <u>Operating and Financial Review and Prospects.</u>	34
Item 6. <u>Directors, Senior Management and Employees.</u>	48
Item 7. <u>Shareholders and Related Party Transactions.</u>	54
Item 8. <u>Financial Information.</u>	61
Item 9. <u>The Offer and Listing.</u>	62
Item 10. <u>Additional Information.</u>	63
Item 11. <u>Quantitative and Qualitative Disclosures about Market Risk.</u>	70
Item 12. <u>Description of Securities Other than Equity Securities.</u>	72
<u>PART II</u>	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies.</u>	73
Item 14. <u>Material Modifications to the Right of Security Holders and Use of Proceeds.</u>	73
Item 15. <u>Controls and Procedures.</u>	73
Item 16A. <u>Audit Committee Financial Expert.</u>	73
Item 16B. <u>Code of Ethics.</u>	73
Item 16C. <u>Principal Accountant Fees and Services.</u>	73
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees.</u>	74
Item 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers.</u>	74
<u>PART III</u>	
Item 17. <u>Financial Statements.</u>	75
Item 18. <u>Financial Statements.</u>	75
Item 19. <u>Exhibits.</u>	75



Forward-Looking Statements

This annual report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the 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 strategies;
- network expansion plans and related capital expenditure plans;
- the planned development of new mobile technologies and other technologies and related applications;
- the expected impact of tariff changes on our business, financial condition and results of operations;
- the expected impact of new services on our business, financial condition and results of operations;
- our pending acquisition of telecommunications assets from our direct parent company, China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of China Mobile Communications Corporation, or CMCC; and
- future developments in the telecommunications industry in Mainland China, including the restructuring of the industry and changes in government policies.

The words “anticipate”, “believe”, “estimate”, “expect”, “intend” and similar expressions, as they relate to us, are intended to identify certain of such forward-looking statements. We do not intend to update these forward-looking statements.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation:

- changes in the regulatory policies of the Ministry of Information Industry of China and other relevant government authorities, which could affect, among other things, the granting of requisite government approvals, licenses and permits, interconnection and transmission line arrangements, tariff policies, capital investment priorities, and spectrum allocation;
- the effect of competition on the demand for and price of our services;
- changes in mobile telephony and related technologies, which could affect the viability and competitiveness of our mobile telecommunications networks; and
- changes in political, economic, legal and social conditions in Mainland China, including, without limitation, the Chinese government’s policies with respect to new entrants in the telecommunications industry, the entry of foreign companies into China’s telecommunications market and China’s continued economic growth.

In addition, our future network expansion and other capital expenditure and development plans are dependent on numerous factors, including, among others:

- our ability to obtain adequate financing on acceptable terms;
- the adequacy of currently available spectrum or the availability of additional spectrum;



- the availability of transmission lines and equipment, and the availability of the requisite number of sites for locating network equipment, on reasonable commercial terms;
- our ability to develop or obtain new technology and related applications; and
- the availability of qualified management and technical personnel.

**Special note on our financial information and
certain statistical information presented in this Annual Report**

As required under generally accepted accounting principles in Hong Kong, or Hong Kong GAAP, we adopted the purchase accounting method to account for our acquisitions of various regional mobile telecommunications companies, as described in “Item 4. Information on the Company — The History and Development of the Company”. Accordingly, our consolidated financial statements and, except as otherwise noted, all other Hong Kong GAAP financial information presented in this annual report, include the results of these companies only from the respective dates of acquisition.

In prior years, positive goodwill arising from acquisitions was eliminated against reserves, and negative goodwill arising from acquisitions was credited to a capital reserve. Effective January 1, 2001, in order to comply with Statement of Standard Accounting Practice, or SSAP, 30 “Business combinations”, issued by the Hong Kong Society of Accountants, we adopted a new accounting policy for goodwill. For acquisitions after January 1, 2001, positive goodwill arising from acquisitions is amortized to the consolidated statements of income on a straight-line basis over its estimated useful life, which shall not exceed 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortization and any impairment losses. Despite a change in accounting policy for goodwill, goodwill arising from acquisitions prior to January, 2001 has not been adjusted as we have taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 to the effect that the new accounting policy has been adopted prospectively only from January 1, 2001 onwards.

Under generally accepted accounting principles in the United States, or U.S. GAAP, as a result of our being under common control with each of these companies prior to the acquisitions, each of the acquisitions was considered to be a “combination of entities under common control”. Under U.S. 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. See “Item 5. Operating and Financial Review and Prospects”.

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Deferred tax assets were not recognized unless their realization was assured beyond reasonable doubt. With effect from January 1, 2003, in order to comply with Statement of Standard Accounting Practice (“SSAP 12 (revised)”) issued by the Hong Kong Society of Accountants, we adopted a new accounting policy for deferred tax. Under our current accounting policy, deferred tax liabilities are provided in full on taxable temporary differences, while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. As a result, goodwill, deferred tax assets, deferred tax liabilities and reserves in the consolidated balance sheets have been restated. In addition, deferred tax assets and deferred tax liabilities have been reclassified into non-current assets and liabilities, respectively. Income tax in the consolidated statements of income have also been revised. See note 3 to our consolidated financial statements included elsewhere in this annual report.



The statistical information set forth in this annual report relating to Mainland China is taken or derived from various publicly available government publications that have not been prepared or independently verified by us. This statistical information may not be consistent with other statistical information from other sources within or outside Mainland China.



PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

Selected Financial Data

The following tables present selected historical financial data of our company as of and for each of the years in the five-year period ended December 31, 2003. The selected historical income statement data for the years ended December 31, 2001, 2002 and 2003 and the selected historical balance sheet data as of December 31, 2002 and 2003 set forth below are derived from, and should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the related notes, included elsewhere in this annual report. The selected historical Hong Kong GAAP income statement data for the year ended December 31, 1999 and 2000 and the selected historical Hong Kong GAAP balance sheet data as of December 31, 1999, 2000 and 2001 are derived from our audited financial statements that are not included in this annual report.

Our consolidated financial statements are prepared and presented in accordance with Hong Kong GAAP. As required under Hong Kong GAAP, we adopted the purchase accounting method to account for our acquisitions of the various regional mobile telecommunications companies, as described in "Item 4. Information on the Company — The History and Development of the Company". Accordingly, our consolidated financial statements and, except as otherwise noted, all other Hong Kong GAAP financial information presented in this annual report, include the results of these companies only from the respective dates of acquisition. In contrast, under U.S. GAAP, our acquisitions of these companies are each considered a combination of entities under common control which would be accounted for under the "as if pooling-of-interests" method, whereby assets and liabilities are accounted for at historical cost and the accounts of previously separate companies for periods prior to the combination generally are restated on a combined basis. For information regarding significant differences between Hong Kong GAAP and U.S. GAAP as they relate to us, and the effects of such differences on net profit for the years ended December 31, 2001, 2002 and 2003 and shareholders' equity as of December 31, 2002 and 2003, see note 33 to our consolidated financial statements. In addition, our condensed consolidated financial statements prepared and presented in accordance with U.S. GAAP for the relevant periods are set forth in note 33 to our consolidated financial statements.



As of or for the year ended December 31,

	1999 RMB	2000 RMB	2001 RMB	2002 RMB	2003 RMB	2003 US\$
(in millions, except share, per share and per ADS information)						
Income Statement Data:						
Hong Kong GAAP						
Operating revenue	38,623	64,984	100,331	128,561	158,604	19,163
Operating expenses	24,983	38,158	59,319	79,765	105,401	12,735
Operating profit	13,640	26,826	41,012	48,796	53,203	6,428
Write-down and write-off of analog network equipment	8,242	1,525	—	—	—	—
Profit before tax and minority interest	6,444	26,393	41,717	48,978	52,959	6,399
Income tax ⁽⁹⁾	1,628	8,153	13,763	16,375	17,412	2,104
Net profit	4,816	18,240	27,955	32,601	35,556	4,296
Basic net profit per share ⁽¹⁾	0.40	1.27	1.50	1.70	1.81	0.22
Diluted net profit per share ⁽¹⁾	0.40	1.27	1.50	1.70	1.81	0.22
Basic net profit per ADS ⁽¹⁾	2.00	6.34	7.51	8.51	9.04	1.09
Diluted net profit per ADS ⁽¹⁾	1.99	6.33	7.51	8.50	9.03	1.09
Shares utilized in basic calculation (in thousands)	12,069,108	14,394,313	18,605,371	19,151,322	19,671,654	19,671,654
Shares utilized in diluted calculation (in thousands)	12,072,383	14,409,503	18,698,023	19,243,050	19,762,812	19,762,812
U.S. GAAP⁽²⁾						
Operating revenue	86,300	112,462	127,749	145,331	159,817	19,309
Operating expenses	59,659	77,289	78,598	91,040	105,656	12,765
Operating profit	26,641	35,173	49,151	54,291	54,161	6,544
Profit before tax and minority interest	16,088	35,466	50,194	55,418	55,780	6,739
Income tax	3,990	11,328	15,959	18,214	17,601	2,126
Net profit	12,098	24,137	34,236	37,202	38,188	4,614
Basic net profit per share ⁽¹⁾	0.68	1.31	1.76	1.90	1.94	0.23
Diluted net profit per share ⁽¹⁾	0.68	1.30	1.76	1.90	1.94	0.23
Basic net profit per ADS ⁽¹⁾	3.40	6.53	8.81	9.51	9.71	1.17
Diluted net profit per ADS ⁽¹⁾	3.40	6.52	8.80	9.50	9.69	1.17
Share utilized in basic calculation (in thousands)	17,771,326	18,493,862	19,432,886	19,561,679	19,671,654	19,671,654
Share utilized in diluted calculation (in thousands)	17,774,601	18,509,052	19,525,538	19,653,406	19,762,812	19,762,812
Balance Sheet Data:						
Hong Kong GAAP						
Current assets						
Cash and cash equivalents	19,349	27,702	21,821	32,575	39,129	4,728
Deposits with banks	8,227	12,204	14,970	11,069	17,227	2,081
Accounts receivable	4,957	7,252	5,728	6,066	6,116	739
Fixed assets	42,699	87,465	105,208	165,409	171,604	20,733
Total assets	87,837	157,702	174,953	286,021	307,303	37,128
Total short-term debt ⁽³⁾	4,419	12,095	5,439	8,200	8,174	987
Total long-term debt ⁽⁴⁾	2,332	13,708	6,739	12,676	672	81
Fixed rate notes ⁽⁵⁾	4,952	4,953	4,956	4,961	4,984	602
Convertible notes	—	5,708	5,708	5,711	5,735	693
Bonds	—	—	5,000	13,000	13,000	1,571
Deferred payable ⁽⁶⁾	—	—	—	15,176	9,976	1,205
Total liabilities ⁽⁷⁾	30,343	72,661	61,938	112,565	108,318	13,087
Share capital	1,467	1,986	1,986	2,099	2,099	254
Shareholders' equity	57,494	85,024	112,983	173,265	198,803	24,019



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FORM 20-F			BAR	CLN	HTM IFV	OC



As of or for the year ended December 31,

	1999 RMB	2000 RMB	2001 RMB	2002 RMB	2003 RMB	2003 US\$
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(in millions, except share, per share and per ADS information)

U.S. GAAP⁽²⁾

Fixed assets	96,658	110,284	141,396	163,232	169,858	20,522
Total assets	172,062	198,418	234,264	249,141	272,124	32,878
Total long-term debt ⁽⁴⁾	23,992	22,748	9,661	12,676	672	81
Fixed rate notes ⁽⁵⁾	4,952	4,953	4,956	4,961	4,984	602
Convertible notes	—	5,708	5,708	5,711	5,735	693
Bonds	—	—	5,000	13,000	13,000	1,571
Deferred payable ⁽⁶⁾	—	—	—	15,176	9,976	1,205
Shareholders' equity	87,373	95,650	140,300	134,575	162,937	19,686

Other Financial Data:

Hong Kong GAAP

Capital expenditures ⁽⁸⁾	11,708	21,964	39,500	41,000	43,871	5,301
Net cash from operating activities	19,184	35,449	50,971	69,422	85,534	10,335
Net cash used in investing activities	(35,183)	(91,869)	(45,248)	(64,117)	(54,292)	(6,560)
Net cash from/(used in) financing activities	17,892	64,773	(11,604)	5,449	(24,688)	(2,982)
Dividend declared or proposed	—	—	—	6,678	7,517	908

U.S. GAAP⁽²⁾

Net cash flow from operating activities	41,529	57,766	60,863	79,445	83,598	10,100
Dividend declared or proposed	—	—	—	6,678	7,517	908

(1) The basic net profit per share and per ADS amounts under Hong Kong GAAP for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 have been computed by dividing net profit by the weighted average number of shares and the weighted average number of ADSs, respectively, outstanding during 1999, 2000, 2001, 2002 and 2003. The calculation of diluted net profit per share under Hong Kong GAAP for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 have been compiled after adjusting for the effects of all dilutive potential ordinary shares, respectively.

The basic net profit per share and per ADS amounts under U.S. GAAP for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 have been computed by dividing net profit by the weighted average number of shares and the weighted average number of ADSs, respectively, as if 1,273,195,021 ordinary shares representing 254,639,004 ADSs issued to China Mobile Hong Kong (BVI) Limited as part of the consideration in the acquisition of Fujian Mobile, Henan Mobile and Hainan Mobile, 3,779,407,375 ordinary shares representing 755,881,475 ADSs issued to China Mobile Hong Kong (BVI) Limited as part of the consideration in the acquisition of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile and 827,514,446 ordinary shares representing 165,502,889 ADSs issued to China Mobile Hong Kong (BVI) Limited as part of the consideration in the acquisition of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile were outstanding during these periods (in addition to shares actually issued during these years). The calculation of diluted net profit per share under U.S. GAAP for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 have been compiled after adjusting for the effects of all dilutive potential ordinary shares, respectively. For the years ended December 31, 1999, 2000, 2001, 2002 and 2003, all dilutive potential ordinary shares resulting from the share options granted to the directors and employees under the share option scheme would decrease profit attributable to shareholders per share. In 2000, since all potential ordinary shares resulting from the convertible notes would increase profit attributable to shareholders per share as a result of savings on interest payable on the convertible notes, the anti-dilutive effects of potential ordinary shares were not taken into account in calculating diluted earnings per share. For the years ended December 31, 2001, 2002 and 2003, all dilutive potential ordinary shares resulting from convertible notes would decrease profit attributable to shareholders per share.

- (2) The amounts for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 are presented to reflect our acquisitions of the various regional mobile telecommunications companies under the "as if pooling-of-interests" method, as well as the effects of other differences between Hong Kong GAAP and U.S. GAAP.
- (3) Includes short-term bank and other loans, current portion of long-term bank and other loans and current portion of capital lease obligations.
- (4) Includes long-term bank and other loans and obligations under capital leases, net of current portion.



- (5) The fixed rate notes issued on November 2, 1999 with a principal amount of US\$600 million are due on November 2, 2004.
- (6) Represents the balance of the purchase consideration payable to China Mobile Hong Kong (BVI) Limited for our acquisition of the eight regional mobile telecommunications companies in 2002. See "Item 4. Information on the Company".
- (7) Excludes minority interest.
- (8) Represents payments made for capital expenditures during the year.
- (9) The presentation and classification of items in our consolidated balance sheets as of December 31, 1999, 2000, 2001 and 2002 and consolidated statements of income for the years ended December 31, 1999, 2000, 2001 and 2002 have been revised due to the adoption of the requirements of Statement of Standard Accounting Practice No. 12 (revised) "Income Taxes". As a result, goodwill, deferred tax assets, deferred tax liabilities and reserves in the consolidated balance sheet have been restated, and deferred tax assets and deferred tax liabilities have been reclassified into non-current assets and liabilities, respectively. Income tax in the consolidated statements of income have also been revised.



Exchange Rate Information

We publish our consolidated financial statements in Renminbi. Solely for the convenience of the reader, this annual report contains translations of certain Renminbi and Hong Kong dollar amounts into U.S. dollars and vice versa at RMB 8.2767 = US\$ 1.00 and HK\$ 7.7640 = US\$ 1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2003. These translations should not be construed as representations that the Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at such rates or at all.

The noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York were RMB 8.2766 = US\$ 1.00 and HK\$ 7.7987 = US\$ 1.00, respectively, on June 16, 2004. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each month during the previous six months:

Noon Buying Rate

	RMB per US\$ 1.00			HK\$ per US\$ 1.00	
	High	Low		High	Low
November 2003	8.2772	8.2766	November 2003	7.7692	7.7475
December 2003	8.2772	8.2765	December 2003	7.7670	7.7628
January 2004	8.2772	8.2767	January 2004	7.7775	7.7632
February 2004	8.2773	8.2769	February 2004	7.7845	7.7686
March 2004	8.2774	8.2767	March 2004	7.7980	7.7842
April 2004	8.2772	8.2768	April 2004	7.8000	7.7870
May 2004	8.2773	8.2768	May 2004	7.8010	7.7895

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each of 1999, 2000, 2001, 2002 and 2003, calculated by averaging the noon buying rates on the last day of each month during the relevant year.

Average Noon Buying Rate

	RMB per US\$ 1.00	HK\$ per US\$ 1.00
1999	8.2785	7.7599
2000	8.2784	7.7936
2001	8.2772	7.7997
2002	8.2772	7.7996
2003	8.2771	7.7864



Risk Factors

Extensive government regulation may limit our flexibility to respond to market conditions, competition or changes in our cost structure.

The Ministry of Information Industry of China regulates, among other things, the following areas of the telecommunications industry under the leadership of the State Council of China:

- formulating and enforcing industry policy, standards and regulations;
- granting telecommunications licenses;
- formulating interconnection and settlement standards for implementation between telecommunications networks;
- together with other relevant regulatory authorities, formulating tariff and service charge standards for certain telecommunications services;
- supervising the operations of telecommunications services providers;
- promoting fair and orderly market competition among operators; and
- allocating and administering public telecommunications resources, such as radio frequencies, number resources, domain names and addresses of telecommunications networks.

Other Chinese government authorities also take part in regulating tariff policies and foreign investment in the telecommunications industry. The regulatory framework within which we operate may limit our flexibility to respond to market conditions, competition or changes in our cost structure. Moreover, we cannot predict when or if changes in tariff policies or rates may occur, including, for example, the possible implementation of a calling-party-pays tariff scheme. Although we and other telecommunications services providers have, on a limited basis, offered certain localized or promotional calling packages which incorporate some of the calling-party-pays features, the Chinese government has not yet implemented regulations to adopt the calling-party-pays concept, and we cannot predict whether such regulations may be forthcoming or, if passed, what requirements the new regulations might entail. Future adverse changes in tariff policies and rates could decrease our revenues and reduce our profitability.

We operate our businesses with approvals granted by the State Council and under licenses granted by the Ministry of Information Industry. If these approvals or licenses are revoked or suspended, or if the conditions or other obligations relating to these approvals or licenses are amended in any material respect, our business and operations will be materially and adversely affected.

We may be affected by future regulatory changes.

To provide a uniform regulatory framework for the orderly development of the telecommunications industry, the Ministry of Information Industry, under the direction of the State Council, is preparing a draft telecommunications law. If and when the telecommunications law is adopted by the National People's Congress, it is expected to become the fundamental telecommunications statute and the legal basis for telecommunications regulations in Mainland China. In 2000, the State Council promulgated a set of telecommunications regulations that apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will positively affect the overall development of the telecommunications industry in Mainland China, we do not fully know what the nature and scope of the telecommunications law will be. The telecommunications law and other new telecommunications regulations or rules may contain provisions that could materially and adversely affect our business, financial condition and results of operations.



Competition from other telecommunications services providers may affect our subscriber growth and profitability by causing the rate of our subscriber growth to decline and bringing about decreases in tariff rates and increases in selling and promotional expenses.

We compete with other telecommunications services providers in all of the provinces, municipalities and the autonomous region in which we operate. The Chinese government encourages orderly competition in the telecommunications industry in Mainland China. In particular, the Chinese government has extended favorable regulatory policies to some of our competitors, such as China United Telecommunications Corporation, or China Unicom, in order to help them become more viable competitors. For example, the Chinese government has permitted China Unicom to lower its mobile telecommunications services tariffs by up to 10% below the government standard rates. We believe this policy has helped China Unicom capture a significant number of price-sensitive mobile telecommunications services subscribers. As a result, China Unicom's market share has increased over the past few years.

In addition, China Telecommunications Corporation, or China Telecom, and China Netcom Communications Group Corporation, or China Netcom, provide Xiaolingtong services to their customers. Xiaolingtong is a local area wireless telephone service with limited mobility and limited coverage. Xiaolingtong offers lower-priced services. As a result, Xiaolingtong's services have, to a certain extent, attracted customers principally in the low-end markets. Increased competition from Xiaolingtong or other wireless telecommunications services could materially affect our business and prospects.

Increased competition from other telecommunications services providers, including China Unicom, China Telecom and China Netcom, and any introduction of new competitors through the issuance of additional mobile telecommunications services licenses could adversely affect our business by, among other factors, causing the rate of our subscriber growth to decline and bringing about decreases in tariff rates and increases in selling and promotional expenses. This could in turn have a material adverse effect on our financial condition and results of operations, as well as prospects.

New entrants in the telecommunications industry in China may further intensify competition and adversely affect our business and prospects.

Current Chinese government policy concerning the telecommunications sector is to encourage orderly competition. In November 2001, the State Council formally approved the restructuring of the former China Telecommunications Corporation, China Netcom Corporation Limited and Jitong Network Communications Company Limited. Under the restructuring plan, China Netcom was formed in May 2002 and consists of ten regional telecommunications companies originally owned by the former China Telecommunications Corporation in Beijing, Tianjin and eight provinces, China Netcom Corporation Limited and Jitong Network Communications Company Limited. China Telecom retained the telecommunications companies originally owned by the former China Telecommunications Corporation in the remaining provinces, directly-administered municipalities and autonomous regions. See "Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure". We cannot assure you that the State Council will not approve additional telecommunications services providers in the future, including providers of mobile telecommunications services that may compete against us. Increased competition from new entrants in China's telecommunications industry could materially and adversely affect our financial condition and results of operations as a result of, among others, decreases in the rate of subscriber growth or tariff rates or increases in selling and promotional expenses. In addition, we may also be subject to competition from new providers of telecommunication services as a result of technological developments and the convergence of various telecommunications services. These new entrants may also cause the existing competition in the telecommunications industry in China to intensify, which may materially and adversely affect our business and prospects.

China's accession into the World Trade Organization will ease current restrictions on foreign ownership in the telecommunications industry and may increase competition in the mobile telecommunications services sector.

On December 11, 2001, China officially joined the World Trade Organization, or WTO. On January 1, 2002, the Administration of Foreign-Funded Telecommunications Enterprises Provisions was also adopted, thereby



implementing China's commitments to the WTO. Those commitments include the gradual reduction of foreign ownership restrictions in the telecommunications industry and the opening of the telecommunications market in Mainland China to foreign investors. See "Item 4. Information on the Company — Business Overview — Competition". This could lead to increased foreign investment in the telecommunications market in Mainland China, which may in turn increase competition and foreign participation in the mobile telecommunications services sector in Mainland China. Increased competition and foreign participation may have a material adverse effect on our financial conditions and results of operations, as well as our business and prospects.

We are controlled by CMCC, which may not always act in our best interest.

As of May 31, 2004, CMCC, indirectly owned an aggregate of approximately 75.7% of our shares. Accordingly, CMCC is, and will be, able to:

- nominate our entire board of directors and, in turn, indirectly influence the selection of our senior management;
- determine the timing and amount of our dividend payments; and
- otherwise control or influence actions that require the approval of our shareholders.

The interests of CMCC as our ultimate controlling person may conflict with the interests of our minority shareholders.

In addition, CMCC also provides our operating subsidiaries with services that are necessary for our business activities, including:

- interconnection arrangements with its other subsidiaries' mobile telecommunications networks and roaming arrangements; and
- the coordination of the provision of inter-provincial transmission leased lines from other operators to us.

The interests of CMCC as the provider of these services to our operating subsidiaries may conflict with our interests.

The limited spectrum allocated to us may constrain our future network capacity growth.

A mobile telecommunications network's capacity is to a certain extent limited by the amount of frequency spectrum available for its use. Since the Ministry of Information Industry allocates frequency spectrum to mobile telecommunications operators in Mainland China, the capacity of our mobile telecommunications network is limited by the amount of spectrum that the Ministry of Information Industry allocates to our parent company, CMCC. The Ministry of Information Industry has allocated a total of 34 MHz of spectrum, for transmission and reception, respectively, in the 900 MHz frequency band and the 1800 MHz frequency band to our parent company, CMCC. Under the existing agreement between CMCC and us, we have the exclusive rights to use the allocated frequency spectrum in our service areas.

We believe that our current spectrum allocation is sufficient for anticipated subscriber growth in the near term. However, we may need additional spectrum to accommodate future subscriber growth or to develop mobile telecommunications services using new wireless telecommunications technologies. Moreover, we may not be able to obtain additional spectrum from the Ministry of Information Industry. Our network expansion plans may be affected if we are unable to obtain additional spectrum. This could in turn constrain our future network capacity growth and materially and adversely affect our business and prospects, as well as our financial condition and results of operations.



Changes to our interconnection and leased line arrangements may increase our operating expenses and adversely affect our profitability.

Our mobile telecommunications services depend, in large part, upon our interconnection arrangements and access to other networks. Interconnection is necessary in the case of all local calls between our subscribers and subscribers of other networks. Interconnection and leased line arrangements are also necessary for international and certain domestic calls. We have entered into interconnection and transmission line leasing agreements with other operators, including CMCC and its other subsidiaries. We cannot assure you that increasing usage of the other networks would not result in additional strain on its switching capacity, or that the existing quality of the other networks will remain adequate.

The terms of our interconnection arrangements and leased line arrangements have a material effect on our operating revenue and expenses. In addition, our business and operations may be materially and adversely affected if we cannot enter into future interconnection and leased line agreements on commercially acceptable terms or on a timely basis.

We may be unable to obtain sufficient financing to fund our substantial capital requirements, which could limit our growth potential and future prospects.

We estimate that we will require approximately RMB 116 billion (US\$ 14 billion) for capital expenditures from 2004 through the end of 2006 for a range of projects and other expenditures.

We believe that cash from operations, together with any necessary borrowings, will provide sufficient financial resources to meet our projected capital and other expenditure requirements. We may require additional funds to the extent we have underestimated our capital requirements or overestimated our future cash from operations. In addition, a significant feature of our business strategy is to continue exploring opportunities for strategic investments in the telecommunications industry in Mainland China, which may require additional capital resources. The cost of implementing new technologies, upgrading our networks or expanding capacity may also be significant. In particular, in order for us to effectively respond to technological changes, we may be required to make substantial capital expenditures in the near future.

Financing may not be available to us on acceptable terms. In addition, any future issuance of equity securities, including securities convertible or exchangeable into or that represent the right to receive equity securities, may require approval from the relevant government authorities. If adequate capital is not available, our growth potential and future prospects could be adversely affected. Our ability to obtain additional financing on favorable commercial terms will depend on a number of factors, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by telecommunications companies; and
- economic, political and other conditions in the markets where we operate.

Changes in technology may render our current technologies obsolete and thus affect our business and market position.

The telecommunications industry is dependent upon rapidly changing and increasingly complex technologies. Accordingly, although we strive to keep our technologies up to international standards, the mobile telecommunications technologies that we currently employ may become obsolete or subject to competition from new technologies in the future, including new wireless telecommunications technologies. In addition, the development and application of new technologies involves time, substantial costs and risks, and the new technologies we implement, such as wireless data applications, may not generate an acceptable rate of return.



Failure to capitalize on new business opportunities may have an adverse effect on our growth potential.

We intend to pursue new growth opportunities in the broader telecommunications industry. Our success will depend in large part on our ability to offer services that address the market demand arising from these opportunities. In addition, our ability to deploy and deliver these services depends, in many instances, on new and unproven technologies. Our wireless telecommunications technologies may not perform as expected. We may not be able to successfully develop or obtain new technologies to effectively and economically deliver these services. Furthermore, we may not be able to compete successfully in the delivery of telecommunications services based on new technologies. Any failure to capitalize on new business opportunities may materially and adversely affect our competitive position and future profitability.

If we are not able to successfully integrate with our existing operations the operations of the telecommunications companies that we intend to acquire from our direct parent company, our business prospects may be materially and adversely affected.

On April 28, 2004, we entered into a conditional purchase and sale agreement with our direct parent company, China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of CMCC, to acquire telecommunications assets for an aggregate consideration of US\$ 3,650 million. We have obtained the requisite approvals from our independent shareholders and relevant regulatory authorities in Mainland China for this acquisition, but we cannot assure you that we will be successful in achieving the anticipated benefits of this transaction. The success of this transaction will depend on a number of factors, many of which are unforeseen, including our ability to integrate the operations of these telecommunications assets with our existing operations. If we are not successful in integrating the operations of the combined entities, our business prospects may be materially and adversely affected.

Actual or perceived health risks associated with the use of mobile devices could impair our ability to retain and attract customers, reduce wireless telecommunications usage or result in litigation.

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of wireless telephone handsets. While a substantial amount of scientific research conducted to date by various independent research bodies has shown that radio signals, at levels within the limits prescribed by public health authority safety standards and recommendations, present no adverse effect to human health, we cannot be certain that future studies, irrespective of their relative reliability or trustworthiness, will not impute a link between electromagnetic fields and adverse health effects. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific understanding and public awareness of these issues. In addition, several wireless industry participants have become the targets of lawsuits alleging various health consequences as a result of wireless phone usage or seeking protective measures. While we are not aware of any scientific studies or objective evidence which substantiates such alleged health risks, we cannot assure you that the actual, or perceived, risks associated with radio wave transmission will not impair our ability to retain customers and attract new customers, reduce wireless telecommunications usage or result in litigation.

We cannot assure you that the economy of Mainland China will continue to expand in the future or that an economic slowdown in Mainland China will not materially and adversely affect our financial condition and results of operations, as well as our future prospects.

We conduct most of our business and generate substantially all our revenues in Mainland China. As a result, economic conditions in Mainland China have a significant effect on our financial condition and results of operations, as well as our future prospects. In recent years, Mainland China has been one of the world's fastest growing economies in terms of GDP growth. We cannot assure you, however, that such growth will be sustained in the future. Moreover, the slowdown in other major economies of the world, such as the United States, the European Union and certain Asian countries may adversely affect economic growth in Mainland China. We cannot assure you that our financial condition and results of operations, as well as our future prospects, will not be materially and adversely affected by an economic downturn in Mainland China.



Any future outbreak of severe acute respiratory syndrome or similar illnesses in Mainland China may have a material adverse effect on our financial condition and results of operations.

In late 2002 and the first half of 2003, Mainland China and certain other countries and regions experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome, or SARS. On July 5, 2003, the World Health Organization declared that the SARS outbreak had been contained. However, new cases of SARS have been reported since then in Mainland China and other countries and regions in Asia. Many aspects of SARS, including its cause, means of transmission and ability to survive in different environments, are still not well understood by the international medical community. Any future outbreak of SARS or SARS-like illnesses may, among other things, significantly disrupt our ability to adequately staff our business, and may generally disrupt our operations. Furthermore, an outbreak may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects. As a result, we cannot assure you that any future outbreak of SARS or SARS-like illnesses would not have a material adverse effect on our financial condition and results of operations.

Adverse changes in the economic policies of the Chinese government could have a material adverse effect on the overall economic growth of Mainland China, which could reduce the demand for our services and adversely affect our business, financial condition and results of operations.

Since the late 1970s, the Chinese government has been reforming the Chinese economic system. These reforms have resulted in significant economic growth and social progress. Although we believe that economic reform and macroeconomic policies and measures adopted by the Chinese government will continue to have a positive effect on the economic development of Mainland China and that we will continue to benefit from such policies and measures, these policies and measures may from time to time be modified or revised. Adverse changes in economic and social conditions in Mainland China, in the policies of the Chinese government or in the laws and regulations in Mainland China, if any, could have a material adverse effect on the overall economic growth of Mainland China and investment in the telecommunications industry in Mainland China. These developments could adversely affect our business, such as reducing the demand for our services, as well as our financial condition and results of operations.

The Renminbi is not a freely convertible currency, which could limit the ability of our subsidiaries in Mainland China to obtain sufficient foreign currency to satisfy their foreign currency requirements or pay dividends to us.

Substantially all of our revenues and operating expenses are denominated in Renminbi, while a portion of our capital expenditures and indebtedness is denominated in U.S. dollars and other foreign currencies. The Renminbi is currently freely convertible under the "current account", which includes dividends, trade and service-related foreign currency transactions, but not under the "capital account", which includes foreign direct investment, unless the prior approval of the State Administration for Foreign Exchange is obtained.

Our operating subsidiaries are foreign invested enterprises. Currently, they may purchase foreign currency without the approval of the State Administration for Foreign Exchange for settlement of "current account transactions", including payment of dividends, by providing commercial documents evidencing these transactions. They may also retain foreign exchange in their current accounts (subject to a cap approved by the State Administration for Foreign Exchange) to satisfy foreign currency liabilities or to pay dividends. However, the relevant Chinese government authorities may limit or eliminate our ability to purchase and retain foreign currencies in the future. Also, our subsidiaries incorporated in Mainland China may not be able to obtain sufficient foreign currency to satisfy their foreign currency requirements or pay dividends to us for our use in making any future dividend payments or to satisfy other foreign currency payment requirements. Foreign currency transactions under the capital account are still subject to limitations and require approvals from the State Administration for Foreign Exchange. This could affect our subsidiaries' ability to obtain foreign currency through debt or equity financing, including by means of loans or capital contributions from us.



Fluctuations in exchange rates could adversely affect our financial results.

Substantially all of our operating revenue is denominated in Renminbi, while a portion of our capital expenditures and some of our financing expenses are denominated in foreign currencies, such as U.S. dollars and Hong Kong dollars. Future devaluations or movements in the exchange rate of Renminbi and other currencies could have a material adverse effect on our financial condition and results of operations.

The Chinese legal system embodies uncertainties which could limit the legal protections available to our shareholders.

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Legislation over the past 20 years has significantly enhanced the protection afforded to foreign investment in Mainland China. Our existing subsidiaries are “wholly foreign-owned enterprises,” which are enterprises incorporated in Mainland China and wholly-owned by Hong Kong, Macau, Taiwan or foreign investors, and subject to the laws and regulations applicable to foreign investment in Mainland China. However, the interpretation and enforcement of some of these laws, regulations and other legal requirements involve uncertainties that could limit the legal protection available to our shareholders. Moreover, China’s entry into the WTO has resulted and may in the future result in the abolition or substantial amendment of the existing laws, regulations and other legal requirements. See “Item 4. Information on the Company — Business Overview — World Trade Organization”.

Our share price has been and may continue to be volatile in response to conditions in the global securities markets generally and in the telecommunications and technology sectors in particular.

Our share price has been subject to significant volatility, in part due to highly volatile securities markets generally, particularly for telecommunications companies’ shares, as well as developments in our sales and operating profit. Factors other than our results of operations that may affect our share price include, among other things, overall market conditions and performance, market expectations of our performance, projected growth in the mobile telecommunications market in Mainland China and adverse changes in our brand value. In addition, our share price may be affected by factors such as the level of business activity or perceived growth (or the lack thereof) in the telecommunications market in general, the performance of other telecommunications companies, announcements by or the results of operations of our competitors, customers and suppliers, the success of third generation mobile networks and new technologies, products and services, as well as general market volatility. See “Item 9. The Offer and Listing” for information regarding the trading price history of our ordinary shares and ADSs.



Item 4. Information on the Company.

We provide a full range of mobile telecommunications services in 21 service areas in Mainland China, consisting of sixteen provinces (Guangdong, Zhejiang, Jiangsu, Fujian, Henan, Hainan, Hebei, Liaoning, Shandong, Anhui, Jiangxi, Sichuan, Hubei, Hunan, Shaanxi and Shanxi), four municipalities (Beijing, Shanghai, Tianjin and Chongqing) and one autonomous region (Guangxi Zhuang Autonomous Region). Our service areas cover many of the economically more advanced areas in Mainland China. As of December 31, 2003, the total population residing within our service area exceeded one billion. Based on publicly available information, we are the leading provider of mobile telecommunications services in each of these areas and the largest provider of mobile telecommunications services in the world as measured by total number of subscribers as of December 31, 2003. As of December 31, 2003, our total number of subscribers was approximately 141.6 million, representing approximately 64.8% of all mobile telecommunications services subscribers in our service areas. In addition, based on information compiled by the Ministry of Information Industry, our total number of subscribers represented approximately 52.7% of all mobile telecommunications services subscribers in Mainland China as of December 31, 2003. As of April 30, 2004, our total number of subscribers reached approximately 153.3 million.

The History and Development of the Company

We were incorporated under the laws of Hong Kong on September 3, 1997 as a limited liability company under the name "China Telecom (Hong Kong) Limited". We changed our name to "China Mobile (Hong Kong) Limited" on June 28, 2000 after obtaining the approval of our shareholders.

We completed our initial public offering in October 1997. Our ordinary shares are listed on the Hong Kong Stock Exchange, and our American Depositary Shares, or ADSs, each currently representing the right to receive five ordinary shares, are listed on the New York Stock Exchange. Our agent for service of process in the United States is CT Corporation System, and their address is 111 Eighth Avenue, 13th Floor, New York, New York 10011.

Expansion Through Acquisitions

Our initial mobile telecommunications operations included those in Guangdong province conducted by Guangdong Mobile Communication Company Limited, or Guangdong Mobile, and in Zhejiang province conducted by Zhejiang Mobile Communication Company Limited, or Zhejiang Mobile. As part of the restructuring in preparation for our initial public offering in 1997, the former Ministry of Posts and Telecommunications transferred to us a 100% equity interest in Guangdong Mobile and a 99.63% equity interest in Zhejiang Mobile. Since then, we have significantly expanded the geographical coverage of our operations through a series of acquisitions from CMCC, our indirect controlling shareholder, of mobile telecommunications operations conducted by its regional subsidiaries. In particular:

- We acquired the entire equity interest in Jiangsu Mobile Communication Company Limited, or Jiangsu Mobile, on June 4, 1998 for a cash consideration of HK\$ 22.5 billion.
- We acquired the entire equity interest in each of Fujian Mobile Communication Company Limited, or Fujian Mobile, Henan Mobile Communication Company Limited, or Henan Mobile, and Hainan Mobile Communication Company Limited, or Hainan Mobile, on November 12, 1999 for a total purchase price of HK\$ 49.7 billion, consisting of HK\$ 19.0 billion in cash and the remaining HK\$ 30.7 billion in the form of 1,273,195,021 new shares. In addition, we acquired the remaining 0.37% equity interest in Zhejiang Mobile in June 1999.
- We acquired the entire equity interest in each of Beijing Mobile Communication Company Limited, or Beijing Mobile, Shanghai Mobile Communication Company Limited, or Shanghai Mobile, Tianjin Mobile Communication Company Limited, or Tianjin Mobile, Hebei Mobile Communication Company Limited, or Hebei Mobile, Liaoning Mobile Communication Company Limited, or Liaoning Mobile, Shandong Mobile Communication Company Limited, or Shandong Mobile, and Guangxi Mobile Communication Company Limited, or Guangxi Mobile, on November 13, 2000 for a total purchase price of HK\$ 256.0 billion, consisting of HK\$ 74.6 billion in cash and the remaining HK\$ 181.4 billion in the form of 3,779,407,375 new shares.



- We acquired the entire equity interest in each of Anhui Mobile Communication Company Limited, or Anhui Mobile, Jiangxi Mobile Communication Company Limited, or Jiangxi Mobile, Chongqing Mobile Communication Company Limited, or Chongqing Mobile, Sichuan Mobile Communication Company Limited, or Sichuan Mobile, Hubei Mobile Communication Company Limited, or Hubei Mobile, Hunan Mobile Communication Company Limited, or Hunan Mobile, Shaanxi Mobile Communication Company Limited, or Shaanxi Mobile, and Shanxi Mobile Communication Company Limited, or Shanxi Mobile, on July 1, 2002 for a total purchase price of US\$ 8,573 million, consisting of an initial consideration of US\$ 5,773 million and a deferred consideration of US\$ 2,800 million. The initial consideration of US\$ 5,773 million consists of a cash payment of US\$ 3,150 million and the issuance of new shares for the remaining US\$ 2,623 million to China Mobile Hong Kong (BVI) Limited on the completion of acquisition. We financed the cash portion of the initial consideration by applying a portion of our existing internal cash resources, in the amount of US\$ 2,400 million, combined with proceeds from the issuance of new shares in the amount of HK\$ 5.85 billion (equivalent to approximately US\$ 750 million) to Vodafone Holdings (Jersey) Limited, or Vodafone Jersey, a wholly owned subsidiary of Vodafone Group Plc, or Vodafone. After the share placement, Vodafone's share holding in us increased from 2.18% to approximately 3.27%. The deferred consideration of US\$ 2,800 million is payable by the fifteenth anniversary of the date of the completion of acquisition, and we may make an early payment of all or part of the deferred consideration at any time. We used the entire proceeds from the RMB 3 billion guaranteed bonds due 2007 and RMB 5 billion guaranteed bonds due 2017, both issued on October 28, 2002 by Guangdong Mobile, our wholly-owned subsidiary, to satisfy part of the US\$ 2,800 million deferred consideration.

These acquisitions have significantly enlarged our subscriber base, expanded the geographical coverage of our business and enhanced the economy of scale of our operations. In addition, the integration of these acquired operations has enabled us to realize certain synergies and economies of scale. A discussion of the financial impact of these acquisitions is set forth in "Item 5. Operating and Financial Review and Prospects".

In accordance with our long-standing strategy of actively identifying opportunities to acquire mobile telecommunications assets in Mainland China, we have agreed to acquire the entire equity interest in (1) ten mobile telecommunications services providers located in the provinces or autonomous regions of Inner Mongolia, Jilin, Heilongjiang, Guizhou, Yunnan, Tibet, Gansu, Qinghai, Ningxia and Xinjiang, (2) a telecommunications network and business coordination company, China Mobile Communication Company Limited and (3) a telecommunications network planning and design institute, Beijing P&T Consulting & Design Institute Company Limited, or Jingyi Design Institute, from our direct parent company, China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of CMCC, pursuant to a conditional sale and purchase agreement dated April 28, 2004, for a total consideration of US\$ 3,650 million. This consideration consists of an initial consideration of US\$ 2,000 million and a deferred consideration of US\$ 1,650 million. We intend to finance the initial consideration by using existing internal cash resources and to finance the deferred consideration through internal cash resources and/or proceeds from future external financing, which may include bank financing, the possible issuance of bonds or other sources. We have obtained the requisite approvals from our independent shareholders and relevant regulatory authorities in Mainland China for this acquisition.

Industry Restructuring and Changes in Our Shareholding Structure

Prior to 1993, all public telecommunications networks and services in Mainland China were controlled and operated by the former Ministry of Posts and Telecommunications through the former Directorate General of Telecommunications, provincial telecommunications administrations and their city and county level bureaus.

As part of the Chinese government's restructuring of the telecommunications industry, the Ministry of Information Industry was formed in March 1998 to assume, among others, the responsibilities of the former Ministry of Posts and Telecommunications. One of the principal objectives of the restructuring was to separate the government's regulatory function from its business management functions in respect of state-owned enterprises. In the first half of 2000, the Chinese government substantially completed the industry restructuring. As a result, the



Ministry of Information Industry ceased to have an indirect controlling interest in us, and no longer exercises control over telecommunications operations, but continues in its capacity as industry regulator providing industry policy guidance as well as exercising regulatory authority over all telecommunications services providers in Mainland China.

In addition, as part of the restructuring, the telecommunications operations previously controlled by the former Ministry of Posts and Telecommunications were separated along four business lines: fixed-line telecommunications, mobile telecommunications, paging and satellite telecommunications. CMCC was established in July 1999 as a state-owned company to hold and operate the mobile telecommunications business nationwide resulting from the separation. As part of this separation, in July 1999 CMCC obtained the approximately 57% holding of voting shares and economic interest in China Mobile (Hong Kong) Group Limited, our indirect controlling shareholder, previously held by Telpo Communications (Group) Limited, an entity 100% controlled by the former Ministry of Posts and Telecommunications. In addition, in May 2000, the remaining 43% interest in China Mobile (Hong Kong) Group Limited previously held by the Directorate General of Telecommunications was transferred to CMCC. As a result, CMCC has become the owner of all voting shares and economic interest in China Mobile (Hong Kong) Group Limited and thus all of the Chinese government's interest in us. As of May 31, 2004, CMCC indirectly owned approximately 75.7% of all our outstanding shares, including shares represented by ADSs.

As a state-owned company, the former China Telecommunications Corporation owns and operates fixed-line telephone and data telecommunications networks. In November 2001, the State Council formally approved the restructuring of the former China Telecommunications Corporation, China Netcom Corporation Limited and Jitong Network Communications Company Limited. Under the restructuring plan, China Netcom was formed in May 2002. China Netcom consists of ten regional telecommunications companies that were originally owned by the former China Telecommunications Corporation in Beijing, Tianjin and eight provinces, China Netcom Corporation Limited and Jitong Network Communications Company Limited. China Telecom retained the telecommunications companies originally owned by the former China Telecommunications Corporation in the remaining provinces, directly-administered municipalities and autonomous regions. As a result, apart from CMCC, principal participants in the telecommunications industry in Mainland China also include China Telecom, China Netcom, China Unicom, China Satellite Communications Corporation and China Railcom. Among those six participants, CMCC (including us) and China Unicom are the two operators that provide mobile telecommunications services in Mainland China.

Organizational Structure

As of May 31, 2004, CMCC, a company incorporated in China, owned 75.7% equity interest in us through intermediate holding companies. As of May 31, 2004, we owned 100% equity interests in Guangdong Mobile, Zhejiang Mobile, Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile, Guangxi Mobile, Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile through intermediate holding companies, and a 66.4% equity interest in Aspire Holdings Limited, a company incorporated in the Cayman Islands. Upon the completion of our pending acquisition, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China, and CMCC will no longer operate mobile telecommunications businesses in Mainland China other than through us.

General Information

Our principal executive offices are located at 60th Floor, The Center, 99 Queen's Road Central, Hong Kong, China; telephone: 852-3121-8888. We also maintain a regional headquarters in each of our service areas in Mainland China. Our web site address is www.chinamobilehk.com. The information on our web site is not a part of this annual report.

Business Overview

We offer mobile telecommunications services principally using the Global System for Mobile Communications, or GSM, standard. GSM is a pan-European mobile telephone system based on digital transmission and mobile telecommunications network architecture with roaming capabilities. Our GSM networks currently reach virtually all cities and counties and major roads and highways within our service areas. Upon the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China, and our GSM networks will reach virtually all cities and counties and major roads and highways in Mainland China.



Our Strategy

As a pioneer and the market leader in the world's largest mobile telecommunications market, we intend to focus on our core mobile telecommunications business, proactively integrate our brands, develop new businesses, continue to pursue refined management methods and further consolidate our position as the market leader in the mobile telecommunications industry in Mainland China.

We believe the mobile telecommunications market in Mainland China will continue to expand, and we have designed our business strategy to achieve sustainable growth. Our business strategy includes the following key elements:

- integrate our brands;
- continue to improve our customer services and satisfaction;
- proactively participate in the industry value chain by coordinating with manufacturers to ensure that mobile terminals (including, among others, mobile handsets and personal digital assistants, or PDAs) are tailored to our customers' needs;
- continue to be creative and innovative in developing new products and services; and
- continue to keep abreast of new mobile telecommunications technologies, especially those with high growth potential.

Subscribers and Usage

Our subscriber base has grown substantially from 6.5 million at the end of 1998 to 141.6 million at the end of 2003. As of December 31, 2003, we had a market share of approximately 64.8% in our 21 service areas. As of April 30, 2004, our total number of subscribers reached approximately 153.3 million. Our acquisition of a total of 19 regional mobile telecommunications companies between June 1998 and July 2002 has substantially expanded our subscriber base. In addition, our subscriber base is expected to increase significantly upon the completion of our pending acquisition of the ten telecommunications companies from our direct parent company. In addition to our acquisitions, our subscriber growth is also attributable to a number of other factors, including:

- significant economic growth in our markets;
- our network expansion and development;
- our increased marketing and sales efforts and improved distribution channels;
- decreased cost of initiating services due to a decline in handset prices as well as the gradual decrease and final elimination of the connection fees and the adjustments in other tariffs for our services; and
- our new service initiatives, enhanced roaming capabilities and value added services.



The following table sets forth selected historical information about our subscriber base and subscriber usage for the periods indicated.

	As of or for the year ended December 31,		
	2001	2002	2003
Subscribers (in millions)			
Contract subscribers ⁽¹⁾	34.0	49.0	51.1
Prepaid subscribers ⁽¹⁾	35.6	68.7	90.5
Total	69.6	117.7	141.6
Minutes of Usage (in billions) ⁽²⁾			
Contract subscribers ⁽¹⁾	130.8	192.6	250.8
Prepaid subscribers ⁽¹⁾	30.5	67.5	122.4
Total	161.3	260.1	373.2
Average Minutes of Usage Per Subscriber Per Month ⁽³⁾			
Contract subscribers ⁽¹⁾	329	334	417
Prepaid subscribers ⁽¹⁾	103	99	129
Blended	233	207	240
Average Revenue Per Subscriber Per Month (RMB) ⁽⁴⁾			
Contract subscribers ⁽¹⁾	199	176	171
Prepaid subscribers ⁽¹⁾	72	63	58
Blended	145	115	102
Average Monthly Churn Rate (%) ⁽⁵⁾			
	0.55	0.69	1.05

- (1) For management reference purposes, contract subscribers are classified to include “GoTone” subscribers and subscribers who have signed service contracts with us, while prepaid subscribers are classified to include subscribers of “Shenzhouxing”, “M-Zone” and other brands or packages targeting low usage volume users.
- (2) The total minutes of usage in 2002 include the full year minutes of usages of the regional mobile telecommunications companies we acquired in that year as if the respective acquisition occurred at the beginning of that year and are presented for ease of comparison.
- (3) Calculated by (A) dividing the total minutes of usage (calculated in the manner as set forth in note (2) above) during the relevant year by the average number of subscribers during the year (calculated as the average of the numbers of subscribers at the end of each of the thirteen calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12.
- (4) Calculated by (A) dividing the operating revenue during the relevant year by the average number of subscribers during the year (calculated in the same manner as in note (3) above) and (B) dividing the result by 12. For purposes of this note (4) only, both operating revenue and average number of subscribers in 2002 take into account the full year effect of the regional mobile telecommunications companies we acquired in that year as if the respective acquisition occurred at the beginning of that year.
- (5) Measures the monthly rate of subscriber disconnections from mobile telecommunications services, determined by dividing: (A) the result obtained by dividing (i) the sum of voluntary and involuntary terminations from our network (excluding internal transfer) during the relevant year by (ii) the average number of subscribers during the year (calculated in the same manner as in note (3) above) by (B) 12. On this basis, our calculated average monthly churn rate will be affected by the number of voluntary and involuntary terminations and the significant growth in our subscriber base. The average monthly churn rate in 2002 is calculated based on the full year information pertaining to the relevant regional mobile telecommunications companies we acquired in 2002 as if the acquisition occurred at the beginning of 2002 and is presented for ease of comparison. The increase of the average monthly churn rate in 2003 is primarily a result of intensified competition in the industry.



The size and composition of our subscriber base and subscribers' usage patterns have changed in recent years. In particular, the cost of initiating services has decreased due to a decline in handset prices, the connection fees have been reduced and ultimately eliminated, other tariffs for our services have been adjusted, and mobile telecommunications technologies have improved over time. As a result, mobile telecommunications services have become increasingly popular for both business and social uses. In general, the highest usage subscribers with the greatest telecommunications needs have tended to be the early subscribers of mobile telecommunications services. As penetration increases, newer subscribers on average incur lower monthly usage, and are generally more price-sensitive. Accordingly, as is typical in many countries with developing mobile telecommunications markets, the average revenue per subscriber per month generally has declined over the last few years as our mobile penetration has increased. However, total minutes of usage of our subscribers continued to grow significantly in 2001, 2002 and 2003, and average minutes of usage per subscriber per month also increased in 2003.

Services

The services we provided primarily include voice-related services and data services.

Voice-Related Services. Our voice-related services include basic voice-related services and value-added voice services. Basic voice-related services enable our subscribers to make and receive calls with a mobile phone at any point within the coverage area of our mobile telecommunications networks. These services include local calls, domestic long distance calls, international long distance calls, intra-provincial roaming, inter-provincial roaming and international roaming. Through our Internet Protocol backbone network, known as CMNet, we also provide Internet Protocol-based, or IP-based, long distance call services, which allow users to make domestic and international long distance calls at relatively lower costs. Our IP-based long distance call services cover our entire service area. Value-added voice services mainly include caller identity display, call waiting, call forwarding, call holding, voice mail, personalized ringing tones and others.

Data Services. We believe that wireless data will continue to be one of the fastest growing segments of the telecommunications market in Mainland China over the next several years. We intend to further expand our wireless data services. As of December 31, 2003, our wireless data services subscribers reached 100.6 million, which represented a 74.3% increase compared to 57.7 million subscribers as of December 31, 2002, and accounted for 71.1% of our total subscribers.

We conduct various wireless data businesses under the "Monternet" brand. As a carrier of wireless data business, "Monternet" exemplifies the characteristics of "mobile, open", making it possible for a large number of service providers to realize their creative and competitive advantages, and to commercially launch their products quickly and efficiently. We uphold the principles of "fairness, openness and 'win-win' co-operation" in the operation of "Monternet", and have entered into broad co-operation arrangements with various service providers that offer a wide range of "Monternet"-based services, such as short message services, or SMS, wireless application protocol, or WAP, services, multimedia messaging service, or MMS, and "Treasure Box (Java)".

SMS. SMS refers to services which employ the existing resources of GSM telecommunications networks and the corresponding functions of mobile telecommunications terminals to deliver and receive text messages, including subscriber-to-subscriber messages, "Monternet"-based short messages and others. SMS offers convenience and multi-functionality to our subscribers, and this business has grown rapidly in recent years. In particular, short message usage volume reached 93.5 billion in 2003 from 40.4 billion in 2002. As of December 31, 2003, over 880 SMS providers offered more than 70,000 types of services in 28 categories through our mobile telecommunications channels and mobile information service platform. We plan to continue utilizing our GSM network to provide data services based on our mobile information service platform where consumer demands can be more economically served by SMS. These data services include, for example, the transmission of short messages to facsimile and e-mail addresses.



Wireless Internet Access. We provide wireless Internet access by utilizing general packet radio service, or GPRS, and wireless local area network, or WLAN, technologies to access WAP websites and Internet websites. GPRS supports a higher transmission rate than the traditional GSM cellular technology and enables network operators to provide more information and applications via a wireless connection. The usage of WAP-based services has grown significantly as the transmission speed and reliability has improved in recent years. WLAN is a wireless data transmission network which enables users to easily access local area networks via terminals with electromagnetic transmission, and is a complement to, and an extension of, wired local area networks access. We have begun providing WLAN services at “hot spots”, such as airports, hotels, conference and exhibition centers and office buildings, within certain major cities.

Other Wireless Data Services. We have developed many new products to capture the fast growing wireless data market. New products include MMS, M-commerce, “Mobile Mailbox”, “Treasure Box (Java)”, “12586 mobile chat services”, “12590 voice-SMS information” and others.

Internet Access Services. We provide Internet access services to mobile and fixed-line users to enable subscribers to connect to the Internet via our networks by dialing the prefix “172XX”. We also offer private integrated voice-related and Internet connection services to corporate subscribers.

Tariffs

The tariffs payable by our subscribers include primarily usage charges, monthly fees and service fees for value added services. Usage charges for both our contract and prepaid subscribers include base usage charges plus, where applicable, an additional component reflecting domestic and international long distance tariffs. When using roaming services, subscribers incur a roaming charge instead of the base usage charges, plus applicable domestic and international long distance charges.

We have flexible long distance tariff plans distinguishing between day time and night time, and offer tailored service plans based upon customer requirements as well as our network resources.

Our tariffs are subject to regulation by various government authorities, including the Ministry of Information Industry, the National Development and Reform Commission (the successor to the former State Development and Planning Commission) and the relevant price regulatory authorities in our service areas. The actual price range in each service area is proposed by a network operator in that service area and must be approved by the relevant price regulatory authorities in that service area. In general, base usage charges, monthly fees, domestic roaming charges and applicable long distance tariffs (other than tariffs for Internet Protocol phone calls) are also determined by the Ministry of Information Industry in consultation with the National Development and Reform Commission.

We offer our subscribers a variety of tariff packages which have different monthly fees, levels of basic usage and charges per minute for usage exceeding the covered basic usage, value-added services and other features. In general, the higher the monthly fee of a tariff package, the greater the price concession we offer. The tariff packages often incorporate different complimentary value-added services packages.

Given the rapid growth in mobile penetration rates and increased competition, in order to remain competitive in terms of price and performance with other mobile telecommunications operators, we provide certain discounts and promotional offers in and during corresponding service areas and call periods targeting different customers. These discounts and promotional offers mainly include rewards for the pre-payment of fees, free trials of value-added services, tariff discounts during off-peak hours and in low-traffic areas, and tariff discounts for specified call recipients.



Tariff Adjustments. As part of the efforts to further rationalize the tariff structure of telecommunications services, the Chinese government announced a wide range of tariff adjustments, which took effect at various dates in the first half of 2001. The tariff adjustments that affect our mobile telecommunications services include the shortening of a billing unit from one minute to six seconds for long distance call rates (other than rates for Internet Protocol phone calls), the general reduction in domestic and international long distance call rates, the elimination of various surcharges and a general reduction in leased line tariffs. Although the adjustments in long distance call rates and the elimination of surcharges may have had reduced our revenue in the short term, they had stimulated increased subscriber usage and contributed to our overall revenue growth in the long run. In addition, we were able to achieve savings in leased line expenses as a result of the reduction in leased line tariffs.

Interconnection

Interconnection refers to various arrangements that permit the connection of our networks to other networks such as the fixed-line networks. These agreements provide for the sharing and settlement of revenues from the base usage charges and, if applicable, roaming charges and domestic and international long distance charges.

Interconnection with CMCC. We have an inter-provincial interconnection and roaming agreement with CMCC, under which the other subsidiaries of CMCC and us provide each other with domestic inter-provincial network interconnection services and domestic and international roaming services. Upon the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China, and CMCC will no longer directly own any subsidiaries providing mobile telecommunications services in Mainland China. As a result, we will not interconnect with any subsidiaries of CMCC.

Interconnection with Other Operators. Our networks interconnect with the networks of other operators, allowing our subscribers to communicate with the subscribers of these operators and to make and receive local, domestic and international long distance calls. Each of our operating subsidiaries has interconnection agreements with those operators in its service area. The economic terms of these agreements are standardized from province to province.

Roaming

We provide roaming services to our subscribers, which allow them to access our telecommunications services while they are physically outside of their registered service area and are in other parts of our service areas or in the coverage areas of other mobile telecommunications networks with which we have roaming arrangements.

Under our domestic roaming arrangement with CMCC, our subscribers can make and receive calls while they are located in the coverage areas of CMCC in the rest of Mainland China outside our service areas. Conversely, we offer roaming services to CMCC's subscribers while they are in our service areas. As of December 31, 2003, we offered roaming capabilities in 155 countries and regions around the world under our roaming arrangements with relevant local operators. Upon the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China, and CMCC will no longer directly provide mobile telecommunications services in Mainland China. As a result, there will not be domestic roaming services between us and CMCC.

A mobile telecommunications services subscriber using roaming services is charged at our per-minute roaming charge (instead of the base usage charge) for both incoming and outgoing calls, plus applicable long distance charges.



Revenue Sharing and Settlement of Long Distance Charge When Roaming. In addition to the base roaming charge, long distance charges may be assessed when a subscriber is roaming. Where a mobile telecommunications services subscriber makes a call while roaming, the home network operator collects all long distance charges incurred and pays all such charges to the operator of the visited network. Where a mobile telecommunications services subscriber receives a call while roaming, the home network operator receives and keeps all long distance charges incurred by that subscriber.

Research and Development

Our research and development efforts focus on:

- developing advanced data application solutions suitable for the particulars of the consumer markets in Mainland China; and
- monitoring technological trends, including advancement in the third generation mobile telecommunications technologies, or 3G, which may have an impact on the development of our current business and the implementation of our wireless data strategy.

In light of the increasingly competitive and rapidly evolving telecommunications market in Mainland China, we expect to continue to devote resources to the research and development of new products, services and technology applications.

To focus our mobile data activities and consolidate related research and development efforts, we formed Aspire Holdings Limited, or Aspire, as a majority-owned subsidiary with operations based in Shenzhen, China, in June 2000. The principal business focuses of Aspire include systems integration, product development, and technical support for mobile data systems and related applications in Mainland China. Aspire also operates our wireless data research and development center in Shenzhen, China. Aspire is an important part of our overall strategy to capture the fast growing wireless data sector in Mainland China.

Aspire currently has a business alliance with each of Hewlett-Packard Company and Vodafone Americas Asia Inc., a subsidiary of Vodafone, to develop wireless data and Internet and related applications. As of May 31, 2004, Hanover Asia-Pacific Investments Limited, an indirectly wholly-owned subsidiary of Hewlett-Packard, and Vodafone Holdings (Jersey) Limited, a subsidiary of Vodafone, hold a 7% and a 9.99% equity interest in Aspire, respectively.

Aspire has also entered into a master agreement with each of us and CMCC for the development of our mobile information service center platform and that of CMCC. Under each of the master agreements, Aspire will provide system and gateway integration services, hardware, software and system development, technical support and major overhaul services of data centers to us and CMCC.

Sales and Customer Services

Sales Channels. We offer our services through an extensive network of proprietary sales outlets and retail outlets. In addition to providing retail sales and network connection services, most of our proprietary sales outlets also offer differentiated services to subscribers under different service brands, including, for example, billing information and payment collection, services consultation, handset repair and other customer services. Furthermore, most of our proprietary sales outlets provide training and service demonstrations to retail outlets. The retail outlets offer our services according to agency agreements with us. In connection with these sales, all applicable fees payable after initial connection are paid to us. As of December 31, 2003, we had a sales network consisting of over 73,000 outlets, representing an increase of approximately 19% compared to the same date in 2002. Among these outlets, approximately 9% were our proprietary sales outlets.

We also establish concept stores in major cities within our service areas to showcase our services and products, particularly our wireless data services, and to facilitate certain sales and marketing activities.



Market Segmentation Strategy. As subscribers' demands for mobile telecommunications become more varied and complex, we have conducted research on market segmentation and have launched brands and products which cater to the specific needs of different subscriber groups.

We mainly promote three brands, each with a different focus. "GoTone" targets high to middle-end subscribers, "Shenzhouxing" targets the mass market and the new "M-Zone" brand targets the young user group through the integration of voice and data services.

We also provide virtual private mobile network, or VPMN, services to our corporate subscribers. VPMN offers a "virtual" private telecommunications network to corporate subscribers as an overlay upon the basic public telecommunications network, which enables corporate internal telecommunications functions such as speed dialing and information broadcasting. VPMN has been implemented in certain targeted market segments. We believe our VPMN services will not only enhance the loyalty of corporate customers, but will also stimulate usage as well as attract potential new subscribers.

Customer Services. Our customer support service centers offer 24-hour staff-answering and automatic-answering service hotlines in our service areas, dealing with customer enquiries regarding services and billing, as well as handling customer complaints. In order to retain high-value and corporate customers and enhance customer satisfaction, we offer a series of services targeted at high-value and corporate customers, including dedicated account executives, on-site visits and systems for collecting comments and handling complaints.

Customer Retention. As a result of intensified competition, we place great emphasis on customer retention. Our strategy is to attract and retain high-value customers by providing high quality services. We have implemented a "Customer Point Reward Program", which is a bonus point based scheme that rewards customers according to their service consumption, loyalty and payment history. This represents an important measure by us to retain high-value customers. Customers are identified and grouped as "GoTone Diamond", "GoTone Gold", "GoTone Silver" and "GoTone VIP" card members according to their respective value contribution and points accrued. Different levels of membership entitle members to different privileges. Customers in these four classifications are eligible to receive targeted rewards, including some of our own products and services, as well as those of our business partners. In 2003, we integrated "1860", "Personal Account Executive", "Corporate Account Executive" and various offerings at our sales outlets into "GoTone" service platform, and offered tailored services packages, such as MMS, "e-Freedom", "Mobile Brokerage" and "12580 Business Travel Companion" to our "GoTone" customers. In addition, we offer special services to our "GoTone VIP" members, including cross-region services, handset repairs in roaming locations, and special airport services in home network and in roaming locations.

Churn Management. We have devised internal monitoring systems to detect subscribers who are prone to discontinue their subscriptions. In particular, our churn alert system prompts customer service representatives to proactively approach those subscribers, and customers who have recently discontinued their service, to improve customer relations and minimize churn.

Credit Control. We have implemented subscriber registration procedures, such as identity checks for individual contract-based customers and information checks for corporate customers, to assist in credit control. In certain situations, we require contract subscribers to pay an advance deposit representing a pre-determined amount of usage charges before certain telecommunications services are activated. The actual usage charges incurred are verified against the balance of the amount deposited at regular intervals on a daily basis, and if there are unusual circumstances, control measures will be implemented. Direct debit services are available in each geographical area. The accounts of contract subscribers are required to be settled on a monthly basis, and a late payment fee is imposed on each subscriber whose account balance is not settled by the monthly due date. If the subscriber's account remains overdue, the subscriber's services will be deactivated and such subscriber must pay all overdue amounts, including applicable late payment fees, to reactivate services. To further control credit risk, we have expanded the sphere of service offerings that require subscribers to pre-pay for services.



We make provision for doubtful accounts based on our assessment of the recoverability of accounts receivable on maturity. In particular, we make full provision for accounts receivable older than three months. The total amount of the provision for doubtful accounts for each of 2001, 2002 and 2003 was RMB 1,737 million, RMB 1,749 million and RMB 2,006 million, respectively, or 1.7%, 1.4% and 1.3% of total operating revenue, respectively.

In 2003, we launched an initiative of “Any Billing Error, Double Refund” to win our customer loyalty. We also began to provide our customers with comprehensive form-filling assistance at customer service counters and bill-delivery services.

Information Systems

Our information systems primarily consist of a network management system, a business operation support system and a management information system. The network management system collects and processes the operating data from each network, and manages, supervises and controls our networks for safe and efficient operation. The business operation support system provides day-to-day operational support to each business unit, and is a unified and comprehensive system that enables the sharing of information resources. This system standardizes and integrates each of our sales, billing, settlement, customer service and network failure handling databases in a centralized and orderly manner. The management information system collects and processes our management information and provides support to our management personnel. In addition, this system has computerized and automated our management in finance, inventory, procurement and projects. Furthermore, we have an internal communications network, which consists of our office automation system, our internal computer network, video conference system, telephone system and others, the combination of which supports our internal communications. In 2003, we upgraded these systems to improve our management and operations.

Trademark. We market our services under the “CHINA MOBILE” trademark, which is the trademark we use throughout Mainland China. “CHINA MOBILE” is a registered trademark in Mainland China owned by our parent company, CMCC. In July 2002, we entered into a new non-exclusive licensing agreement with CMCC for the use of the “CHINA MOBILE” name and logo by us and our operating subsidiaries. Under this agreement, no license fee is payable by us for the first five years from the effective date of the trademark registration in China and any fees payable after that will be no less favorable than fees paid by other affiliates of CMCC.

In addition, the “CHINA MOBILE” name has been registered as a trademark by CMCC in Hong Kong, Cambodia and New Zealand. Furthermore, CMCC has filed applications to register the “CHINA MOBILE” name and logo as a trademark in Bangladesh, Canada, India, Indonesia, Macau, Malaysia, Philippines, South Korea, Taiwan, Thailand and the United States.

We market our wireless data services under the “MONTERNET” brand name throughout Mainland China. The “MONTERNET” name has been registered as a trademark in Hong Kong, Mainland China and the European Union. In addition, we have filed applications in Canada and the United States to register the “MONTERNET” name and logo as a trademark.

Mobile Telecommunications Networks

We offer mobile telecommunications services using the GSM standard. Each of our GSM networks consists of:

- base stations, which are transmitters and receivers that serve as a bridge between all mobile users in a cell and connect mobile calls to the mobile switching center;
- base station controllers, which connect to, and monitor and control, the base station within each cell, performing the functions of message exchange and frequency administration;



- mobile switching centers, which are central switching points to which each call is connected, and which control the base station controllers and the routing of calls;
- transmission lines, which link the mobile switching centers, base station controllers, base stations and other telecommunications networks; and
- software applications that drive the mobile telecommunications infrastructure.

The following table sets forth certain selected information regarding our GSM networks as of December 31, 2001, 2002 and 2003:

	2001	2002	2003
Subscribers (in thousands)	69,643	117,676	141,616
Voice channels (in thousands)	2,787	4,712	5,734
Mobile switching centers	599	1,020	1,148
Base station controllers	1,480	2,493	2,730
Base stations (in thousands)	43	85	104

GSM Network Capacity Expansion Plans. All of our subscribers currently use digital GSM services. We intend to continue our network expansion and improvement with an emphasis on increasing the coverage and capacity and improving the operating efficiency of our GSM networks. Our network expansion plans depend to a large extent upon the availability of sufficient spectrum. In addition, in order to improve the capacity of our mobile telecommunications networks in certain major urban centers, we introduced the GSM-compatible 1800 MHz Digital Cellular System.

Spectrum. A mobile telecommunications network’s capacity is to a certain extent limited by the amount of frequency spectrum available. The Ministry of Information Industry allocated a total of 34 MHz of spectrum, for transmission and reception, respectively, in the 900 MHz frequency band and the 1800 MHz frequency band to our parent company, CMCC. Under the existing agreement between CMCC and us, we have the exclusive right to use such frequency spectrum in our service areas.

Transmission Infrastructure. The physical infrastructure linking our base stations, base station controllers and mobile switching centers and interconnecting our networks to other networks consists of transmissions lines, which provide the backbone infrastructure by which mobile call traffic is carried.

Intra-Provincial Transmission Lines. In addition to our own transmission lines, we also lease intra-provincial and local transmission lines from other operators and pay them fees based on tariff schedules stipulated by the relevant regulatory authorities after adjusting for the discounts that we have negotiated.

Inter-Provincial Transmission Lines. In May 2000, we entered into an inter-provincial leased line agreement with CMCC, which was supplemented in September 2000, extending the application of this agreement to the seven regional mobile telecommunications companies we acquired in 2000 effective upon our acquisition. We entered into a further supplemental agreement in April 2002, which extended the application of this agreement to the eight regional mobile telecommunications companies we acquired in 2002. The leased inter-provincial transmission lines link our mobile switching centers with each other and with CMCC’s other mobile switching centers. Following the completion of our pending acquisition of the telecommunications assets from our direct parent company, we expect to enter into an agreement with CMCC pursuant to which CMCC will collect inter-provincial transmission line leasing fees from us and pay the leasing fees to the relevant transmission line providers.

Network Operations and Maintenance. We believe that we have considerable network operation and maintenance experience and technical expertise. Day-to-day traffic management, troubleshooting, system maintenance and network optimization are conducted by our experienced team of engineers and technicians.



Technical staffs are available for emergency repair work 24 hours a day and we employ specialist teams for central maintenance of the networks. Currently, most technical difficulties relating to the networks are resolved by our staff, although our equipment suppliers also provide back-up maintenance and technical support.

Base Station Sites. In urban areas, our base station sites are located mostly on existing structures, typically at the top of tall buildings. In rural areas, masts are often constructed for locating base stations. Typically, base station sites are of limited size, as base station equipment does not generally require significant space. Generally, depending on the length of time required for negotiation with respect to use of the land or buildings, construction of a base station takes approximately one to three months in an urban area and approximately three to six months in a rural area. We anticipate that we will need a significant number of new sites in connection with the expansion of our mobile telecommunications networks. There can be no assurance that we will be able to obtain the requisite number of sites on reasonable commercial terms.

Equipment Suppliers. We select our principal suppliers from among leading international and domestic manufacturers of mobile telecommunications equipment and in accordance with technical standards set by the Ministry of Information Industry. In 2003, we purchased our GSM networks equipment primarily from Ericsson, Nokia, Motorola, Huawei Technologies and Alcatel.

Migration from Analog to Digital Network. Recent advances in GSM technologies have substantially increased network capacity and service quality. The economic life cycle of our analog network equipment was also much more limited than that of our digital networks. We terminated our analog services on December 31, 2001 in order to utilize our spectrum resources more efficiently and accelerate the enhancement of our network. Since that time, substantially all of our analog service subscribers have migrated to our GSM network.

Strategic Alliance with Vodafone

We have a strategic alliance agreement with Vodafone, which provides for a number of cooperation arrangements between us and Vodafone, including:

- the exchange and sharing of corporate management, technical and operational expertise and resources;
- joint research and development;
- the introduction of global products and services for the mobile community; and
- the development and implementation of standards and protocols relevant to mobile telecommunications.

Under the agreement, Vodafone is our preferred partner in the above mentioned areas, and we are Vodafone's sole strategic partner in China for all areas of potential cooperation within the scope of the strategic alliance. As part of the alliance, Sir Christopher Gent, formerly the Chief Executive of Vodafone, served as an independent non-executive director of our company from February 2001 until August 2003. Dr. J. Brian Clark, Chief Executive in the Asia Pacific Region of Vodafone, joined our board of directors as a non-executive director in August 2003. See "Item 6. Directors, Senior Management and Employees". In addition, as of May 31, 2004, Vodafone held approximately 3.27% of our outstanding shares. See "— The History and Development of Company — Expansion of Business Coverage Through Acquisitions".

We believe that the strategic alliance with Vodafone has enhanced our strengths in the telecommunications market in Mainland China and will better position us to pursue further expansion opportunities globally. In particular, this alliance has enabled us to have frequent and broad exchanges of expertise and market information. Moreover, this strategic alliance will enable Vodafone and us to share information and establish benchmarks to better assess and enhance each other's performance, thereby better positioning both parties in the global telecommunications market. See "— Research and Development".



Competition

We compete with other telecommunications services providers. In all of the provinces, municipalities and the autonomous region in which we operate, we are one of the two licensed mobile telecommunications services providers. The Chinese government encourages orderly and fair competition in the telecommunications industry in Mainland China. In particular, the Chinese government has extended favorable regulatory policies to some of our competitors, such as China Unicom, in order to help them become more viable competitors to us and CMCC. For example, the Chinese government has permitted China Unicom to apply mobile service tariffs as much as 10% below the governmental standard rates. We believe this policy has helped China Unicom's market share by capturing a significant number of price-sensitive mobile telecommunications services subscribers.

In accordance with the Chinese government policy of encouraging competition in the Chinese telecommunications industry, the government has previously authorized new entrants to offer IP-based long distance call services, data and Internet services. In 2001, the State Council formally approved the restructuring of the former China Telecommunications Corporation, China Netcom Corporation Limited and Jitong Network Communications Company Limited, which created two large telecommunications companies, China Telecom and China Netcom. Increased competition from new entrants in China's telecommunications industry could adversely affect our financial condition and results of operations. See "Item 3. Key Information — Risk Factors — New entrants in the telecommunications industry in China may further intensify competition and adversely affect our results of operations".

We are facing intensified competition from other operators. Upon the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China. China Unicom provides mobile telecommunications services through GSM and CDMA networks in substantially all of these areas. China Telecom and China Netcom also offer local wireless access services, such as "Xiaolingtong" services, in substantially all of our service areas. "Xiaolingtong" services are local telecommunications services based on the Personal Access System technology, which provide subscribers with wireless access in a low-mobility environment through radio base stations with short-distance coverage. In addition, China Unicom, China Telecom and China Netcom launch from time to time promotional offers, such as handset subsidies and tariff packages, to attract customers. China Telecom and China Netcom also offer "Xiaolingtong" services together with fixed-line services as a package. Despite intensified competition, we believe that we have significant competitive advantages due to:

- our superior mobile telecommunications networks;
- our widely-recognized brand name and logo that are closely identified with us by consumers;
- our broad distribution networks and our focus on customer services;
- our extensive range of value added services;
- our experienced management team and seasoned employees; and
- our financial resources.

We believe these advantages have contributed to our superior subscriber quality compared to that of our competitors, as measured by average usage levels, average revenues per subscriber and doubtful accounts levels.

The State Council and the Ministry of Information Industry may approve additional mobile service providers in the future that may compete with us. We may also be subject to competition from providers of new telecommunications services based on existing or new technologies, such as 3G, for which we have budgeted minimal capital expenditures annually for purposes of monitoring and performance trials. Nonetheless, given the relatively low mobile penetration rates in our markets and in Mainland China in general, we believe there is substantial growth potential for our mobile telecommunications business. We believe that the restructuring of the telecommunications industry in Mainland China has helped to create a fair, orderly, transparent and healthy telecommunications market.



World Trade Organization

On December 11, 2001, China officially joined the WTO. Under the Protocol on the Accession of the People’s Republic of China, dated as of November 11, 2001, China agreed to gradually open the various segments and regions of its telecommunications market to foreign investment. Pursuant to this accession protocol, both the percentage of ownership of Sino-foreign joint ventures offering telecommunication services in China and the regions where those joint ventures are permitted to offer telecommunications services will be gradually expanded over a period of six years. Under the accession protocol, the telecommunication market is divided into fixed-line services, mobile voice and data services, paging services and value added services. Value added services include electronic mail, voice mail and online information and database retrieval. By December 11, 2004, foreign investors will be permitted to own up to 49% of joint ventures that offer mobile voice and data services in 17 cities in China. By December 11, 2006, such joint ventures will be permitted to offer mobile voice and data services in China without any geographic restrictions.

The table below summarizes the foreign ownership restrictions for telecommunications joint ventures in China as well as applicable geographic restrictions:

**Foreign Ownership Percentage and Geographic Restrictions
for Foreign-Funded Telecommunications Enterprises**

Sector	As of December 31,						
	2001	2002	2003	2004	2005	2006	2007
Mobile	25% (3 cities) ⁽¹⁾	35% (17 cities) ⁽²⁾		49% (17 cities) ⁽²⁾		49% (nationwide)	
Fixed-line	N/A	N/A	N/A	25% (3 cities) ⁽¹⁾		35% (17 cities) ⁽²⁾	49% (nationwide)
Value added	30% (3 cities) ⁽¹⁾	49% (17 cities) ⁽²⁾	50% (nationwide)				
Paging	30% (3 cities) ⁽¹⁾	49% (17 cities) ⁽²⁾	50% (nationwide)				

(1) The initial three cities are Beijing, Shanghai and Guangzhou.

(2) The 17 cities include Beijing, Chengdu, Chongqing, Dalian, Fuzhou, Guangzhou, Hangzhou, Nanjing, Ningbo, Qingdao, Shenyang, Shanghai, Shenzhen, Xiamen, Xi’an, Taiyuan and Wuhan.

Regulation

The mobile telecommunications industry in Mainland China is subject to a high degree of regulation by the Chinese government. Regulations issued or implemented by the State Council, the Ministry of Information Industry and other relevant government authorities including the National Development and Reform Commission and the Ministry of Commerce, which consolidated the functions of the former Ministry of Foreign Trade and Economic Cooperation, encompass all key aspects of mobile telecommunications network operations, including entry into the telecommunications industry, scope of permissible business, interconnection and transmission line arrangements, technology and equipment standards, tariff standards, capital investment priorities, foreign investment policies and spectrum and number resources allocation.

The Ministry of Information Industry, under the leadership of the State Council, is responsible for, among other things:

- formulating and enforcing industry policy, standards and regulations;
- granting telecommunications licenses;



- formulating interconnection and settlement standards for implementation between telecommunications networks;
- together with other relevant regulatory authorities, formulating tariff and service charge standards for telecommunications services;
- supervising the operations of telecommunications services providers;
- promoting fair and orderly market competition among operators; and
- allocating and administering public telecommunications resources, such as radio frequencies, number resources, domain names and addresses of telecommunications networks.

In order to provide a uniform regulatory framework to encourage the orderly development of the telecommunications industry, the Ministry of Information Industry, under the direction of the State Council, is currently preparing a draft telecommunications law. We expect that, if and when the telecommunications law is adopted by the National People's Congress, it will become the basic telecommunications statute and the legal source of telecommunications regulations in Mainland China. In addition, the State Council promulgated a set of telecommunications regulations on September 25, 2000. These regulations apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will have a positive effect on the overall development of the telecommunications industry in Mainland China, we cannot predict what the ultimate nature and scope of the telecommunications law will be.

Entry into the Industry. Under the current regulations, operators of mobile telecommunications networks, providers of other basic telecommunications services such as local and long distance fixed-line telephone services, and value added service providers whose telecommunications services cover two or more provinces, municipalities or autonomous regions in China must apply for specific permits from the Ministry of Information Industry in order to provide such services. Granting of permits for providing basic telecommunications services will be through a tendering process. Currently, in addition to us and other entities controlled by CMCC which operate in Mainland China outside of our markets, China Unicom is also authorized to provide mobile telecommunications services in all provinces, municipalities and autonomous regions in China.

On December 11, 2001, China officially joined the WTO. To implement China's commitments under the WTO, the Administration of Foreign-Funded Telecommunications Enterprises Provisions became effective on January 1, 2002, permitting foreign investment in joint ventures that provide telecommunications services in China. However, such investments will presumably bear no direct relation to the issuance of licenses to providers of telecommunications services in Mainland China, as the issuance of new licenses by the relevant authority is governed by a separate set of rules and regulations. Pursuant to the Administration of Foreign-Funded Telecommunications Enterprises Provisions, foreign ownership in a telecommunications enterprise may be gradually increased to 49% if such enterprise provides basic telecommunication services and 50% if such enterprise provides value added telecommunications services (including radio paging services).

Spectrum Usage. In coordination with the relevant provincial authorities, the Ministry of Information Industry regulates the allocation of radio frequency. The frequency assigned to an entity is not allowed to be leased or, without approval of the Ministry of Information Industry, transferred by the entity to any other third party. In accordance with a joint circular from the National Development and Reform Commission and the Ministry of Finance, CMCC entered into an agreement with us that specifies the amount of fees to be paid to the Ministry of Information Industry for spectrum usage by each mobile telecommunications network operator based on the bandwidth of the frequency used and the number of base stations within the relevant operator's networks.

On May 2, 2002, the relevant regulatory authorities in China informed us that the standard spectrum usage fees for GSM networks will be adjusted progressively over a period of three years, and that the adjustments will be effective for a period of five years from July 1, 2002. For the first year, spectrum usage fees for GSM networks will be charged at the annual rate of RMB 7.5 million per MHz frequency. For the second year, the annual fee will be RMB 11.25 million per MHz frequency and from the third year onward, the annual fee will be RMB 15 million per MHz frequency. All adjusted annual fees are charged on the basis that upward and downward frequencies are separately charged.



Number Resources. The Ministry of Information Industry is responsible for the administration of the telecommunications number resources within Mainland China, including the telecommunications network numbers and subscriber numbers. The use of number resources by any telecommunications operator is subject to the approval by the Ministry of Information Industry. In January 2003, the Ministry of Information Industry issued “Measures on Administration of Telecommunications Network Number Resources”. In accordance with these new measures, the telecommunications network number resources are owned by the state, and the user of number resources is required to pay a usage fee to the state starting March 1, 2003. However, the standard for the usage fee has not yet been determined. It is also not clear when the standard for the usage fee will be determined and when we will be required to pay such fee. The new measures also provide for procedures for application for the use, upgrade and adjustment of number resources by telecommunications operators.

Tariff Setting. The levels and categories of our tariffs are subject to regulation by various government authorities, including the Ministry of Information Industry, the National Development and Reform Commission and, at the local level, the relevant provincial price regulatory authorities. Under the current telecommunications regulations, telecommunications tariffs are categorized into market based tariffs, government guidance tariffs and government standard tariffs. In general, base usage charges, monthly fees, domestic roaming usage charges and tariffs for all domestic long distance calls and international calls (other than Internet Protocol phone calls) are fixed jointly by the Ministry of Information Industry and the National Development and Reform Commission. Our international roaming charges are set in accordance with agreements between CMCC and the relevant foreign mobile operators. Under the current telecommunications regulations, tariffs for those telecommunications businesses that are considered fully competitive may be set by the service providers as market based tariffs.

Interconnection Arrangements and Lease Line Arrangements. Under the current telecommunications regulations, parties seeking interconnection must enter into an interconnection agreement and file such interconnection agreement with the Ministry of Information Industry. Major telecommunications services providers that have control over essential telecommunications infrastructure and possess significant market share must allow interconnection to their networks by other operators. They must establish interconnection rules and procedures based on the principles of non-discrimination and transparency and submit such rules and procedures to the Ministry of Information Industry for approval. Such rules and procedures will be binding upon those major telecommunications services providers. The termination of any interconnection arrangements will require prior approval by the Ministry of Information Industry.

The applicable regulations provide that interconnection related equipment must conform to the technical standards approved by the Ministry of Information Industry. See “—Technical Standards” below. The Ministry of Information Industry also determines the standard lease tariffs to be paid by telecommunications operators with respect to the leasing of transmission lines that facilitate interconnection between telecommunications networks.

Technical Standards. Certain regulatory authorities in Mainland China, including the Ministry of Information Industry, set technical standards and control the type and quality of mobile telecommunications equipment used in or connected to public networks, all radio telecommunications equipment and all interconnection related equipment.

The establishment of base stations requires the approval of the relevant provincial regulatory authorities. A number of these approvals with respect to the base stations of our operating subsidiaries are currently pending. We have not experienced and do not expect to experience material difficulty in obtaining permission to establish additional sites.

Capital Investment. Some of our major investment projects, including mobile telecommunications network development projects, may be required to obtain approvals from relevant regulatory authorities in Mainland China.



Employees

The total number of our employees increased from 38,748 as of December 31, 2001 to 63,859 as of December 31, 2003, mainly as a result of our acquisitions of eight regional mobile telecommunications companies in China in 2002. Substantially all of our employees are located in Mainland China. The employees are classified in the following table. Approximately 60% of our permanent employees have college or graduate degrees.

Management	14,030
Technical and engineering	17,428
Sales and marketing	29,696
Financial and accounting	2,705
Total	63,859

We provide benefits to certain employees, including housing, retirement benefits and hospital, maternity, disability and dependent medical care benefits. Most of our employees are members of a labor association. We have not experienced any strikes, slowdowns or labor disputes that have interfered with our operations to date, and we believe that our relations with our employees are good.

Property, Plants and Equipment

We own, lease or have usage rights in various properties which consist of land and buildings for offices, administrative centers, staff quarters, retail outlets and technical facilities. We have obtained land use right certificates and property title certificates for all but five of these properties, all of which are located in Guangdong Province. We believe that our use of these properties is not affected by the fact that we have not yet obtained the relevant land use right certificates and property title certificates. China Mobile (Hong Kong) Group Limited, our indirect controlling shareholder, has agreed to indemnify us against any loss or damage caused by or arising from any challenge of, or interference with, our right to use any of the properties we had or used in our business as of May 31, 1997, the date of asset revaluation in preparation for our initial public offering. We believe that all of our owned and leased properties are well maintained and are suitable and adequate for their present use.



Item 5. Operating and Financial Review and Prospects.

You should read the following discussion and analysis in conjunction with our consolidated financial statements, together with the related notes, included elsewhere in this annual report. Our consolidated financial statements have been prepared in accordance with Hong Kong GAAP, which differ in certain significant respects from U.S. GAAP. Note 33 to our consolidated financial statements summarizes the significant differences between Hong Kong GAAP and U.S. GAAP as they relate to us and provides a reconciliation to U.S. GAAP of net profit and shareholders' equity. In addition, note 33 to our consolidated financial statements includes our condensed consolidated financial statements prepared and presented in accordance with U.S. GAAP for the relevant periods. Our consolidated financial statements present, and the discussion and analysis in this section pertain to, our consolidated financial position and results of operations as of and for the years ended December 31, 2001, 2002 and 2003. Our consolidated financial statements reflect the results of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile from July 1, 2002, the date of the acquisition.

Overview of Our Operations

During 2001, 2002 and 2003, our network capacity, subscriber base and usage and operations continued to experience significant growth. We believe that with the ongoing market-oriented restructuring of the telecommunications industry, as well as the continued development of the Chinese economy and increase in per capita income in Mainland China, the telecommunications industry will continue to grow rapidly. Given the relatively low penetration rates in our markets, we believe that there is potential for continued future subscriber growth.

We operate in an extensively regulated environment and our operations and financial performance are significantly affected by the Chinese government's regulation of the telecommunications industry. These regulations and policies may affect, among other things, our interconnection and transmission line leasing arrangements, technology and equipment standards and capital investment, as described in more detail under "Item 3. Key Information — Risk Factors — Adverse changes in the economic policies of the Chinese government could have a material adverse effect on the overall economic growth of Mainland China, which could reduce the demand for our services and adversely affect our business, financial condition and results of operations" and "Item 4. Information on the Company — Business Overview — Regulation". Our financial performance is also subject to the economic and social conditions in Mainland China and foreign currency exchange rate fluctuations.

Our Acquisitions of Regional Mobile Telecommunications Companies in the Past Five Years Have Materially Impacted Our Financial Results

We acquired Fujian Mobile, Henan Mobile and Hainan Mobile on November 12, 1999, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile on November 13, 2000 and Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile on July 1, 2002. We have adopted the purchase accounting method to account for these acquisitions under Hong Kong GAAP. Accordingly, our consolidated financial statements include the results of these companies from the respective dates of the acquisitions. Under U.S. GAAP, our acquisitions of these companies are considered a combination of entities under common control which would be accounted for under the "as if pooling-of-interests" method, whereby assets and liabilities are accounted for at historical cost and the accounts of previously separate companies for periods prior to the combination generally are restated on a combined basis.

These acquisitions have had a material impact on our overall results of operations. In particular, our financial results in 2002 were significantly affected by the inclusion of the results of operations for the eight regional mobile telecommunications companies we acquired in July 2002. By comparison, our financial results in 2001 did not include the results of operations of these companies. See "— Results of Operations — Year Ended December 31, 2002 Compared to Year Ended December 31, 2001". These acquisitions have, among other things, significantly expanded the size of the mobile telecommunications markets we serve and increased the number of our subscribers and usage of our services. As a result, our operating revenue and operating expenses have also increased significantly.



In addition, we have agreed to acquire telecommunications assets from our direct parent company, China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of CMCC, pursuant to a conditional sale and purchase agreement dated April 28, 2004, for a total consideration of US\$3,650 million. See “Information on the Company — The History and Development of Company — Expansion Through Acquisitions.”

Operating Arrangements We Entered Into Over the Last Several Years Have Materially Impacted Our Financial Results

Our current organizational structure was established pursuant to the restructuring completed in September 1997 in preparation for our initial public offering and our subsequent acquisitions of regional mobile telecommunications companies in Mainland China. In connection with these transactions, we entered into various operating arrangements to facilitate the transfer of the operations to us, to integrate these operations within our operating structure and to improve our overall operational efficiency. These arrangements included:

- interconnection revenue sharing and settlement arrangements with other operators, including CMCC;
- intra-provincial transmission line leasing agreements with other operators;
- service agreements with CMCC and certain other operators with respect to various telecommunications services and support;
- a change in the tax treatment of connection fees and certain surcharge revenue for our services; and
- the revaluation of fixed assets of the companies we acquired as of the respective dates set forth in the financial statements included in this annual report.

The original terms of our agreements relating to interconnection, leased lines and roaming have been revised as a result of tariff adjustments by the government and/or commercial negotiation with the relevant parties.

Our financial results reflect the impact of the above arrangements as of the dates they became effective. These arrangements and changes have had a material impact on our overall results of operations.

Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results

In May 2000, we entered into two agreements with CMCC for:

- inter-provincial interconnection and domestic and international roaming services; and
- sharing of inter-provincial leased line fees.

We entered into a supplemental agreement in September 2000, extending the application of those agreements to the seven regional mobile telecommunications companies we acquired in 2000 effective upon our acquisition. We entered into a further supplemental agreement in April 2002, which extended the application of these agreements to the eight regional mobile telecommunications companies we acquired in 2002.

Prior to these arrangements, we leased intra-provincial transmission lines to link our network to the fixed-line network, but did not lease any inter-provincial transmission lines. Instead, we paid CMCC an inter-provincial interconnection fee. Under the inter-provincial transmission line leasing agreement with CMCC, the leasing fee payable by us is determined based on the standard leasing fee stipulated by the relevant regulatory authorities after adjusting for the volume discount to which we are entitled, and on the basis that the mobile network operators at both ends of the transmission lines will share the leasing fees equally. As a result, these arrangements led to an increase in our transmission line leasing expenses, but a reduction in our inter-provincial interconnection and roaming settlement expenses.



Tariff Adjustments

As part of the efforts to further rationalize the tariff structure of telecommunications services, the Chinese government introduced a wide range of tariff adjustments effective from early 2001. The tariff adjustments that affect our mobile telecommunications services include the shortening of the billing unit for long distance charges (other than for IP-based long distance call services), from one minute to six seconds, the general reduction in domestic and international long distance call rates, the elimination of various surcharges and a general reduction in leased line tariffs. In particular, effective from early 2001, domestic long distance call rates have been adjusted from the range of RMB 0.50 to RMB 1.00 per minute to the uniform rate of RMB 0.07 per six seconds. In addition, connection fees charged to new contract subscribers were eliminated as of July 1, 2001.

Amendment to Revenue Sharing Arrangement for Prepaid Services

We offer prepaid services in all of our service areas. Some of our prepaid services allow subscribers to add value to their SIM cards in any of our service areas or in the service areas of other subsidiaries of CMCC. In May 2001, we entered into an agreement with CMCC to amend the then-existing revenue sharing arrangements with respect to prepaid services, with retroactive effect from April 21, 2001, which was amended in April 2002 to extend those arrangements to the eight regional mobile telecommunications companies we acquired in 2002. The new agreement amended the prior arrangement by allowing the network operator in the location that sells the top-off prepaid card to charge 5% of the face value of the card as a handling charge, and remit the other 95% (as compared to 85% prior to the amendment) to the subscriber's home network operator.

Upon the completion of our pending acquisition of the telecommunications assets from our direct parent company, CMCC will no longer provide mobile telecommunications services in Mainland China other than through us. As a result, this revenue sharing arrangement will be terminated.

Renminbi Bond Offerings

Following the approval by the relevant Chinese regulatory authorities, on June 18, 2001 our wholly-owned subsidiary, Guangdong Mobile, issued RMB 5 billion of guaranteed bonds due in 2011 at a floating interest rate, payable annually. These bonds are listed on the Shanghai Stock Exchange.

We have issued an irrevocable guarantee for the performance of these bonds, and CMCC has issued a further guarantee in relation to the performance by us of our guarantee. The bonds are rated "AAA" by China Chengxin International Credit Rating Company Limited, an affiliate of Fitch International Limited.

The net proceeds from the offering were applied solely to repay part of the RMB 12.5 billion syndicated loans we raised through our wholly-owned subsidiary, China Mobile (Shenzhen) Limited, in 2000 for our acquisition of the seven regional mobile telecommunications companies.

Following the approval by the relevant Chinese regulatory authorities, Guangdong Mobile issued RMB 3 billion guaranteed bonds due 2007 and RMB 5 billion guaranteed bonds due 2017 on October 28, 2002. These bonds commenced trading on the Shanghai Stock Exchange on January 22, 2003. The RMB 3 billion guaranteed bonds and RMB 5 billion guaranteed bonds bear fixed interest of 3.5% and 4.5%, respectively, payable annually.

We issued a joint and irrevocable guarantee for the performance of these bonds, and CMCC has issued a further guarantee in relation to the performance by us of our guarantee obligation. These bonds received a consolidated credit rating of "AAA" by China Chengxin International Credit Rating Company Limited, an affiliate of Fitch International Limited, and a consolidated credit rating of "AAA" by Dagong Global Credit Rating Co. Ltd.

The entire net proceeds from the offering were applied solely to satisfy part of the US\$ 2,800 million deferred consideration for the acquisition by the Company of the entire interest in Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile in 2002.



Analog-to-Digital Migration

Due to the rapid development of mobile telecommunications technologies and the potentially limited economic life cycle of our analog network equipment, we migrated our analog subscribers to our GSM network. See “Item 4. Information on the Company — Business Overview — Migration from Analog to Digital Network”. We discontinued our analog service on December 31, 2001.

Critical Accounting Policies and Estimates

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with Hong Kong GAAP. The preparation of financial statements in conformity with Hong Kong GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the years reported. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as unbilled usage fees, allowance for doubtful accounts, depreciation and amortization period, and impairment of long lived assets including fixed assets and goodwill arising from acquisitions (including that taken initially to reserves). Actual results may differ from those estimates under different assumptions or conditions.

We believe that the following critical accounting policies have a more significant impact on our consolidated financial statements, either because of the significance of the financial statement elements to which they relate, or because they require judgment and estimation.

Provision for Customer Point Reward Program

We invite our subscribers to participate in a customer point reward program, or the Reward Program, which provides subscribers the option of electing to receive free telecommunications services or other non-cash gifts. The level of bonus points earned under the Reward Program vary depending on the subscribers’ service consumption, loyalty and payment history. The estimated incremental costs of providing these free rewards are expensed in the consolidated statements of income and are accrued as a current liability on the consolidated balance sheet based on (i) the number of subscribers who are qualified to exercise their redemption right at period/year end and the estimated rate of redemptions based on past experience; (ii) the estimated number of subscribers who have no right to redeem the incentives at period/year end, but who will ultimately earn and claim awards under the Reward Program; and (iii) type of incentives that subscribers will select for redemption based on past experience. In the absence of historical experience, we recognized the maximum potential liability. As subscribers redeem rewards or their entitlements expire, the provision is reduced accordingly.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts based upon evaluation of the recoverability of the accounts receivables and other receivables at each balance sheet date. We base our estimates on the aging of our accounts receivable balances and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate, additional allowances may be required.



Impairment of Fixed Assets

Our fixed assets, consisting primarily of telecommunication transceivers, switching centers and other network equipment, comprise a significant portion of our total assets. Changes in technology or industry conditions may cause the estimated period of use or the value of these assets to change. We perform periodic reviews to confirm the appropriateness of estimated economic useful lives for each class of fixed assets. For the three years ended December 31, 2003, no changes of assets useful lives have occurred. In addition, long-lived assets including fixed assets and goodwill arising on acquisition (including that initially taken to reserve) are reviewed for impairment whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). Estimates and assumptions used in setting depreciable lives and testing for recoverability require both judgment and estimation. Our policies regarding accounting for these assets and assessing their recoverability are included in note 2(f) and note 2(h) to our consolidated financial statements.

Results of Operations

As a result of our acquisitions and the material changes made to our operating arrangements, our results of operations are not directly comparable with those in prior years.

The following table sets forth selected income statement data for the periods indicated:

	Year Ended December 31,		
	2001	2002	2003
	(in millions of RMB)		
Operating revenue:			
Usage fees	73,458	93,272	111,027
Monthly fees	14,085	16,901	20,666
Connection fees	711	—	—
Other operating revenue	12,077	18,388	26,911
Total operating revenue	100,331	128,561	158,604
Operating expenses:			
Leased lines	5,005	5,287	4,914
Interconnection	13,055	12,975	12,868
Depreciation	17,664	26,827	36,611
Personnel	5,325	6,757	7,700
Other operating expenses	18,270	27,919	43,308
Total operating expenses	59,319	79,765	105,401
Operating profit	41,012	48,796	53,203
Amortization of goodwill	—	(936)	(1,850)
Other net income	1,594	1,686	2,464
Non-operating net (expenses)/income	(6)	571	434
Interest income	857	713	807
Finance costs	(1,740)	(1,852)	(2,099)
Profit before tax	41,717	48,978	52,959
Income tax	(13,763)	(16,375)	(17,412)
Profit after tax	27,954	32,603	35,547
Minority interest	1	(2)	9
Profit attributable to shareholders	27,955	32,601	35,556



Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Operating Revenue. We derive operating revenue principally from usage fees and monthly fees. Usage fees include standard local usage fees for airtime and applicable domestic and international long distance charges receivable from subscribers for the use of our mobile telecommunications networks and facilities, and fees in respect of roaming out calls made by our subscribers outside their registered service areas. Other operating revenue includes charges for wireless data and value-added services, interconnection revenue and roaming in fees.

Operating revenue increased 23.4% from RMB 128,561 million in 2002 to RMB 158,604 million (US\$ 19,163 million) in 2003. This increase was primarily due to the continued expansion in our subscriber base, the continued growth in voice usage volume and the rapid expansion of our new businesses, as well as the full year effect of including revenues attributable to the eight regional mobile telecommunications companies we acquired in July 2002. Our total number of subscribers was approximately 141.6 million as of December 31, 2003, compared to approximately 117.7 million as of December 31, 2002.

Revenue from usage fees increased 19.0% from RMB 93,272 million in 2002 to RMB 111,027 million (US\$ 13,414 million) in 2003. This increase was principally a result of the continued increase in total subscriber numbers as a result of organic subscriber growth and the increase in voice usage volume, as well as the full year effect of including usage fees from subscribers attributable to the eight regional mobile telecommunications companies we acquired in July 2002. As a percentage of operating revenue, usage fees decreased from 72.6% in 2002 to 70.0% in 2003.

Revenue from monthly fees increased 22.3% from RMB 16,901 million in 2002 to RMB 20,666 million (US\$ 2,497 million) in 2003. This increase was mainly due to the full year effect of including monthly fees from subscribers attributable to the eight regional mobile telecommunications companies we acquired in July 2002, as well as the continued increase in total subscribers and the introduction of new service packages. As a percentage of operating revenue, monthly fees decreased from 13.1% in 2002 to 13.0% in 2003.

There were no revenues from connection fees in 2002 and 2003, as connection fees charged to new contract subscribers were eliminated since July 2001.

Other operating revenue increased 46.4% from RMB 18,388 million in 2002 to RMB 26,911 million (US\$ 3,252 million) in 2003. This increase resulted principally from increased revenue from wireless data and value added services, as well as the full year effect of our acquisition of the eight regional mobile telecommunications companies in July 2002.

Operating Expenses. Operating expenses include leased line expenses, interconnection expenses, depreciation expenses relating to our mobile telecommunications network and other fixed assets, personnel expenses and other operating expenses. Other operating expenses primarily consist of sales and marketing expenses, maintenance expenses, administrative expenses and other general expenses.

Operating expenses increased 32.1% from RMB 79,765 million in 2002 to RMB 105,401 million (US\$ 12,735 million) in 2003. This increase was primarily a result of the increase in depreciation expenses and other operating expenses.

Total leased line payments decreased 7.1% from RMB 5,287 million in 2002 to RMB 4,914 million (US\$ 594 million) in 2003. This decrease was largely a result of the termination of surplus leased lines as we continued to use more transmission lines constructed by ourselves and also augmented our networks to increase their efficiency, which was partially offset by the full year effect of including leased line payments for transmission lines made by the eight regional mobile telecommunications companies we acquired in July 2002. As a percentage of operating expenses, total leased line payments decreased from 6.6% in 2002 to 4.7% in 2003.

Interconnection expenses decreased 0.8% from RMB 12,975 million in 2002 to RMB 12,868 million (US\$ 1,555 million) in 2003. This decrease was mainly due to the optimization of our network structure and traffic routing, which was partially offset by the full year effect of including interconnection expenses made by the eight regional mobile telecommunications companies we acquired in July 2002. Interconnection expenses as a percentage of operating expenses decreased from 16.3% in 2002 to 12.2% in 2003.



Depreciation expense increased 36.5% from RMB 26,827 million in 2002 to RMB 36,611 million (US\$ 4,423 million) in 2003. This increase was mainly due to the expansion of our network capacity, the construction of various support networks and the full year effect of including depreciation expenses attributable to the eight regional mobile telecommunications companies we acquired in July 2002, as well as the increased investment in transmission facilities and new businesses. As a percentage of operating expenses, depreciation expense increased from 33.6% in 2002 to 34.7% in 2003.

Personnel expenses increased 14.0% from RMB 6,757 million in 2002 to RMB 7,700 million (US\$ 930 million) in 2003. This increase was primarily due to the full year effect of including personnel expenses of the eight regional mobile telecommunications companies we acquired in July 2002. As a percentage of operating expenses, personnel expenses decreased from 8.5% in 2002 to 7.3% in 2003.

Other operating expenses increased 55.1% from RMB 27,919 million in 2002 to RMB 43,308 million (US\$ 5,233 million) in 2003. This increase was primarily due to the increase in selling and marketing expenses. The increase in selling and marketing expenses was due to our conducting differentiated promotional campaigns to maintain customer loyalty and increase subscribers, as well as the full year effect of including the operating expenses attributable to the eight regional mobile telecommunications companies we acquired in July 2002. As a percentage of operating expenses, other operating expenses increased from 35.0% in 2002 to 41.1% in 2003.

Operating Profit. As a result of the foregoing, operating profit increased 9.0% from RMB 48,796 million in 2002 to RMB 53,203 million (US\$ 6,428 million) in 2003, and operating margin (operating profit as a percentage of operating revenue) decreased from 38.0% in 2002 to 33.5% in 2003.

Amortization of goodwill. Amortization of goodwill increased 97.6% from RMB 936 million in 2002 to RMB 1,850 million (US\$ 223 million) in 2003. This increase was due to the full year effect of including the amortization of goodwill attributable to our acquisition of the eight regional mobile telecommunications companies in July 2002.

Other Net Income. Other net income represents primarily gross profit from sales of SIM cards, handsets and accessories. Other net income increased 46.1% from RMB 1,686 million in 2002 to RMB 2,464 million (US\$ 298 million) in 2003. This increase was principally due to the increase in sales of SIM cards and the full year effect of including the other net income attributable to the eight regional mobile telecommunications companies we acquired in July 2002.

Non-Operating Net (Expenses)/Income. Non-operating net income decreased 24.0% from RMB 571 million in 2002 to RMB 434 million (US\$ 52 million) in 2003. This decrease was primarily due to a gain on deemed disposal arising from the percentage change of our shareholding in Aspire in 2002.

Interest Income. Interest income increased 13.2% from RMB 713 million in 2002 to RMB 807 million (US\$ 97 million) in 2003. The higher interest income in 2003 was primarily due to our larger cash balances as a result of the increase of our net cash from operating activities, as well as the full year effect of including the interest income attributable to the eight regional mobile telecommunications companies we acquired in July 2002.

Finance Costs. Finance costs increased 13.3% from RMB 1,852 million in 2002 to RMB 2,099 million (US\$ 253 million) in 2003. This increase was primarily due to inclusion of the full year financing costs of the RMB 8 billion bonds issued by one of our subsidiaries in 2002 and the full year effect of including deferred consideration and finance costs attributable to the eight regional mobile telecommunications companies we acquired in July 2002. In 2003, the average interest rate that we paid on our outstanding borrowings was approximately 4.3%.



Profit before Tax and Minority Interests. As a result of the foregoing, profit before tax and minority interests increased 8.1% from RMB 48,978 million in 2002 to RMB 52,959 million (US\$ 6,399 million) in 2003.

Taxation. Our income tax expense increased 6.3% from RMB 16,375 million in 2002 to RMB 17,412 million (US\$ 2,104 million) in 2003. This increase was primarily due to an increase in our profit. Our effective tax rate was 33.4% in 2002 to 32.9% in 2003, respectively.

Profit attributable to shareholders. As a result of the foregoing and after taking into account minority interests, profit attributable to shareholders increased 9.1% from RMB 32,601 million in 2002 to RMB 35,556 million (US\$ 4,296 million) in 2003. Net profit margin (profit attributable to shareholders as a percentage of operating revenue) decreased from 25.4% in 2002 to 22.4% in 2003.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Our results of operations in 2002 were materially affected by our acquisition of eight regional mobile telecommunications companies in July 2002. In particular, our operating revenue and operating expenses increased significantly in 2002. This was primarily due to the inclusion of the results of operations of these companies. By comparison, our results in 2001 did not include the results of operations of these companies. See “— Overview of Our Operations — Our Acquisitions of Regional Mobile Telecommunications Companies in the Past Five Years Have Materially Impacted Our Financial Results”. See “Item 4. Information on the Company — The History and Development of the Company — Expansion of Business Coverage Through Acquisitions”.

Operating Revenue. Operating revenue increased 28.1% from RMB 100,331 million in 2001 to RMB 128,561 million in 2002. This increase was primarily due to the expansion in our subscriber base and the continued growth in usage volume, as well as the inclusion of revenue of the eight regional mobile telecommunications companies we acquired in July 2002. Our total number of subscribers was approximately 117.7 million as of December 31, 2002, compared to approximately 69.6 million as of December 31, 2001.

Revenue from usage fees increased 27.0% from RMB 73,458 million in 2001 to RMB 93,272 million in 2002. This increase was principally a result of the increase in total subscribers, both as a result of organic subscriber growth and as a result of our acquisition of the eight regional mobile telecommunications companies in July 2002, and the growth in usage volume. As a percentage of operating revenue, usage fees decreased from 73.2% in 2001 to 72.6% in 2002.

Revenue from monthly fees increased 20.0% from RMB 14,085 million in 2001 to RMB 16,901 million in 2002. This increase was mainly due to the increase in total contract subscriber numbers, both as a result of subscriber growth and as a result of our acquisition of the eight regional mobile telecommunications companies in July 2002. As a percentage of operating revenue, monthly fees decreased from 14.0% in 2001 to 13.1% in 2002. This decrease was primarily due to the growth in our prepaid subscriber base, which led to an increase in the proportion of prepaid subscribers in our total subscriber base.

There were no revenues from connection fees in 2002 due to the elimination of connection fees charged to new contract subscribers since July 2001.

Other operating revenue increased 52.3% from RMB 12,077 million in 2001 to RMB 18,388 million in 2002. This increase resulted principally from increased revenue from wireless data and value added services, as well as the effect of our acquisition of the eight regional mobile telecommunications companies in July 2002.

Operating Expenses. Operating expenses include leased line expenses, interconnection expenses, depreciation expenses relating to our mobile telecommunications network and other fixed assets, personnel expenses and other operating expenses. Other operating expenses primarily consist of selling and promotion expenses, bad debts and administrative expenses.

Operating expenses increased 34.5% from RMB 59,319 million in 2001 to RMB 79,765 million in 2002. This increase was primarily due to the expansion of our operations, the inclusion of expenses attributable to the eight regional mobile telecommunications companies we acquired in July 2002 and intensified competition for subscribers.



Total leased line payments increased 5.6% from RMB 5,005 million in 2001 to RMB 5,287 million in 2002. This increase was largely a result of the inclusion of leased line payments for transmission lines made by the eight regional mobile telecommunications companies we acquired in July 2002 and our network expansion into new coverage areas. This increase was partially offset by the reduction in leased line expenses due to the improvement in the utilization of our network and the termination of certain transmission line leases as a result of the increased construction of our own transmission lines. As a percentage of operating expenses, total leased line payments decreased from 8.4% in 2001 to 6.6% in 2002.

Interconnection expenses decreased 0.6% from RMB 13,055 million in 2001 to RMB 12,975 million in 2002. This decrease was mainly due to the growing intra-network traffic as a result of our expansion of network and subscribers base, as well as the optimization of our network structure and traffic routing, partially offset by the inclusion of the interconnection expenses of the eight regional mobile telecommunications companies we acquired in July 2002. Interconnection expenses as a percentage of operating expenses decreased from 22.0% in 2001 to 16.3% in 2002.

Depreciation expense increased 51.9% from RMB 17,664 million in 2001 to RMB 26,827 million in 2002. This increase was mainly due to the expansion of our network capacity in high traffic areas and the inclusion of depreciation expenses attributable to the eight regional mobile telecommunications companies we acquired in July 2002, as well as the increased investment in transmission facilities, new businesses and support systems. As a percentage of operating expenses, depreciation expense increased from 29.8% in 2001 to 33.6% in 2002.

Personnel expenses increased 26.9% from RMB 5,325 million in 2001 to RMB 6,757 million in 2002. This increase was primarily due to the inclusion of personnel expenses of the eight regional mobile telecommunications companies we acquired in July 2002, as well as an increase in performance-based incentive compensation as a result of our further improved operating results. As a percentage of operating expenses, personnel expenses decreased from 9.0% in 2001 to 8.5% in 2002.

Other operating expenses increased 52.8% from RMB 18,270 million in 2001 to RMB 27,919 million in 2002. This increase was primarily due to the increase in selling and marketing expenses. The increase in selling and marketing expenses was due to the conduct of differentiated promotional campaigns to maintain customer loyalty and the effect of our acquisition of the eight regional mobile telecommunications companies in July 2002. As a percentage of operating expenses, other operating expenses increased from 30.8% in 2001 to 35.0% in 2002.

Operating Profit. As a result of the foregoing, operating profit increased 19.0% from RMB 41,012 million in 2001 to RMB 48,796 million in 2002, and operating margin (operating profit as a percentage of operating revenue) decreased from 40.9% in 2001 to 38.0% in 2002.

Amortization of goodwill. Amortization of goodwill was RMB 936 million in 2002, which was due to our acquisition of eight regional mobile telecommunications companies in July 2002.

Other Net Income. Other net income represents primarily gross profit from sales of SIM cards, handsets and accessories. Other net income increased 5.8% from RMB 1,594 million in 2001 to RMB 1,686 million in 2002. This increase was principally due to the effect of our acquisition of the eight regional mobile telecommunications companies in July 2002.

Non-Operating Net (Expenses)/Income. We had non-operating net expenses of RMB 6 million in 2001 compared to non-operating net income of RMB 571 million in 2002. This was primarily due to a gain of RMB 255 million recognized on a deemed disposal of our shareholding in Aspire.

Interest Income. Interest income decreased 16.8% from RMB 857 million in 2001 to RMB 713 million in 2002. The lower interest income in 2002 was primarily due to lower market interest rates prevailing during this period.



Finance Costs. Finance costs increased 6.4% from RMB 1,740 million in 2001 to RMB 1,852 million in 2002. This increase was primarily due to the deferred consideration for the acquisition of eight regional mobile telecommunications companies, and the inclusion of finance costs attributable to those companies. In 2002, the average interest rate that we paid on our outstanding borrowings was approximately 4.1%.

Profit before Tax and Minority Interests. As a result of the foregoing, profit before tax and minority interests increased 17.4% from RMB 41,717 million in 2001 to RMB 48,978 million in 2002.

Taxation. Our income tax expense increased 19.0% from RMB 13,763 million in 2001 to RMB 16,375 million in 2002. This increase was primarily due to an increase in our profit. Our effective tax rate was 33.0% in 2001 to 33.4% in 2002, respectively.

Profit Attributable to Shareholders. As a result of the foregoing and after taking into account minority interests, profit attributable to shareholders increased 16.6% from RMB 27,955 million in 2001 to RMB 32,601 million in 2002. Net profit margin (profit attributable to shareholders as a percentage of operating revenue) decreased from 27.9% in 2001 to 25.4% in 2002.

Liquidity and Capital Resources

Liquidity

Our principal source of liquidity is cash generated from our operations. As of December 31, 2003, we had a working capital (current assets minus current liabilities) deficit of RMB 8,693 million (US\$ 1,050 million) compared to a working capital deficit of RMB 4,012 million as of December 31, 2002 and working capital of RMB 8,096 million as of 2001, respectively. The increase in working capital deficit as of December 31, 2003 was primarily a result of the principal amount of US\$ 600 million unsecured fixed rate notes, that we issued on November 2, 1999 and which mature on November 2, 2004 being reclassified as current liabilities from long-term liabilities, and the decrease in working capital in 2002 was primarily due to the inclusion of the outstanding debt of eight regional mobile telecommunications companies we acquired in July of that year. As of December 31, 2001, 2002 and 2003, accounts receivable totaled RMB 5,728 million, RMB 6,066 million and RMB 6,116 million (US\$ 739 million), respectively. The increase in accounts receivable in 2002 was principally due to the inclusion of accounts receivable attributable to the eight regional mobile telecommunications companies we acquired in July 2002. Short-term bank and other loans (including the current portion of long-term loans, fixed rate notes and capital leases obligations) totaled RMB 5,439 million, RMB 8,200 million and RMB 13,158 million (US\$ 1,589 million) as at December 31, 2001, 2002 and 2003, respectively.

The following table summarizes certain cash flow information for the periods indicated.

	Year ended December 31,		
	2001	2002	2003
	(in millions of RMB)		
Net cash from operating activities	50,971	69,422	85,534
Net cash used in investing activities	(45,248)	(64,117)	(54,292)
Net cash (used in)/from financing activities	(11,604)	5,449	(24,688)
Net (decrease)/increase in cash and cash equivalents	(5,881)	10,754	6,554

Net cash from operating activities increased from 2001 to 2002, generally reflecting the growth in operating revenue due to the increase in our subscriber base through internal growth and the acquisition of the eight regional mobile telecommunications companies in July 2002. Net cash from operating activities increased from 2002 to 2003, reflecting the growth in operating revenue due to the continued organic growth in our subscriber base as well as the full year effect of the inclusion of the results of operations of the eight regional mobile telecommunications companies we acquired in July 2002.

Net cash used in investing activities increased significantly from 2001 to 2002. This increase was



principally a result of the payment of the consideration for our acquisition of the eight regional mobile telecommunications companies in July 2002. Net cash used in investing activities decreased from 2002 to 2003. This decrease was primarily due to the fact that we did not conduct any acquisitions during 2003.

Net cash from financing activities increased significantly from 2001 to 2002. This increase was principally due to the issuance of new shares by the Company in June 2002 and the issuance of RMB 3 billion five-year guaranteed bonds and RMB 5 billion fifteen-year guaranteed bonds by Guangdong Mobile in October 2002. The proceeds from these shares and bonds were applied solely to pay part of the consideration for the acquisition of the eight regional mobile telecommunications companies in July 2002. Net cash from financing activities decreased significantly from 2002 to 2003 as we paid RMB10,018 million in dividends in 2003 and did not issue any additional shares or bonds in 2003. See “— Contractual Obligations and Commitments — Indebtedness” below for more information regarding the offerings.

Capital Expenditures

Capital expenditures incurred during 2001, 2002 and 2003 were RMB 42,417 million, RMB 40,083 million and RMB 50,005 million (US\$ 6,042 million), respectively. We incurred capital expenditures principally for the construction of our GSM networks, support systems, transmission facilities, infrastructure buildings and the development of new technologies and new businesses.

We estimate that we will spend approximately US\$ 5.8 billion in 2004, US\$ 4.3 billion in 2005 and US\$ 3.9 billion in 2006 in capital expenditures. We expect to incur these expenditures primarily for the purpose of:

- further expanding our GSM network capacity and coverage;
- increasing our efforts in improving our support systems;
- building our own transmission facilities where economically advantageous;
- constructing infrastructure buildings where economically advantageous; and
- developing and providing new technologies and new businesses.

Minimal capital expenditure is currently budgeted annually for third generation mobile networks monitoring and experimentation.

Following our initial public offering, we have funded our capital requirements primarily with cash generated from operations, proceeds from equity and debt offerings and, to the extent necessary, short- term and long-term borrowings. We believe our available cash and cash generated from future operations will be sufficient to fund most of the capital expenditures and working capital necessary for the planned network expansion and continued growth of our mobile telecommunications operations through the end of 2005.

We may seek to obtain additional sources of financing to fund our network expansion and possible future acquisitions, to the extent necessary.

Contractual Obligations and Commitments

Indebtedness

As of December 31, 2001, 2002 and 2003, our aggregate long-term bank and other loans and obligation under capital leases (excluding current portions) totaled RMB 6,739 million, RMB 12,676 million and RMB 672 million (US\$81 million), respectively, and our short-term bank and other loans (including the current portion of long-term loans, fixed rate notes and capital lease obligations) totaled RMB 5,439 million, RMB 8,200 million and RMB 13,158 million (US\$ 1,589 million), respectively. Our short term loans and long term loans increased in 2002 mainly due to the inclusion of the outstanding debt of the eight regional mobile telecommunications companies in



2002. Our long-term loans decreased in 2003 primarily due to the repayment of our long-term loans. Our short-term loans increased in 2003 primarily due to the inclusion of the fixed rate notes that are due within a year. Capital lease obligations totaled RMB 68 million (US\$ 8 million) as of December 31, 2002 and 2003.

On November 2, 1999, we issued unsecured fixed rate notes with a principal amount of US\$ 600 million due on November 2, 2004. The notes bear interest at the rate of 7.875% per annum and such interest is payable semi-annually on May 2 and November 2 of each year, commencing May 2, 2000.

On November 3, 2000, we issued unsecured convertible notes with a principal amount of US\$ 690 million due on November 3, 2005. The notes bear interest at the rate of 2.25% per annum and such interest is payable semi-annually on May 3 and November 3 of each year, commencing May 3, 2001.

Pursuant to agreements entered into on October 7, 2000 between our wholly-owned subsidiary, China Mobile (Shenzhen) Limited, and a syndicate of international and domestic Chinese commercial banks, we borrowed an aggregate of RMB 12.5 billion in bank loans, which was fully repaid by the end of 2003 with our internal cash resources and proceeds from the RMB 5 billion floating rate guaranteed bonds Guangdong Mobile issued in 2001, as described above under “ — Overview of Our Operations — Renminbi Bond Offerings”.

On June 18, 2001, Guangdong Mobile, one of our wholly-owned subsidiaries, issued bonds with a principal amount RMB 5 billion at a floating rate due June 18, 2011. Guangdong Mobile’s payment obligations under the bonds are guaranteed in full by us, and our guarantee is further guaranteed by CMCC.

On October 28, 2002, Guangdong Mobile, one of our wholly-owned subsidiaries, issued RMB 3 billion five-year guaranteed bonds and RMB 5 billion fifteen-year guaranteed bonds. Guangdong Mobile’s payment obligations under these two bonds are guaranteed in full by us, and our guarantee obligation is further guaranteed by CMCC.

The deferred consideration of US\$ 2,800 million for our acquisition of the eight regional mobile telecommunications companies in 2002 is subordinated to other senior debt owed by us from time to time, including but not limited to, the US\$ 600 million fixed rate notes and US\$ 690 million convertible notes issued in 1999 and 2000, respectively. In addition, this deferred consideration is payable by the fifteenth anniversary of the date of the completion of acquisition, and we may make an early payment of all or part of the deferred consideration at any time without penalty. We are required to pay interest semi-annually on the actual amount of deferred consideration unpaid from the date of completion of the acquisition. Interest is calculated at the two-year US dollar London Inter-Bank Offered Rate, or LIBOR, swap rate at 11:00 a.m. (New York City time) on the second business day next preceding the date of the acquisition agreement for the first two years after completion of the acquisition. Thereafter, the interest rate will be adjusted every two years to equal the two-year US dollar LIBOR swap rate prevailing at 11:00 a.m. (New York City time) on the relevant interest determination date. The payment of the deferred consideration and the interest payments can be made in Hong Kong dollars, RMB or US dollars (or other agreed currencies). Any payment made in currencies other than US dollars will be accounted for based on the exchange rates between US dollars and such currencies prevailing at 12:00 noon (New York City time) on the day which is two business days next preceding the date of the acquisition agreement. We used the entire proceeds from the RMB 3 billion guaranteed bonds due 2007 and RMB 5 billion guaranteed bonds due 2017, both issued on October 28, 2002 by Guangdong Mobile, our wholly-owned subsidiary, to pay a portion of the US\$ 2,800 million deferred consideration.

Our corporate credit rating was raised in 2003 to Baa1 by Moody’s and in 2004 to BBB+ from Standard & Poor’s, which is equivalent to China’s sovereign rating. Any downgrade in our credit rating will not trigger any events on our outstanding bonds or loans or our existing credit facilities. Our management currently believes that a downgrade below Baa1 or BBB+ is not likely. However, under the terms of our US\$ 690 million convertible notes and our US\$ 600 million fixed rate notes, we are obligated to ensure that the aggregate debt of our subsidiaries does not exceed 120% of our consolidated adjusted earnings before interest, tax, depreciation and amortization and write-down and write-off of fixed assets, or EBITDA, for the most recently completed twelve-month period. We have complied with this covenant in the most recently completed twelve-month period. In addition, we currently do not foresee any event that would cause us to violate any of these covenants.

For a discussion of our interest rate risk, please see “Item 11. Quantitative and Qualitative Disclosures about Market Risk”.



Other Contractual Obligations and Commitments

As of December 31, 2003, we had various contractual obligations and commitments which are more fully disclosed in the notes to our consolidated financial statements. The principal components of these obligations and commitments include:

- our short-term and long-term debts (in addition to the bonds and notes described under “ — Indebtedness” above), which includes capital leases;
- operating leases; and
- capital commitments.

In the ordinary course of our business, we routinely enter into commercial commitments for various aspects of our operations, such as repair and maintenance. However, we believe that those commitments will not have a material effect on our financial condition, results of operations or cash flows.

For further disclosure regarding leases and other commitments, please see notes 21 and 24 to our consolidated financial statements included elsewhere in this annual report.

The following table sets forth certain information regarding our contractual obligations to make future payments as of December 31, 2003:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	Over 1 year but less than 3 years	Over 3 years but less than 5 years	After 5 years
	(in millions of RMB)				
Short-Term Debt	650	650	—	—	—
Bills Payable	2,059	2,059	—	—	—
Deferred Payable	9,976	—	—	—	9,976
Long-Term Debt ⁽¹⁾	31,847	12,440	6,407	3,000	10,000
Capital Lease Obligations	68	68	—	—	—
Trade Payable	25,225	25,225	—	—	—
Total Contractual Cash Obligations	69,825	40,442	6,407	3,000	19,976

(1) Including the current portion of long-term debt and the fixed rate notes due on November 2, 2004.



The following table sets forth certain information regarding our other commercial commitments as of December 31, 2003:

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	Over 1 year but less than 3 years	Over 3 years but less than 5 years	Over 5 years
	(in millions of RMB)				
Operating Leases Commitments	12,573	5,038	3,859	1,932	1,744
Capital Commitments	7,533	7,533	—	—	—
Total Commercial Commitments	20,106	12,571	3,859	1,932	1,744

Off-balance Sheet Arrangements

As of December 31, 2003, we did not have any off-balance sheet arrangements or any written options on non-financial assets.

Foreign Exchange

We maintain our accounts in Renminbi and substantially all of our revenue and expenses are denominated in Renminbi. Our capital expenditures totaled the equivalent of RMB 42,417 million, RMB 40,083 million and RMB 50,005 million (US\$ 6,042 million) for 2001, 2002 and 2003, respectively. U.S. dollar denominated debt totaled the equivalent of RMB 26,353 million and RMB 20,902 million (US\$ 2,525 million) at December 31, 2002 and 2003, respectively, constituting 43.2% and 46.9% of our total debt as of those dates, respectively.

All of our current operating subsidiaries are incorporated in Mainland China. Under the current foreign exchange system in Mainland China, our subsidiaries may not be able to hedge effectively against currency risk, including any possible future Renminbi devaluation. See “Item 3. Key Information — Risk Factors — Fluctuations in exchange rates could adversely affect our financial results” and “Item 10. Additional Information — Exchange Controls”.

Each of our operating subsidiaries is able to purchase foreign exchange for settlement of current account transactions, as defined in applicable regulations, in order to satisfy its foreign exchange requirements.

U.S. GAAP Reconciliation

Our consolidated financial statements are prepared in accordance with Hong Kong GAAP, which differ in certain significant respects from U.S. GAAP. The following table sets forth a comparison of our net profit and shareholders’ equity in accordance with Hong Kong GAAP and U.S. GAAP.

	As of or for the year ended December 31			
	2001	2002	2003	2003
	(in millions)			
Net profit in accordance with:				
Hong Kong GAAP	RMB 27,955	RMB 32,601	RMB 35,556	US\$ 4,296
U.S. GAAP	RMB 34,236	RMB 37,202	RMB 38,188	US\$ 4,614
Shareholders’ equity in accordance with:				
Hong Kong GAAP	RMB 112,983	RMB 173,265	RMB 198,803	US\$24,019
U.S. GAAP	RMB 140,300	RMB 134,575	RMB 162,937	US\$19,686

Under Hong Kong GAAP, we adopted the purchase accounting method to account for our acquisitions of the eight regional mobile telecommunications companies in July 2002. Under the purchase accounting method, the acquired results of these companies were included in the results of operations from the respective dates of acquisition.



Goodwill is the excess of the cost over the fair value of our share of the identifiable assets and liabilities acquired. Due to the adoption of SSAP 30, which took effect in 2001, goodwill arising on the acquisition date of our acquisition of eight regional mobile telecommunications companies in July 2002 is amortized to the consolidated statements of income on a straight line of twenty years. See "Special Note on our Financial Information and Certain Statistical Information in this Annual Report".

Under U.S. GAAP, because we and the acquired companies were deemed to be under common control prior to the acquisitions, the acquisitions were considered a "combination of entities under common control". Under U.S. 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 are restated on a combined basis. The consideration we paid or payable in each acquisition was treated as an equity transaction in the respective years of each acquisition, and goodwill amortization recognized under Hong Kong GAAP in 2002 was reversed for U.S. GAAP purposes.

In addition, there are other differences between Hong Kong GAAP and U.S. GAAP for the periods presented, which relate primarily to:

- the computation of capitalized interest;
- the revaluation of fixed assets of the acquired companies under Hong Kong GAAP;
- the recognition of deferred income taxes;
- the non-recognition under Hong Kong GAAP of certain of our employee housing scheme costs;
- the treatment of share options we grant to directors and employees;
- the recognition as revenue of connection fees and telephone number selection fees; and
- the net savings arising from interconnection, roaming and leased line agreements.

Disclosure relating to these differences can be found in note 33 to our consolidated financial statements. In addition, our condensed consolidated balance sheets as of December 31, 2002 and 2003 and our condensed consolidated statements of income, total shareholders' equity and cash flows for the years ended December 31, 2001, 2002 and 2003 prepared and presented under U.S. GAAP have been included in notes 33 and 34 to our consolidated financial statements to reflect the impact of the significant differences between Hong Kong GAAP and U.S. GAAP.

Item 6. Directors, Senior Management and Employees.

Directors and Senior Management

The following table sets forth certain information concerning our directors and senior management as of May 31, 2004.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. WANG Xiaochu	46	Chairman; Chief Executive Officer
Mr. LI Yue	45	Executive Director; Vice President
Mr. LU Xiangdong	44	Executive Director; Vice President
Mr. XUE Taohai	48	Executive Director; Vice President and Chief Financial Officer
Mr. HE Ning	42	Executive Director; Vice President
Mr. LI Gang	47	Executive Director
Mr. XU Long	47	Executive Director



<u>Name</u>	<u>Age</u>	<u>Position</u>
Dr. LO Ka Shui	57	Independent Non-Executive Director
Mr. Frank K. S. WONG	55	Independent Non-Executive Director
Mr. Moses M. C. CHENG	54	Independent Non-Executive Director
Mr. ZHANG Ligui	61	Non-Executive Director
Dr. J. Brian CLARK	55	Non-Executive Director

Mr. Wang Xiaochu has served as our Chairman and Chief Executive Officer since March 1999. Mr. Wang is in charge of our overall management. He is also Vice President of CMCC, the ultimate controlling shareholder of the Company. Prior to joining us, Mr. Wang served as the Director General of the Tianjin Posts and Telecommunications Administration. He also served as Director and Deputy Director of the Hangzhou Telecommunications Bureau in Zhejiang Province. He was responsible for the development of former China Telecom's telephone network management systems and various other information technology projects, and, as a result, received the Class Three National Science and Technology Advancement Award and the former Ministry of Posts and Telecommunications Class One Science and Technology Advancement Award. Mr. Wang graduated from Beijing University of Posts and Telecommunications in 1980 and has over 23 years of management experience in the telecommunications industry.

Mr. Li Yue has served as our Executive Director and Vice President since March 2003. Mr. Li assists the Chief Executive Officer in relation to the network and planning activities of the Company. He has been serving as Vice President of CMCC since April 2000. Mr. Li previously served as the Deputy Director General of the Tianjin Posts and Telecommunications Administration and the President of Tianjin Mobile Communications Company. Mr. Li graduated from Tianjin University with a Master's Degree and has over 28 years of management experience in the telecommunications industry.

Mr. Lu Xiangdong has served as our Executive Director and Vice President since March 2003. Mr. Lu assists the Chief Executive Officer mainly in marketing, wireless data services, billing and settlement and corporate co-operation matters of the Company. He has been serving as Vice President of CMCC since April 2000. He previously served as the Director General of Fujian Wireless Telecommunications Administration and the Deputy Director General of the Mobile Telecommunications Bureau of the Ministry of Posts and Telecommunications. Mr. Lu graduated from the Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications with a Master's Degree and has nearly 22 years of management experience in the telecommunications industry.

Mr. Xue Taohai has served as our Executive Director, Vice President and Chief Financial Officer since July 2002. Mr. Xue assists the Chief Executive Officer in relation to the corporate financial management of the Company. Mr. Xue is also the Vice President of CMCC. Mr. Xue previously served as the Deputy Director General of the Finance Department of the former Ministry of Posts and Telecommunications, Deputy Director General of the Department of Financial Adjustment and Clearance of the Ministry of Information Industry and Deputy Director General of the former Directorate General of Telecommunications. He graduated from Henan University and has over 24 years of experience in the telecommunications industry and financial management.

Mr. He Ning has served as our Executive Director since August 1998. Mr. He is also a Vice President of the Company, assisting the Chief Executive Officer in the general administration and investor and media relations of the Company. He previously served as the Deputy Director General of the Zhenjiang Posts and Telecommunications Bureau, the Director and Deputy Director of the Jiangsu Mobile Communications Administration, the Deputy Director General of the Posts and Telecommunications Administration in Jiangsu Province and the Chairman and President of Jiangsu Mobile. He graduated from Nanjing University of Posts and Telecommunications and received a Master's Degree from Maastricht School of Management of the Netherlands. He has 20 years of management experience in the telecommunications industry.

Mr. Li Gang has served as our Executive Director since August 1999. He is the Chairman and President of Guangdong Mobile, responsible for the mobile telecommunications operations in Guangdong Province. He previously served as Director of the Network Maintenance Division and a Deputy Director of the Telecommunications Division of the Posts and Telecommunications Administration in Guangdong Province and the Vice Chairman and President of Guangdong Mobile. He graduated from Beijing University of Posts and Telecommunications in 1985, and has 30 years of experience in the telecommunications industry.



Mr. Xu Long has served as our Executive Director since August 1999. He is the Chairman and President of Zhejiang Mobile, responsible for the mobile telecommunications operations in Zhejiang Province. He previously served as Deputy Director of Shaoxing Posts and Telecommunications Bureau, the President of Zhejiang Nantian Posts and Telecommunications Group Company and Director of the General Office and Deputy Director General of Posts and Telecommunications Administration in Zhejiang Province. He graduated from Zhejiang Radio and Television University in 1985, and has 26 years of experience in the telecommunications industry.

Dr. Lo Ka Shui has served as our independent Non-Executive Director since April 2001. Dr. Lo is the Deputy Chairman and Managing Director of Great Eagle Holdings Limited. He is also a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited and Phoenix Satellite Television Holdings Limited. He is also a Director of Hong Kong Exchanges and Clearing Limited and a past Chairman of the Listing Committee of the Main Board and the Growth Enterprise Market, a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Member of the Council of Advisors on Innovation and Technology and a Member of the Airport Authority in Hong Kong. He was previously the Chairman of the Hospital Authority in Hong Kong. Dr. Lo graduated with a bachelor of science degree from McGill University in Canada and a doctorate degree in medicine from Cornell University in the United States. He is board certified in cardiology. Dr. Lo has more than 24 years of experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. Frank K. S. Wong has served as our independent Non-Executive Director since August 2002. Mr. Wong is Vice Chairman of DBS Bank, Chairman of DBS Bank (Hong Kong) Limited and a board member of DBS Group Holdings Limited. He previously served as the Designated Chief Executive for National Westminster Bank's Hong Kong branch and Chairman of the Hong Kong Futures Exchange. He also held various senior positions in JP Morgan's Hong Kong and London operations, and in Citibank-North Asia region. Mr. Wong has many years of finance and commercial management experience.

Mr. Moses M.C. Cheng has served as our independent Non-Executive Director since March 2003. Mr. Cheng is a practicing solicitor and a senior partner of Messrs. P. C. Woo & Co. Mr. Cheng was a member of the Legislative Council of Hong Kong between 1991 and 1995. He was the Founder Chairman of the Hong Kong Institute of Directors, of which he currently is the Honorary President and Chairman Emeritus. He also serves on the boards of various listed companies as an independent non-executive director.

Mr. Zhang Ligui has served as our Non-Executive Director since March 2003. Mr. Zhang has been serving as the President of CMCC since April 2000 and is in charge of the overall management of CMCC. Mr. Zhang previously served as the Director General of the Gansu Posts and Telecommunications Administration. He had also served as the Director General of the Directorate General of Telecommunications of the Ministry of Posts and Telecommunications, the Director General of the Beijing Telecommunications Administration, and the Director General of the Directorate General of Posts and Telecommunications. Mr. Zhang graduated from Beijing University of Posts and Telecommunications and has over 38 years of management experience in the telecommunications industry.

Dr. J. Brian Clark has served as our Non-Executive Director since August 2003. Dr. Clark is the Chief Executive in the Asia Pacific Region of Vodafone Group Plc., and a member of Vodafone's Group Executive Committee and Group Operations Review Committee. Dr. Clark is also a Director of the National Australia Bank. He previously served as Chief Executive of Telkom SA Limited, South Africa and was Vodafone's Chief Executive in the Pacific Region from 1997 to 2002. He holds a Doctorate Degree in Science (Physics) from the University of Pretoria, South Africa. Dr. Clark has extensive management experience in the telecommunications industry.

Compensation

The aggregate amount of compensation that we paid to our directors and executive officers in 2003 for services performed as directors, officers or employees was approximately RMB 18 million (US\$2.2 million).



We adopted a share option scheme on October 8, 1997, or the Old Scheme, pursuant to which our directors may, at their discretion, invite our employees, including executive directors, or employees of our subsidiaries, to take up options to subscribe for ordinary shares up to a maximum aggregate number of ordinary shares equal to 10% of our total issued share capital.

Pursuant to a resolution passed at the annual general meeting held on June 24, 2002, the Old Scheme was terminated and a new share option scheme, or the New Scheme, was adopted. The purpose of the New Scheme is to provide the Company with a flexible and effective means of remunerating and providing benefits to the employees, the executive directors and the non-executive directors of the Company, any of its holdings companies and their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds any equity interest, thereby providing incentives to these participants. Under the New Scheme, the directors of the Company may, at their discretion, invite the plan participants to take up options to subscribe for the ordinary shares of the Company.

The maximum aggregate number of ordinary shares which can be subscribed pursuant to options that are or may be granted under the above schemes equals to 10% of the total issued share capital of the Company as at the date of adoption of the New Scheme. Options lapsed or cancelled in accordance with the terms of the Old Scheme or the New Scheme will not be counted for the purpose of calculating this 10% limit.

As the Old Scheme was terminated with effect on June 24, 2002, no further options were granted under the Old Scheme thereafter. As at December 31, 2003, the total number of ordinary shares which may be issued on the exercise of the outstanding options granted under the Old Scheme is 110,476,500. As at the same date, the total number of ordinary shares which may be issued on the exercise of the outstanding options granted or to be granted under the New Scheme is 1,760,060,445. No share options were granted under the New Scheme during the year ended December 31, 2003.

The consideration payable for the grant of each option under each of the Old Scheme and the New Scheme is HK\$ 1.00. For options granted before September 1, 2001 under the Old Scheme, the exercise price of the options was determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the higher of:

- (i) the nominal value of a share; and
- (ii) 80% of the average of the closing price of the ordinary share on The Stock Exchange of Hong Kong Limited, or the Hong Kong Stock Exchange, on the five trading days immediately preceding the date on which the option was granted.

For options granted under the New Scheme, the exercise price of the options are determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of an ordinary share;
- (ii) the closing price of the ordinary shares on the Hong Kong Stock Exchange on the date on which the option was granted; and
- (iii) the average closing price of the ordinary shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date on which the option was granted.

Under both the Old Scheme and the New Scheme, the term of the option is determined by the directors at their discretion, provided that all options shall be exercised within 10 years after the adoption of the scheme (in the case of the Old Scheme) and within 10 years after the date on which the option is granted (in the case of the New Scheme).

As at December 31, 2003, the directors and employees of the Company had options to subscribe for the ordinary shares of the Company granted under both the Old Scheme and, from June 24, 2002 onwards, the New Scheme. In 2003, none of these options had been exercised. See “— Share Ownership” below for details on options granted to our directors.



Board Practices

To enhance our corporate governance, we have three principal board committees, the audit committee, the remuneration committee and the nomination committee. The audit committee and the remuneration committee are comprised solely of independent non-executive directors. The nomination committee is comprised primarily of independent non-executive directors.

Audit Committee

The members of our audit committee are Dr. Lo Ka Shui, as chairman of the committee, Mr. Frank K.S. Wong and Mr. Moses M.C. Cheng. The audit committee's major responsibilities include:

- to review the financial reports, the related auditors' review report and management's responses to the review reports;
- to discuss audit procedures with the auditors as well as any issues arising out of such procedures;
- to review the auditors' appointment, the auditors' fees and any matters relating to the termination or resignation of the auditor; and
- to examine the effectiveness of our internal controls, to review our internal audit plan and to submit relevant reports and recommendations to our Board on a regular basis.

The audit committee usually meets four times each year.

Remuneration Committee

The members of our remuneration committee are Dr. Lo Ka Shui, as chairman of the committee, Mr. Frank K.S. Wong and Mr. Moses M.C. Cheng. The remuneration committee's major responsibilities include:

- to advise the Board in relation to the remuneration structure and payments of our executive directors and executives; and
- to represent the Board in confirming the individual remuneration packages and employment terms of executive directors and approving their related employment contracts.

Meetings of the remuneration committee are held when necessary.

Nomination Committee

The members of our nomination committee are Mr. Wang Xiaochu, as chairman of the committee, Dr. Lo Ka Shui, Mr. Frank K.S. Wong and Mr. Moses M.C. Cheng. The primary responsibilities of the nomination committee include reviewing, advising and making recommendations to the board on the matters in relation to the appointment and re-appointment of board members, and ensuring the proper and transparent procedures for the appointment and re-appointment of directors. Meetings of the nomination committee are held when necessary.

Employees

See "Item 4. Information on the Company — Business Overview — Employees".



Share Ownership

As of December 31, 2003, the following directors and those members of our senior management named in the section entitled "Directors and Senior Management" had interests in our share capital:

<u>Director</u>	<u>Number of ADSs</u>	<u>Percentage of class</u>
Wang Xiaochu	500	*

* Less than 1%.

Under our Memorandum and Articles of Association, our directors and senior management do not have different voting rights when compared to other holders of shares in the same class.

As of December 31, 2003, options exercisable for an aggregate of 9,071,000 shares had been granted to the following directors and those members of our senior management named in the section "Directors and Senior Management" under our share option scheme and were outstanding. As of the same date, none of these options had been exercised.

The following options are exercisable at a price of HK\$ 33.91 per share through October 7, 2007.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	3,900,000
He Ning	1,000,000
Li Gang	1,000,000

The following options are exercisable at a price of HK\$ 45.04 per share through October 7, 2007.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	100,000
He Ning	83,000
Li Gang	90,000
Xu Long	585,000

The following options are exercisable at a price of HK\$ 45.04 per share from April 25, 2005 through October 7, 2007.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	100,000
He Ning	83,000
Li Gang	90,000
Xu Long	585,000



The following options are exercisable at a price of HK\$ 32.10 per share through October 7, 2007.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	60,000
He Ning	45,000
Li Gang	50,000
Xu Long	47,500

The following options are exercisable at a price of HK\$ 32.10 per share from June 22, 2006 through October 7, 2007.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	60,000
He Ning	45,000
Li Gang	50,000
Xu Long	47,500

The following options are exercisable at a price of HK\$ 22.85 per share from July 3, 2004 through July 2, 2012.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	150,000
Xue Taohai	100,000
He Ning	90,000
Li Gang	95,000
Xu Long	90,000

The following options are exercisable at a price of HK\$ 22.85 per share from July 3, 2007 through July 2, 2012.

<u>Director</u>	<u>Number of shares covered by options</u>
Wang Xiaochu	150,000
Xue Taohai	100,000
He Ning	90,000
Li Gang	95,000
Xu Long	90,000

Item 7. Shareholders and Related Party Transactions.

Major Shareholders

As of May 31, 2004, approximately 75.7% of our outstanding shares were held by China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited. CMCC, a state-owned company, holds all of the voting shares and economic interest in China Mobile (Hong Kong) Group Limited. No other persons own 5% or more of our ordinary shares. Between our initial public offering and May 31, 2004, our majority shareholders held, directly or indirectly, between approximately 75% and 76.5% of equity interest in us, except for brief periods following our equity offerings in 1999 and 2000 but before the issuance of consideration shares to our direct shareholder, China Mobile Hong Kong (BVI) Limited, for the related acquisitions, during which



periods the shareholding was temporarily lower. See “Item 4. Information on the Company — Industry Restructuring and Changes in Our Shareholding Structure” for changes during the past three years with respect to our majority shareholders. Under our Memorandum and Articles of Association, our major shareholders do not have different voting rights when compared to other holders of shares in the same class.

We are not aware of any arrangement which may at a subsequent date result in a change of control over us.

Related Party Transactions

As of May 31, 2004, CMCC indirectly owns an aggregate of approximately 75.7% of our issued and outstanding share capital.

We and each of our subsidiaries have entered into various related party transactions. The principal terms of the agreements for these related party transactions are described below.

Certain charges for the services under these agreements are based on tariffs set by the Chinese regulatory authorities. Those transactions where the charges are not set by Chinese regulatory authorities are based on commercial negotiation between the parties, in each case on an arm’s length basis. In this regard, we have the benefit of the undertaking from CMCC that to the extent within its control, we will be treated equally with any other mobile telecommunications entities in respect of all approvals, transactions and arrangements between us on the one hand and CMCC and other mobile telecommunications operators controlled by CMCC on the other hand.

Roaming and Interconnection Arrangements

We offer domestic and international roaming services to our subscribers. Our networks interconnect with the mobile telecommunications networks of CMCC in other areas. In May 2000, we entered into an interconnection and roaming agreement with CMCC. Under this agreement (as amended by two supplemental agreements entered in September 2000 and April 2002), with regard to inter-provincial roaming, 80% of the base roaming calling charges payable by a roaming subscriber is credited to the visited network and the remaining 20% is retained by the roaming subscriber’s home network. When the roaming subscriber places a call from a roaming location, the operator of the visited network receives all long distance calling charges, if any, and when the roaming subscriber receives a call at a roaming location, the network operator with whom the subscriber is registered retains all long distance calling charges, if any. This agreement is valid for two years from April 1, 1999, and will be automatically renewed on an annual basis unless either party notifies the other of its intention to terminate at least three months prior to the expiration of the term.

With regard to international roaming, roaming and international long distance calling charges incurred by an international mobile telecommunications services subscriber making or receiving a call while roaming in our service areas in Mainland China are collected for us and credited to us by CMCC, and we will make the necessary settlement with the relevant telecommunications operators in Mainland China. CMCC also collects a 15% handling charge on the roaming and international long distance calling charges from the international mobile telecommunications operators and shares such handling charge equally with us. When our subscribers roam internationally, we will collect the roaming and international long distance calling charges together with a 15% handling charge from our subscribers and will pay the roaming and international long distance calling charges together with half of the handling charge collected to CMCC, which will make the necessary settlement with the international mobile telecommunications operators concerned. Where long distance charges cannot be distinguished from base roaming charges, such long distance charges are grouped under roaming charges.

Upon the completion of our pending acquisition of the telecommunication assets from our direct parent company, China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of CMCC, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China. CMCC will no longer provide mobile telecommunications services in Mainland China other than through us. As a result, there will no longer be inter-provincial roaming services between us and CMCC. With regard to international roaming, we will enter into an agreement with CMCC pursuant to which CMCC will collect the roaming and international long distance calling charges and make the necessary settlement with the international mobile telecommunications operators as it does under the current international roaming arrangement.



Licensing of Trademark

CMCC is the owner of the “CHINA MOBILE” name and logo, a registered trademark in Mainland China, Cambodia and New Zealand. In addition, it has filed applications in Bangladesh, Canada, Hong Kong, India, Indonesia, Macau, Malaysia, Philippines, South Korea, Taiwan, Thailand and the United States to register the “CHINA MOBILE” name and logo as a trademark for certain goods and services. In July 2002, we entered into a new licensing agreement with CMCC for, among other things, the use of the “CHINA MOBILE” name and logo by us and our operating subsidiaries. The new licensing agreement replaces the previous licensing agreements entered into with CMCC in October 1999 and the supplemental licensing agreement entered into in September 2000. In addition, each of the companies that we have agreed to acquire pursuant to a conditional sale and purchase agreement dated April 28, 2004, other than Jingyi Design Institute, has entered into a licensing agreement with CMCC for the use of the “CHINA MOBILE” name and logo. Under these agreements, no license fee is payable until October 7, 2007 and any fees payable after that will be no less favorable than fees paid by other affiliates of CMCC.

Spectrum Fees

The Ministry of Information Industry and the Ministry of Finance jointly determine the standardized spectrum fees payable to the Ministry of Information Industry by all mobile telecommunications operators in Mainland China, including us. In accordance with a joint circular from the National Development and Reform Commission and the Ministry of Finance, CMCC entered into an agreement with us that specifies the amount of fees to be paid to the Ministry of Information Industry for spectrum usage by each mobile telecommunications network operator based on the bandwidth of the frequency used and the number of base stations within the relevant operator’s networks. In October 1999, we entered into an agreement with CMCC (as supplemented by two supplemental agreements entered into in September 2000 and April 2002), under which we have been granted the exclusive right to use the frequency spectrum and telephone numbers allocated to us in our service areas. For the usage of the 800/900 MHz and the 1800 MHz frequency bands, the charges will be shared between our operating subsidiaries and CMCC’s operating subsidiaries. Sixty percent of the charges will be shared on the basis of the number of base stations at the end of the previous year and 40% of the charges will be shared on the basis of the bandwidth of the spectrum used. The agreement is valid for one year and will be automatically renewed on an annual basis unless either party notifies the other of its intention to terminate at least three months prior to the expiration of the term.

On May 2, 2002, the relevant regulatory authorities in China informed us that the standard spectrum usage fees for GSM networks will be adjusted progressively over a period of three years, and the adjustments will be effective from July 1, 2002 for a period of five years. For the first year, spectrum usage fees for GSM networks will be charged at the annual rate of RMB 7.5 million per MHz frequency. For the second year, the annual fee will be RMB 11.25 million per MHz frequency and from the third year onward, the annual fee will be RMB 15 million per MHz frequency. All adjusted annual fees are charged on the basis that upward and downward frequencies are separately charged. The allocation of spectrum usage fees between CMCC and us remains the same under our existing agreement.

Following the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will enter into an agreement with CMCC pursuant to which CMCC will collect spectrum usage fees from us and make payment to the Ministry of Information Industry.



Sharing of Inter-Provincial Transmission Line Leasing Fees

In May 2000, we entered into an inter-provincial leased line agreement with CMCC, which was supplemented in September 2000, extending the application of this agreement to the seven regional mobile telecommunications companies we acquired in 2000 effective upon our acquisition. We entered into a further supplemental agreement in April 2002, which extended the application of this agreement to the eight regional mobile telecommunications companies we acquired in 2002. More details about the arrangements are described under “Item 5. Operating and Financial Review and Prospects — Overview of Our Operations — Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results”.

Following the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will enter into an agreement with CMCC pursuant to which CMCC will collect inter-provincial transmission line leasing fees from us and pay the leasing fees to the transmission line providers concerned.

Prepaid Services

Prepaid services allow subscribers to add value to their SIM cards by purchasing top-off cards from any of our network operators or CMCC’s other network operators. We have entered into an agreement with CMCC regarding the sharing and settlement of revenue when prepaid subscribers purchase top-off cards from network operators other than their home network operators. This agreement is for a term of one year from July 1, 2000 (the sharing of revenue from prepaid subscribers purchasing top-off cards from network operators other than their home network operators commenced from February 1, 2000) and will be automatically renewed on an annual basis unless either party notifies the other of its intention to terminate at least three months prior to the expiration of the term. The agreement was amended on May 11, 2001 with retroactive effect from April 21, 2001, and was further amended on April 29, 2002 to extend the application of the arrangement to the eight regional mobile telecommunications companies we acquired in 2002. Under the amended agreement, the mobile network operator in the location that issues the top-off card remits 95% of the face value of the top-off card to the subscriber’s home network operator, and keeps the remainder as a handling charge. Prior to the amendment, the remittance amount to home network operator was 85% of the face value of the top-off card.

Upon the completion of our pending acquisition of the telecommunication assets from our direct parent company, we will operate in all thirty-one provinces, autonomous regions and directly administered municipalities throughout Mainland China. CMCC will no longer provide mobile telecommunications services in Mainland China other than through us. As a result, this revenue sharing and settlement agreement will be terminated.

Platform Development

Aspire is 66.4% owned by us, and it is a joint venture with Vodafone and Hewlett-Packard Company. It entered into a platform development master agreement with each of us and CMCC on January 10, 2001. Under the two platform development master agreements, Aspire (or its subsidiaries) will provide the same scope of technology platform development and maintenance services to us and our subsidiaries and to CMCC and their respective mobile telecommunications subsidiaries in various areas in Mainland China. These services include system and gateway integration services, hardware, software and system development (including development of applications), technical support and major overhaul services for a standardized, nation-wide platform for wireless data.

Under the platform development master agreements, we and CMCC will each pay Aspire equipment charges, systems integration fees, software licensing fees, technical support fees and/or major overhaul charges, which will be determined according to standards laid down by the relevant governmental departments and/or by reference to market rates.

Property Leasing and Management Services

We lease from other subsidiaries of CMCC various properties that are used as office space and for locating our cell sites and switching equipment. In relation to leased properties, the rental payments are determined with reference to market rates. In relation to properties sub-leased by such subsidiaries to the companies that we



acquired in November 2000 (which were in turn leased to such subsidiaries by third parties), the rental is equal to the rental payable to such third parties, and such subsidiaries do not make any gains as the intermediate lessors. Some of such subsidiaries of CMCC also provide property management services in relation to the properties leased or subleased (other than for Tianjin Mobile and Guangxi Mobile). Property management fees are determined with reference to market rates.

The initial terms of such leases and sub-leases range from six months to ten years. The initial terms of such leases and sub-leases to Guangxi Mobile are renewable on an annual basis if Guangxi Mobile gives six months' notice of its intention to renew. Guangxi Mobile is entitled to terminate such leases and sub-leases by giving three months' notice at any time. The initial terms of such leases and sub-leases to Tianjin Mobile are automatically renewable on an annual basis unless terminated by Tianjin Mobile by three months' notice given at any time or by the relevant lessor by giving notice of its intention to terminate three months prior to expiration of the relevant term. The initial terms of such leases and sub-leases to Shanghai Mobile are automatically renewed on an annual basis unless terminated by Shanghai Mobile by three months' notice given at any time or in relation to sub-leases terminated by the relevant lessor by giving three months' notice prior to the expiration of the relevant term. In relation to our other subsidiaries, the relevant lease terms and (subject to the relevant head lease being valid or renewable for the extended term) sub-lease terms will be automatically renewed on an annual basis unless terminated by the relevant companies with three months' notice given at any time and, in relation to sub-leased properties, the relevant lessor may also terminate by giving three months' notice prior to the expiration of the relevant term. Beijing Mobile also leases certain properties and provides property management services to a subsidiary of CMCC for an initial term of one year and on terms substantially similar to those set out above in this paragraph.

In addition, each of the companies that we have agreed to acquire pursuant to our pending acquisition from our direct parent company has entered into property leasing and management agreements with subsidiaries of CMCC with terms similar to the agreements for our existing subsidiaries.

Construction and Related Services

Beijing Mobile, Shanghai Mobile, Liaoning Mobile and Shandong Mobile entered into agreements with certain subsidiaries of CMCC under which such subsidiaries provide services such as construction, design, equipment installation, testing and/or maintenance services and/or act as general contractors in relation to construction and other projects of our subsidiaries. Such agreements are for terms of between 6 months and 16 months, which will be automatically renewed on an annual basis unless either party (in the case of Shandong Mobile, Shanghai Mobile and Beijing Mobile) or Liaoning Mobile (in the case of Liaoning Mobile) notifies the other in writing at least three months prior to the expiration of the term of its intention to terminate the arrangement. Beijing Mobile had also previously entered into other agreements for the provision of certain construction and related services which have continued to be performed according to their terms after Beijing Mobile was acquired by us in November 2000. The charges payable for services rendered under such agreements are determined according to standards laid down by relevant governmental departments and/or by reference to market rates.

Equipment Maintenance and Related Services

Beijing Mobile, Shanghai Mobile and Liaoning Mobile entered into agreements with certain subsidiaries of CMCC under which such subsidiaries provide equipment maintenance and related services to such companies. Such agreements are for terms of between 6 months and 15 months, which will be automatically renewed on an annual basis unless either party (in the case of Beijing Mobile) or Shanghai Mobile or Liaoning Mobile (in the case of Shanghai Mobile and Liaoning Mobile, respectively) notifies the other of its intention to terminate in writing at least three months prior to the expiration of the term. Beijing Mobile had also previously entered into another agreement for the provision of certain equipment maintenance services which continued to be performed according to its terms after Beijing Mobile was acquired by us in November 2000. The charges payable for services rendered under such agreements are determined according to standards laid down by relevant governmental departments and/or by reference to market rates.

Transmission Tower Production, Sales and Other Services and Antenna Maintenance Services

Hebei Mobile entered into an agreement with a subsidiary of CMCC under which such subsidiary



provides transmission tower design, production, installation and maintenance services and antenna maintenance services to Hebei Mobile, and sells transmission towers and spare parts to Hebei Mobile. The initial term of this agreement is for one year from August 1, 2000 to July 30, 2001. This agreement will be automatically renewed on an annual basis unless either party notifies the other of its intention to terminate in writing at least three months prior to the expiration of the term. The price of such transmission towers and spare parts and the charges payable for services rendered under this agreement are determined according to standards laid down by relevant governmental departments and/or by reference to market rates.

Telecommunication Services

In April 2002, each of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile has, respectively, entered into an agreement with the respective subsidiary of CMCC for the provision of certain telecommunications services. These services include:

- (i) telecommunications projects planning, design and constructions services and telecommunications lines and pipelines construction services (as the case may be);
- (ii) telecommunications lines maintenance services provided to Anhui Mobile, Jiangxi Mobile, Shaanxi Mobile and Shanxi Mobile; and
- (iii) property leasing and property management services.

For the services described in (i) and (ii) above, the charges payable are generally determined with reference to and cannot exceed relevant standards set by and revised from time to time by relevant governmental authorities in Mainland China. Where there are no such standards, the charges are determined with reference to market rates.

In addition, each of the ten regional mobile telecommunication companies that we have agreed to acquire pursuant to our pending acquisition from our direct parent company has entered into telecommunication services agreements with subsidiaries of CMCC with terms similar to the telecommunication services agreements for Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile.

Transmission Tower Sales, Installation and Maintenance

On May 8, 2002, we entered into an agreement with Hubei Communication Services Company, a wholly-owned subsidiary of CMCC, under which Hubei Communication Services Company provided transmission towers and spare parts and related installation and maintenance services to our operating subsidiaries. The price of such transmission towers and spare parts and the charges payable for the services rendered under the agreement are determined either according to standards set by relevant governmental authorities in Mainland China or by reference to market rates.

Miscellaneous

These transactions entered into by us (including our subsidiaries) have been entered into in the ordinary course of business and on normal commercial terms. Under the Listing Rules of the Hong Kong Stock Exchange, these transactions are considered to be "connected transactions" and (other than the licensing of trademarks) would normally require full disclosure and, in certain circumstances, prior independent shareholders' approval on each occasion they arise. As the transactions are expected to be continued in the normal course of business, our directors consider that such disclosure and approval would be impractical. Accordingly, our directors have requested the Hong Kong Stock Exchange to grant, and the Hong Kong Stock Exchange has granted, waivers from compliance with the normal approval and disclosure requirements related to connected transactions under the Listing Rules (except for the licensing of trademarks), which will be effective until December 31, 2004, except that the waivers for transactions relating to prepaid services (other than the eight regional mobile telecommunications companies we acquired in 2002) and platform development will be effective until December 31, 2006, upon the following conditions as applicable:

- (1) the transactions as well as the respective agreements governing such transactions will be (a) entered into in the ordinary and usual course of business on terms that are fair and reasonable so far as our independent shareholders are concerned, and (b) on normal commercial terms and in accordance with the terms of the agreements governing such transactions;



- (2) details of the transactions, as required by rule 14.25(1)(A) to (D) of the Listing Rules, shall be disclosed in our Hong Kong annual report;
- (3) our independent non-executive directors shall review annually the transactions and confirm in our Hong Kong annual report and accounts for the relevant year that the transactions have been conducted in the manner stated in paragraph (1) above and within the upper limits stated below;
- (4) our auditors shall review annually the transactions and provide our directors with a letter, details of which will be set out in our Hong Kong annual accounts, stating that the transactions:
 - received the approval of our board of directors;
 - are in accordance with the pricing policies as stated in our annual report;
 - have been conducted in the manner as stated in (1)(b) above; and
 - have not exceeded the upper limits as set forth in paragraph (7) below;
- (5) details of the transactions are disclosed to our independent shareholders who shall have voted in favor of an ordinary resolution to approve the connected transactions and the upper limits set out below at our extraordinary general meeting;
- (6) CMCC has undertaken to us that our auditors will be granted access to such of its and its associates' accounting records for the purposes of reviewing the transactions mentioned above; and
- (7) with respect to the following types of transactions entered into and to be entered into by us, waivers were applied for and granted under the additional condition that they shall not exceed the relevant upper limits set out below in each of our fiscal years to which the relevant waivers relate:
 - payments payable by us (other than the eight regional mobile telecommunications companies we acquired in 2002), to subsidiaries of CMCC for collection service charges in any fiscal year shall not exceed 0.1% of our consolidated operating revenue in such year, and payment payable by us (other than the eight regional mobile telecommunications companies we acquired in 2002) to subsidiaries of CMCC for sales service charges in any fiscal year shall not exceed 0.3% of our consolidated operating revenue in such year;
 - payments payable by us (other than the eight regional mobile telecommunications companies we acquired in 2002), to subsidiaries of CMCC for rental and property management fees in any fiscal year shall not exceed 0.56% of our consolidated operating revenue in such year;
 - payments payable by us (other than the eight regional mobile telecommunications companies we acquired in 2002), to subsidiaries of CMCC for construction and related services in any fiscal year shall not exceed 0.25% of our consolidated operating revenue in such year;
 - payments payable by us (other than the eight regional mobile telecommunications companies we acquired in 2002), to subsidiaries of CMCC for equipment maintenance and related services in any fiscal year shall not exceed 0.05% of our consolidated operating revenue in such year;



- payments payable by Hebei Mobile to the relevant subsidiaries of CMCC for purchase of transmission towers, transmission tower-related services and antenna maintenance services in any fiscal year shall not exceed 0.06% of our consolidated operating revenue in such year;
- handling charges received by us (other than the eight regional mobile telecommunications companies we acquired in 2002), from subsidiaries of CMCC in respect of prepaid services in 2003 shall not exceed 2% of our consolidated operating revenue in 2003 and for our fiscal years from January 1, 2004 to December 31, 2006 shall not exceed 1% of our consolidated operating revenue for such year, and handling charges paid by us to subsidiaries of CMCC in respect of prepaid services in 2003 shall not exceed 2% of our consolidated operating revenue in 2003 and for our fiscal years from January 1, 2004 to December 31, 2006 shall not exceed 1% of our consolidated operating revenue for such year;
- handling charges received by the eight regional mobile telecommunications companies we acquired in 2002 from the subsidiaries of CMCC in respect of prepaid services in any fiscal year shall not exceed 1% of our consolidated operating revenue in such year, and handling charges paid by the eight regional mobile telecommunications companies we acquired in 2002 to subsidiaries of CMCC in respect of prepaid services in any fiscal year shall not exceed 1% of our consolidated operating revenue in such year;
- payments payable by us and CMCC to Aspire or its subsidiaries in respect of platform development charges in any fiscal year shall not exceed 3% of our consolidated net tangible assets as of the end of such year;
- payments in respect of telecommunications projects planning, design and construction services and telecommunications lines and pipelines construction services payable by the eight regional mobile telecommunications companies we acquired in 2002 to the subsidiaries of CMCC in any fiscal year shall not exceed 0.25% of our consolidated operating revenue in such year;
- telecommunications lines maintenance services payments payable by the eight regional mobile telecommunications companies we acquired in 2002 to the subsidiaries of CMCC in any fiscal year shall not exceed 0.04% of our consolidated operating revenue in such year;
- property leasing and property management services payments payable by the eight regional mobile telecommunications companies we acquired in 2002 to the subsidiaries of CMCC in any fiscal year shall not exceed 0.25% of our consolidated operating revenue in such year; and
- payments to Hubei Communication Services Company, a subsidiary of CMCC, by us in respect of the purchase of transmission towers and related services in any fiscal year shall not exceed 0.5% of our consolidated operating revenue in such year.

Our independent shareholders approved the connected transactions and the related upper limits at our extraordinary general meeting held on June 12, 2001, June 24, 2002 and May 15, 2003, respectively.

Item 8. Financial Information.

Consolidated Financial Statements

Our audited consolidated financial statements are set forth beginning on page F-1. Other than as disclosed elsewhere in this annual report, no significant change has occurred since the date of the annual financial statements.

Legal Proceedings

We are not involved in any material litigation, arbitration or administrative proceedings, and, so far as we are aware, we do not have any pending or threatened litigation, arbitration or administrative proceeding that is expected to have a material effect on our financial conditions and results of operation.



Policy on Dividend Distributions

We hold in the highest regard the interests of and the returns achieved for our shareholders, especially minority shareholders. Having taken into account such factors as our financial position, cash flow position and requirements to ensure the sustainable future growth of our business, particularly the proposed acquisition of the mobile telecommunications companies in ten provinces and autonomous regions in Mainland China, our board of directors recommended payment of a final dividend of HK\$ 0.20 per share for the financial year ended December 31, 2003. This, together with the interim dividend of HK\$ 0.16 per share already paid during 2003, amounted to an aggregate dividend payment of HK\$ 0.36 per share for the full financial year, representing an increase of 12.5% over the annual dividend of HK\$ 0.32 per share for the financial year 2002 and a dividend payout ratio of 21%. Our board of directors is of the view that our strong free cash flow will be capable of supporting the investments required to sustain steady growth and generate a good cash return to our shareholders. We will endeavor to achieve a long-term sustainable, steadily increasing dividend, with a view to generating the best possible return for our shareholders.

Item 9. The Offer and Listing.

In connection with our initial public offering, our American depositary shares, or ADSs, each representing twenty ordinary shares, were listed and commenced trading on the New York Stock Exchange on October 22, 1997 under the symbol "CHL". Effective from July 5, 2000, our ADS-to-share ratio has been changed to one-to-five. Our shares were listed and commenced trading on the Hong Kong Stock Exchange on October 23, 1997. Prior to these listings, there was no public market for our equity securities. The New York Stock Exchange and the Hong Kong Stock Exchange are the principal trading markets for our ADSs and ordinary shares, which are not listed on any other exchanges in or outside the United States.

As of December 31, 2003 and May 31, 2004, there were 19,671,653,899 and 19,671,998,399, respectively, ordinary shares issued and outstanding. As of December 31, 2003 and May 31, 2004, there were, respectively, 267 and 269 registered holders of American depositary receipts evidencing 42,826,823 and 43,886,432 ADSs. Since certain of the ADSs are held by nominees, the above number may not be representative of the actual number of U.S. beneficial holders of ADSs or the number of ADSs beneficially held by U.S. persons. The depositary for the ADSs is The Bank of New York.

The high and low closing sale prices of the shares on the Hong Kong Stock Exchange and of the ADSs on the NYSE for the periods indicated are as follows. The information for periods prior to July 2000 has been restated to reflect the change in our ADS-to-share ratio from one-to-twenty to one-to-five, which became effective on July 5, 2000.

	Price per Share (HK\$)		Price per ADS (US\$)	
	High	Low	High	Low
1999	48.60	12.60	32.16	8.09
2000	79.00	40.30	50.73	25.94
2001	50.50	19.40	33.00	13.19
2002	28.40	17.80	17.87	11.30
First Quarter	28.40	21.50	17.87	13.60
Second Quarter	27.30	22.35	17.61	14.25
Third Quarter	23.55	17.80	15.25	11.30
Fourth Quarter	21.75	18.20	13.81	11.65



	Price per Share (HK\$)		Price per ADS (US\$)	
	High	Low	High	Low
2003	23.90	14.85	15.54	9.30
First Quarter	20.10	15.45	12.88	9.85
Second Quarter	19.75	14.85	12.56	9.30
Third Quarter	21.55	18.70	13.64	11.80
Fourth Quarter	23.90	20.80	15.54	13.21
December	23.90	22.45	15.54	14.41
2004				
January	27.80	24.40	18.07	16.16
February	27.55	24.70	17.63	15.77
March	27.85	22.35	18.00	14.01
April	23.75	20.60	15.05	13.03
May	22.45	19.25	14.37	12.31

Item 10. Additional Information.

Memorandum and Articles of Association

Under Section 3 of our Memorandum of Association, we have the capacity and the rights, powers and privileges of a natural person and, in addition and without limit, we may do anything which it is permitted or required to do by any enactment or rule of law.

Directors

Material Interests. A director who is in any way directly or indirectly interested in a contract or proposed contract with us shall declare the nature of his interest in accordance with the provisions of the Companies Ordinance (Chapter 32) of Hong Kong and the Articles of Association. A director shall not vote, or be counted in the quorum, on any resolution of the board in respect of any contract or arrangement or proposal in which he or any of his Associates (as such term is defined in the Listing Rules of the Hong Kong Stock Exchange), is to his knowledge, materially interested, and if he shall do so his vote shall not be counted or counted in the quorum for that resolution. The above prohibition shall not apply to any contract, arrangement or proposal:

- for the giving by us of any security or indemnity to the director or his Associates in respect of money lent or obligations incurred or undertaken by him at the request of, or for, our or any of our subsidiaries' benefit;
- for the giving by us of any security to a third party in respect of our or any of our subsidiaries' debt or obligation for which the director or his Associates has himself or themselves assumed responsibility or guaranteed or secured in whole or in part whether alone or jointly;
- concerning an offer of the shares or debentures or other securities of or by us or any other company which we may promote or be interested in for subscription or purchase where the director or his Associates are, or are to be, interested as a participant in the underwriting or sub-underwriting of the offer;
- in which the director is interested in the same manner as other holders of our shares or debentures or other securities by virtue only of his interest in our shares or debentures or other securities;



- concerning any other company in which the director or his Associates are interested, directly or indirectly, as an officer or a shareholder or in which the director or his Associates are beneficially interested in shares of that company other than a company in which the director and any of his Associates, are beneficially interested in five percent or more of the issued share of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights;
- for the benefit of our or any of our subsidiaries' employees, including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates to both our, or any of our subsidiaries', directors and employees and such directors' Associates and does not give the director or his Associates any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by us to, or for the benefit of, our or any of our subsidiaries' employees under which the director or his Associates may benefit.

Compensation and Pension. The directors are entitled to receive by way of remuneration for their services such sum as we may determine from time to time in general meeting. The directors are also entitled to be repaid their reasonable traveling, hotel and other expenses incurred by them in or about the performance of their duties as directors. The directors may award special remuneration out of our funds, by way of salary, commission or otherwise as the directors may determine, to any director who performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director.

The board may establish and maintain any contributory or non-contributory pension or superannuation funds for the benefit of, or give donations, gratuities, pensions, allowances or emoluments to any persons (1) who are or were at any time in employment or service of our company (or any of our subsidiaries) or are allied or associated with us or any of our subsidiaries, or (2) who are or were at any time our (or any of our subsidiaries') directors or officers, and who are holding or have held any salaried employment or office in our company or any of our subsidiaries, and the wives, widows, families and dependants of any of these persons. Any director holding any such employment or office is entitled to participate in, and retain for his own benefit, any such donation, gratuity, pension, allowance or emolument.

Borrowing Powers. The directors may exercise all the powers of our company to borrow money and to mortgage or charge all or any part of our undertaking, property and assets (present and future) and uncalled capital and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for the debt, liability or obligation of our company or any third party.

Qualification; Retirement. A director need not hold any of our shares to qualify as a director. There is no age limit requirement for a director's retirement or non-retirement.

At each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day shall be determined by lot unless they otherwise agree between themselves. The retiring directors shall be eligible for re-election.

Rights Attaching to Ordinary Shares

The section entitled "Description of Share Capital" in our Registration Statement on Form F-3 (File No. 333-47256), as filed with the Securities and Exchange Commission on October 30, 2000, is incorporated by reference into this annual report.

Pursuant to ordinary resolutions passed at our extraordinary general meeting held on November 10, 2000, our authorized share capital was increased, by the creation of an additional 14,000,000,000 ordinary shares of HK\$ 0.10 each, which rank pari passu with the existing ordinary shares, to a total of HK\$ 3,000,000,000 divided into 30,000,000,000 ordinary shares.



Annual General Meetings and Extraordinary General Meetings

We must hold, in each year, a general meeting as our annual general meeting in addition to any other meetings in that year. The annual general meeting must be held at such time (which shall be within a period of not more than 15 months, or such longer period as the Registrar of Companies may authorize in writing, after the holding of the last preceding annual general meeting) and place as may be determined by the directors. All other general meetings are extraordinary meetings. The directors may proceed to convene an extraordinary general meeting whenever they think fit, in accordance with the Companies Ordinance.

In general, an annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing, and any other general meeting shall be called by not less than 14 days' notice in writing. The notice must specify the place, date and time of the meeting and, in the case of special business, the general nature of that business.

Miscellaneous

We keep our share register with our share registrar, which is Hong Kong Registrars Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In addition, we also file certain documents with the Registrar of Companies, Hong Kong, China, in accordance with the requirements of the Companies Ordinance. Our company number is 622909.

Material Contracts

See "Item 7. Major Shareholders and Related Party Transactions — Related Party Transactions" for certain arrangements we have entered into with CMCC.

Interconnection Arrangements

Each of our operating subsidiaries has entered into an interconnection agreement with other operators in its network area. The economic terms of the interconnection arrangements are described under "Item 4. Information on the Company — Business Overview — Interconnection".

Aspire Business Alliance with Vodafone

On January 9, 2002, Vodafone Americas Asia Inc., a subsidiary of Vodafone, and Aspire entered into a business alliance agreement under which Aspire will engage Vodafone Global Platform and Internet Services, a unit of Vodafone Americas Asia Inc., as a preferred provider of wireless data applications software in relation to the Aspire Mobile Information Service Center Platform, provided that software supplied to Aspire has at least equivalent technical specifications on the same or better commercial terms. Aspire and Vodafone Global Platform and Internet Services also agreed to use their reasonable efforts to coordinate the development of their respective wireless data platforms with the intention of providing a seamless delivery of wireless data services for their respective customers and enabling content and application providers to use a single application programming interface.

Exchange Controls

The Renminbi currently is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currency. In addition, under a unitary foreign exchange system, People's Bank of China sets daily exchange rates for conversion of Renminbi into U.S. dollars and other currencies based on the China Foreign Exchange Trading System interbank market rates. In the event of shortages of foreign currencies, we may be unable to convert sufficient Renminbi into foreign currency to meet its foreign currency obligations or to pay dividends in foreign currency.



The value of the Renminbi is subject to changes in Chinese government policies and to international economic and political developments. Since 1994, the official exchange rate for the conversion of Renminbi to U.S. dollars has been stable, and the Renminbi has appreciated slightly against U.S. dollars. Any devaluation of the Renminbi would increase our effective cost of foreign manufactured equipment or components, and of satisfying any other foreign currency denominated liabilities. In addition, any such devaluation would reduce the U.S. dollar value of any dividends declared in Renminbi. During 2001, 2002 and 2003, the Renminbi has remained stable against the U.S. dollar.

There are no limitations on the right of non-resident or foreign owners to remit dividends or to hold or vote the ordinary shares or the ADSs imposed by Hong Kong law or by our memorandum and articles of association or other constituent documents.

Taxation — Hong Kong

The taxation of income and capital gains of holders of ordinary shares or ADSs is subject to the laws and practices of Hong Kong and of jurisdictions in which holders of ordinary shares or ADSs are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions under Hong Kong law is based on current law and practice, is subject to changes therein and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the ordinary shares or ADSs. Accordingly, each prospective investor (particularly those subject to special tax rules, such as banks, dealers, insurance companies, tax-exempt entities and holders of 10% or more of our voting capital stock) should consult its own tax advisor regarding the tax consequences of an investment in the ordinary shares and ADSs. The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. There is no reciprocal tax treaty in effect between Hong Kong and the United States.

Tax on Dividends

Under the current practices of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us unless such dividends are attributable to a trade, profession or business carried on in Hong Kong.

Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property (such as the ordinary shares and ADSs). Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 17.5% on corporations and at a maximum rate of 16% on individuals. Gains from sales of the ordinary shares effected on the Hong Kong Stock Exchange may be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax may thus arise in respect of trading gains from sales of ordinary shares or ADSs realized by persons carrying on a business or trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the rate of HK\$ 1 per HK\$ 1,000 or part thereof on the higher of the consideration for or the value of the ordinary shares, will be payable by the purchaser on every purchase and by the seller on every sale of ordinary shares (i.e., a total of HK\$ 2 per HK\$ 1,000 or part thereof is currently payable on a typical sale and purchase transaction involving ordinary shares). In addition, a fixed duty of HK\$ 5 is currently payable on any instrument of transfer of ordinary shares. The withdrawal of ordinary shares upon the surrender of ADSs, and the issuance of ADSs upon the deposit of ordinary shares, will also attract stamp duty at the rate described above for sale and purchase transactions unless the withdrawal or deposit does not result in a change in the beneficial ownership of the ordinary shares under Hong Kong law, in which case only a fixed duty of HK\$ 5 is payable on the transfer. The issuance of the ADSs upon the deposit of ordinary shares issued directly to the depositary or for the account of the depositary does not attract stamp duty. No Hong Kong stamp duty is payable upon the transfer of ADSs outside Hong Kong.



Estate Duty

The ordinary shares are Hong Kong property under Hong Kong law, and accordingly such ordinary shares may be subject to estate duty on the death of the beneficial owner of the ordinary shares (regardless of the place of the owner's residence, citizenship or domicile). Hong Kong estate duty is currently imposed on a progressive scale from 5% to 15%. No estate duty is payable when the aggregate value of the dutiable estate does not exceed HK\$ 7.5 million, and the maximum rate of duty of 15% applies when the aggregate value of the dutiable estate exceeds HK\$ 10.5 million.

Taxation — United States Federal Income Taxation

This section describes the material United States federal income tax consequences of the ownership and disposition of our shares or ADSs. This section applies to you only if you hold your shares or ADSs as capital assets for United States federal income tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of shares or ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax



purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to the United States federal income tax.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal taxation. If you are a noncorporate U.S. holder, dividends paid to you after December 31, 2002 and before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. The Internal Revenue Service has announced that it will permit taxpayers to apply a proposed legislative change to the holding period requirement described in the preceding sentence as if such change were already effective. This legislative “technical correction” would change the minimum required holding period, retroactive to January 1, 2003, to more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Dividends we pay with respect to the shares or ADSs will be qualified dividend income provided that, in the year that you receive the dividend, the shares or ADSs are readily tradable on an established securities market in the United States.

The dividend is taxable to you when you, in the case of shares, or the Depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income will be the U.S. dollar value of the Hong Kong dollar payments made, determined at the spot Hong Kong dollar/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. This gain or loss generally will be from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits (as determined for United States federal income tax purposes) will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain. Dividends will be income from sources outside the United States, but generally will be “passive income” or “financial services income”, which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized on or after May 6, 2003 and before January 1, 2009 is generally taxed at a maximum rate of 15% where the property is held more than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

We believe that shares or ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our shares or ADSs:

- at least 75% of our gross income for the taxable year is passive income; or



- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your shares or ADSs; and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs;
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

If you own shares or ADSs in a PFIC that are treated as marketable stock, you may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income on long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service Form 8621.



Documents on Display

You may read and copy documents referred to in this annual report on Form 20-F that have been filed with the U.S. Securities and Exchange Commission at the SEC's public reference room located at 450 Fifth Street, NW, 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.

The SEC allows us to "incorporate by reference" the information we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

Item 11. Quantitative and Qualitative Disclosures about Market Risk.

We are subject to market rate risks due to fluctuations in interest rates. The majority of our debt is in the form of long-term, fixed- and variable-rate bank and other loans with original maturities ranging from one to fifteen years. Accordingly, fluctuations in interest rates can lead to significant fluctuations in the fair value of these debt instruments. From time to time, we may enter into interest rate swap agreements designed to mitigate our exposure to interest rate risks, although we did not consider it necessary to do so in 2003.

We are also exposed to foreign currency risk as a result of our telecommunications equipment being sourced substantially from overseas suppliers. Specifically, our foreign currency exposure relates primarily to our foreign currency-denominated short-term and long-term debt, our firm purchase commitments and, to a limited extent, cash and cash equivalents denominated in foreign currencies. We may, from time to time, enter into currency swap agreements and foreign exchange forward contracts designed to mitigate our exposure to foreign currency risks, although we did not consider this to be necessary in 2003. Our foreign currency hedging activity generally is expected to be limited to hedging of specific future commitments and long-term debt denominated in foreign currencies.



The following table provides information regarding our interest rate-sensitive financial instruments, which consist of fixed and variable rate short-term and long-term debt obligations, as of December 31, 2003 and 2002.

	Expected Maturity Date						As of December 31, 2003		As of December 31, 2002	
	2004	2005	2006	2007	2008	Thereafter	Total Recorded Amount	Fair value	Total Recorded Amount	Fair Value
(RMB equivalent in millions, except interest rates)										
Debt:										
Obligations under capital leases	68	—	—	—	—	—	68	68	68	68
Average interest rate	4.96%	—	—	—	—	—	4.96%	—	4.96%	—
Fixed rate bank and other loans	1,597	62	—	—	—	—	1,659	1,668	4,769	4,762
Average interest rate	1.64%	5.29%	—	—	—	—	1.77%	—	4.86%	—
Variable rate bank and other loans	6,509	610	—	—	—	—	7,119	7,119	16,039	16,039
Average interest rate	3.88%	5.03%	—	—	—	—	3.98%	—	5.05%	—
Fixed rate notes	4,984	—	—	—	—	—	4,984	5,209	4,961	5,418
Average interest rate	7.88%	—	—	—	—	—	7.88%	—	7.88%	—
Convertible notes	—	5,735	—	—	—	—	5,735	5,713	5,711	5,576
Average interest rate	—	2.25%	—	—	—	—	2.25%	—	2.25%	—
Bonds	—	—	—	3,000	—	10,000	13,000	13,054	13,000	13,309
Average interest rate	—	—	—	3.50%	—	4.18%	4.03%	—	4.03%	—
Deferred payable	—	—	—	—	—	9,976	9,976	9,976	15,176	15,176
Average interest rate	—	—	—	—	—	3.80%	3.80%	—	3.80%	—

* The interest rates for variable rate bank and other loans are calculated based on the year-end indices.

The following table provides information regarding our foreign currency-sensitive financial instruments and transactions, which consist of deposits with banks, cash and cash equivalents, short and long-term debt obligations and capital commitments as of December 31, 2003 and 2002.

	Expected Maturity Date						As of December 31, 2003		As of December 31, 2002	
	2004	2005	2006	2007	2008	Thereafter	Total Recorded Amount	Fair value	Total Recorded Amount	Fair Value
	(RMB equivalent in millions, except interest rates)									
On-balance sheet financial instruments:										
Deposits with banks:										
in U.S. dollars	421	—	—	—	—	—	421	421	539	539
in Hong Kong dollars	135	—	—	—	—	—	135	135	132	132
Cash and cash equivalents:										
in U.S. dollars	2,535	—	—	—	—	—	2,535	2,535	2,574	2,574
in Hong Kong dollars	321	—	—	—	—	—	321	321	767	767
Debts:										
Fixed rate bank and other loans (U.S. dollar)	145	62	—	—	—	—	207	211	436	446
Average interest rate	6.53%	5.29%	—	—	—	—	6.16%	—	6.55%	—
Variable rate bank and other loans (U.S. dollar) ⁽¹⁾	—	—	—	—	—	—	—	—	69	69
Average interest rate	—	—	—	—	—	—	—	—	3.68%	—
Fixed rate notes (U.S. dollar)	4,984	—	—	—	—	—	4,984	5,209	4,961	5,418
Average interest rate	7.88%	—	—	—	—	—	7.88%	—	7.88%	—
Convertible notes (U.S. dollar)	—	5,735	—	—	—	—	5,735	5,713	5,711	5,576
Average interest rate	—	2.25%	—	—	—	—	2.25%	—	2.25%	—
Deferred payable ⁽²⁾	—	—	—	—	—	9,976	9,976	9,976	15,176	15,176
Average interest rate	—	—	—	—	—	3.80%	3.80%	—	3.80%	—
Off-balance sheet commitments										
Capital commitments authorized and										



contracted for in U.S. dollar	—	—	—	—	—	—	—	—	—	48	48
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- (1) The interest rates for variable rate bank and other loans are calculated based on the year-end indices.
- (2) Pursuant to our agreement with CMCC and China Mobile Hong Kong (BVI) Limited for our acquisition of the eight regional mobile telecommunications companies in July 2002, we have the option to pay the deferred payable in either U.S. dollars, Hong Kong dollars or Renminbi.

Item 12. Description of Securities Other than Equity Securities.

Not Applicable.

**PART II****Item 13. Defaults, Dividend Arrearages and Delinquencies.**

Not applicable.

Item 14. Material Modifications to the Right of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report, have concluded that, as of such date, the Company's disclosure controls and procedures were effective to ensure that material information relating to the Company was made known to them by others within the Company.

Item 16A. Audit Committee Financial Expert.

All members of our audit committee have extensive management experience. In particular, one of the members has many years of finance and commercial management experience and expertise. However, members of our audit committee do not possess direct experience or expertise in respect of the reconciliation of financial statements with U.S. GAAP and the evaluation of reports filed with the U.S. Securities and Exchange Commission by SEC-reporting issuers. Our board of directors has determined that we do not currently have an audit committee financial expert, as defined in Item 16A(b) of Form 20-F, serving on our audit committee. Our audit committee is in the process of considering appointing, from time to time, an external financial expert as a consultant.

Item 16B. Code of Ethics.

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, Assistant Chief Financial Officer and other designated senior officers of the Company. We have filed this code of ethics as an exhibit to this annual report.

Item 16C. Principal Accountant Fees and Services.

The following table sets forth the aggregate audit fees, audit-related fees, tax fees of our principal accountants and all other fees billed for products and services provided by our principal accountants other than the audit fees, audit-related fees and tax fees for each of the two years ended December 31, 2003:

	Audit Fees	Audit-Related Fees	Tax Fees	Other Fees
2002	US\$ 15,864,000 ⁽¹⁾	—	—	US\$ 1,112,000
2003	US\$ 5,064,000	—	—	US\$ 500,000

(1) Including the audits fees in the amount of US\$10,800,000 we paid in connection with our acquisition of the eight regional mobile telecommunications companies in July 2002.

Before our principal accountants were engaged by our company or our subsidiaries to render audit or non-audit services, the engagement was approved by our audit committee as required by applicable rules and regulations of the U.S. Securities and Exchange Commission.



Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

**PART III****Item 17. Financial Statements.**

The Company has elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

Item 18. Financial Statements.

The following financial statements are filed as part of this annual report.

China Mobile (Hong Kong) Limited:

Index to consolidated financial statements	F-1
Report of Independent Public Accounting Firm	F-2
Consolidated statements of income for each of the three years ended December 31, 2001, 2002 and 2003	F-3
Consolidated balance sheets for each of December 31, 2002 and 2003	F-5
Consolidated statements of cash flows for each of the three years ended December 31, 2001, 2002 and 2003	F-7
Consolidated statements of shareholders' equity for each of the three years ended December 31, 2001, 2002 and 2003	F-11
Notes to consolidated financial statements	F-12

Item 19. Exhibits.

- (a) See Item 18 for a list of the financial statements filed as part of this annual report.
- (b) Exhibits to this annual report:

Exhibit Number	Description of Exhibit
1.1	Memorandum and Articles of Association (as amended).
2.1	We agree to provide the Securities and Exchange Commission, upon request, copies of instruments defining the rights of holders of our long-term debt.
2.2	Guarantee from CMCC for the RMB 5 billion guaranteed bonds due 2011 issued by Guangdong Mobile. ⁽¹⁾
2.3	Letter of Guarantee from CMCC for the RMB 3 billion guaranteed bonds due 2007 and RMB 5 billion guaranteed bonds due 2017, both issued by Guangdong Mobile in 2002 (with English translation). ⁽²⁾
4.1	Conditional Sale and Purchase Agreement, dated April 28, 2004 between China Mobile (Hong Kong) Limited, China Mobile Hong Kong (BVI) Limited and CMCC.
4.2	Asset Injection Agreement, dated April 9, 2004, between CMCC, Neimenggu Mobile Communication Company Limited and Neimenggu Communication Service Company (with English translation and schedule).
4.3	Asset Injection Agreement, dated April 9, 2004, between CMCC, Beijing P&T Consulting & Design Institute Company Limited and Beijing Consulting & Design Institute of P&T (with English translation).



Exhibit Number	Description of Exhibit
4.4	Asset Injection Agreement, dated April 9, 2004, between CMCC and China Mobile Communication Company Limited (with English translation).
4.5	Agreement on the Confirmation of Rights and Obligations, dated April 9, 2004, between CMCC, Neimenggu Mobile Communication Company Limited and Neimenggu Communication Service Company (with English translation and schedule).
4.6	Agreement on the Confirmation of Rights and Obligations, dated April 9, 2004, between CMCC, Beijing P&T Consulting & Design Institute Company Limited and Beijing Consulting & Design Institute of P&T (with English translation).
4.7	Agreement on Use of Premises and Related Management Services, dated April 23, 2004, between Xinjiang Mobile Communication Company Limited and Xinjiang Communication Service Company (with English translation and schedule).
4.8	Agreement on Use of Premises and Related Management Services, dated April 27, 2004, between Beijing P&T Consulting & Design Institute Company Limited and Beijing P&T Consulting & Design Institute (with English translation).
4.9	Agreement on Use of Premises and Related Management Services, dated April 23, 2004, between China Mobile Communication Co., Ltd. and CMCC (with English translation).
4.10	Agreement on Use of Premises and Related Management Services, dated April 23, 2004, between CMCC and China Mobile Communication Co., Ltd (with English translation).
4.11	Consent Letter to the Substitution of Borrowers under the Consigned Loan Agreement, dated February 13, 2004, between CMCC, Neimenggu Mobile Communication Company Limited, Neimenggu Communication Service Company and Beijing Chang' an Sub-branch of Industrial and Commercial Bank of China (with English translation and schedule).
4.12	Agreement on Sharing of Administrative Services and Administrative Costs, dated April 27, 2004, between China Mobile Communication Co., Ltd. and CMCC (with English translation).
4.13	Trademark Licensing Agreement, dated April 23, 2004, between CMCC and China Mobile Communication Co., Ltd (with English translation).
4.14	Trademark License Agreement, dated July 18, 2002, between CMCC and China Mobile (Hong Kong) Limited (with English translation). ⁽²⁾
4.15	Tax Indemnity dated July 1, 2002 between China Mobile Hong Kong (BVI) Limited, China Mobile (Hong Kong) Limited and CMCC. ⁽²⁾
4.16	Amendment Letter dated June 18, 2002 between China Mobile (Hong Kong) Limited, Vodafone Group Plc and Vodafone Holdings. ⁽²⁾
4.17	Supplemental Agreement relating to Frequency Spectrum/Numbering Resources Usage Agreement, Sharing Agreement of Inter-provincial Long Distance Transmission Line Leasing Fee, Inter-provincial Interconnection and Domestic and International Roaming Settlement Agreement, Agreement on "Shenzhouxing" Roaming Settlement and Sharing of Revenue From Sales of Top-Off Cards From Network Operators Other Than Their Home Network Operators, and Supplemental Agreement to Agreement on "Shenzhouxing" Roaming Settlement and Sharing of Revenue from Sales And Value-Adding of Top-Off Cards from Network Operators Other Than Their Home Network Operators dated April 29, 2002 between CMCC, China Mobile (Hong Kong) Limited and the eight regional mobile communications companies (Anhui Mobile Communication Company Limited, Jiangxi Mobile Communication Company Limited, Chongqing Mobile Communication Company Limited, Sichuan Mobile Communication Company Limited, Hubei Mobile Communication Company Limited, Hunan Mobile Communication Company Limited, Shaanxi Mobile Communication Company Limited, and Shanxi Mobile Communication Company Limited) (with English translation). ⁽²⁾



<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.18	Asset Injection Agreement dated May 15, 2002 among CMCC, Anhui Mobile Communication Company Limited and Anhui Communication Service Company (with English translation). ⁽²⁾
4.19	Asset Injection Agreement dated May 15, 2002 among CMCC, Jiangxi Mobile Communication Company Limited and Jiangxi Communication Service Company (with English translation). ⁽²⁾
4.20	Asset Injection Agreement dated May 15, 2002 among CMCC, Chongqing Mobile Communication Company Limited and Chongqing Communication Service Company (with English translation). ⁽²⁾
4.21	Asset Injection Agreement dated May 15, 2002 among CMCC, Sichuan Mobile Communication Company Limited and Sichuan Communication Service Company (with English translation). ⁽²⁾
4.22	Asset Injection Agreement dated May 15, 2002 among CMCC, Hubei Mobile Communication Company Limited and Hubei Communication Service Company (with English translation). ⁽²⁾
4.23	Asset Injection Agreement dated May 15, 2002 among CMCC, Hunan Mobile Communication Company Limited and Hunan Communication Service Company (with English translation). ⁽²⁾
4.24	Asset Injection Agreement dated May 15, 2002 among CMCC, Shaanxi Mobile Communication Company Limited and Shaanxi Communication Service Company (with English translation). ⁽²⁾
4.25	Asset Injection Agreement dated May 15, 2002 among CMCC, Shanxi Mobile Communication Company Limited and Shanxi Communication Service Company (with English translation). ⁽²⁾
4.26	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Anhui Mobile Communication Company Limited and Anhui Communication Service Company (with English translation). ⁽²⁾
4.27	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Jiangxi Mobile Communication Company Limited and Jiangxi Communication Service Company (with English translation). ⁽²⁾
4.28	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Chongqing Mobile Communication Company Limited and Chongqing Communication Service Company (with English translation). ⁽²⁾
4.29	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Sichuan Mobile Communication Company Limited and Sichuan Communication Service Company (with English translation). ⁽²⁾
4.30	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Hubei Mobile Communication Company Limited and Hubei Communication Service Company (with English translation). ⁽²⁾
4.31	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Hunan Mobile Communication Company Limited and Hunan Communication Service Company (with English translation). ⁽²⁾
4.32	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Shaanxi Mobile Communication Company Limited and Shaanxi Communication Service Company (with English translation). ⁽²⁾
4.33	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Shanxi Mobile Communication Company Limited and Shanxi Communication Service Company (with English translation). ⁽²⁾
4.34	Telecommunications Services Agreement dated April 10, 2002 between Anhui Mobile Communication Company Limited and Anhui Communication Service Company (with English translation). ⁽²⁾



Exhibit Number	Description of Exhibit
4.35	Telecommunications Services Agreement dated April 10, 2002 between Jiangxi Mobile Communication Company Limited and Jiangxi Communication Service Company (with English translation). ⁽²⁾
4.36	Telecommunications Services Agreement dated April 10, 2002 between Chongqing Mobile Communication Company Limited and Chongqing Communication Service Company (with English translation). ⁽²⁾
4.37	Telecommunications Services Agreement dated April 27, 2002 between Sichuan Mobile Communication Company Limited and Sichuan Communication Service Company (with English translation). ⁽²⁾
4.38	Telecommunications Services Agreement dated April 10, 2002 between Hubei Mobile Communication Company Limited and Hubei Communication Service Company (with English translation). ⁽²⁾
4.39	Telecommunications Services Agreement dated April 10, 2002 between Hunan Mobile Communication Company Limited and Hunan Communication Service Company (with English translation). ⁽²⁾
4.40	Telecommunications Services Agreement dated April 10, 2002 between Shaanxi Mobile Communication Company Limited and Shaanxi Communication Service Company (with English translation). ⁽²⁾
4.41	Telecommunications Services Agreement dated April 10, 2002 between Shanxi Mobile Communication Company Limited and Shanxi Communication Service Company (with English translation). ⁽²⁾
4.42	Service Agreement for Supply Installation and Maintenance of Steel Towers dated May 8, 2002 between China Mobile (Hong Kong) Limited and Hubei Communication Services Company (with English translation). ⁽²⁾
4.43	Co-operation Framework Agreement in respect of Indirect Loan dated May 10, 2002 between CMCC and China Mobile (Hong Kong) Limited (with English translation). ⁽²⁾
4.44	Trademark License Agreement, dated April 24, 2002, between CMCC and China Mobile (Hong Kong) Limited. ⁽³⁾
4.45	Conditional Sale and Purchase Agreement, dated May 16, 2002, among China Mobile Hong Kong (BVI) Limited, China Mobile (Hong Kong) Limited and CMCC. ⁽³⁾
4.46	Subscription Agreement, dated May 16, 2002, among Vodafone Group Plc, Vodafone Holdings (Jersey) Limited and China Mobile (Hong Kong) Limited. ⁽³⁾
4.47	Prepaid services agreement dated May 11, 2001, between China Mobile (Hong Kong) Limited and CMCC. ⁽¹⁾
4.48	Inter-Provincial Long-Distance Transmission Leased Line Fee Sharing Agreement, dated May 5, 2000, between CMCC and China Telecom (Hong Kong) Limited. ⁽⁴⁾
4.49	Inter-Provincial Network Interconnection, Domestic and International Roaming and Settlement Agreement, dated May 5, 2000, between CMCC and China Telecom (Hong Kong) Limited. ⁽⁴⁾
4.50	Tenancy Agreement, dated June 7, 2000, between Fu Hao Properties Limited and China Telecom (Hong Kong) Limited. ⁽⁴⁾
4.51	Agreement Regarding the Roaming Settlement of “Shenzhouxing” Prepaid Services “Shenzhouxing” and Revenues Sharing for Sales of Stored Value for Stored Value Cards, dated October 4, 2000, between CMCC and China Mobile (Hong Kong) Limited. ⁽⁵⁾



<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.52	Contract on Termination of the Trademark Licensing, dated September 15, 2000, between China Telecommunications Corporation and China Mobile (Hong Kong) Limited. ⁽⁵⁾
4.53	Building Leasing and Property Management Agreement, dated September 18, 2000, between Beijing Mobile and Beijing Communications Service Company (“Beijing Service”). ⁽⁵⁾
4.54	Building Leasing and Property Management Agreement, dated September 18, 2000, between Beijing Mobile and Beijing Service. ⁽⁵⁾
4.55	Agreement on Mobile Communications Equipment Maintenance and Modulation, dated September 18, 2000, between Beijing Mobile and Beijing Huarui Wireless Communications Equipment Installation Company (“Beijing Huarui”). ⁽⁵⁾
4.56	Agreement on Communications Projects Design and Construction, dated September 18, 2000, between Beijing Mobile and Beijing Huarui. ⁽⁵⁾
4.57	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Beijing Mobile and Beijing Service. ⁽⁵⁾
4.58	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Beijing Mobile and Beijing Service. ⁽⁵⁾
4.59	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Beijing Mobile and Beijing Service. ⁽⁵⁾
4.60	Agreement on Mobile Communications Equipment Maintenance, dated September 20, 2000, between Shanghai Mobile and Shanghai Long-distance Telecommunications Engineering Company (“Shanghai Engineering”). ⁽⁵⁾
4.61	Agreement on Contracting Mobile Communications Projects, dated September 20, 2000, between Shanghai Mobile and Shanghai Engineering. ⁽⁵⁾
4.62	Building Leasing and Property Management Agreement, dated September 20, 2000, between Shanghai Mobile and Shanghai Communications Service Company (“Shanghai Service”). ⁽⁵⁾
4.63	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Shanghai Mobile and Shanghai Service. ⁽⁵⁾
4.64	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Shanghai Mobile and Shanghai Service. ⁽⁵⁾
4.65	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Shanghai Mobile and Shanghai Service. ⁽⁵⁾
4.66	Building Leasing Agreement, dated August 1, 2000, between Tianjin Mobile and Tianjin Communications Service Company (“Tianjin Service”). ⁽⁵⁾
4.67	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Tianjin Mobile and Tianjin Service. ⁽⁵⁾
4.68	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Tianjin Mobile and Tianjin Service. ⁽⁵⁾
4.69	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Tianjin Mobile and Tianjin Service. ⁽⁵⁾
4.70	Building Leasing and Property Management Agreement, dated August 1, 2000, between Hebei Mobile and Hebei Communications Service Company (“Hebei Service”). ⁽⁵⁾



Exhibit Number	Description of Exhibit
4.71	Agreement on the Sales and Maintenance of Masts and Maintenance of Antennas and Feeder Lines, dated August 1, 2000, between Hebei Mobile and Hebei Provincial Posts and Telecommunications Equipment and Machinery Plant. ⁽⁵⁾
4.72	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Hebei Mobile and Hebei Service. ⁽⁵⁾
4.73	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Hebei Mobile and Hebei Service. ⁽⁵⁾
4.74	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Hebei Mobile and Hebei Service. ⁽⁵⁾
4.75	Building Leasing and Property Management Agreement, dated August 10, 2000, between Liaoning Mobile and Liaoning Communications Service Company (“Liaoning Service”). ⁽⁵⁾
4.76	Agreement on Communications Equipment Maintenance, dated September 8, 2000, between Liaoning Mobile and Liaoning Provincial Posts and Telecommunications Engineering Bureau (“Liaoning Engineering”). ⁽⁵⁾
4.77	Agreement on Mobile Communications Projects Construction, dated September 8, 2000, between Liaoning Mobile and Liaoning Engineering. ⁽⁵⁾
4.78	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Liaoning Mobile and Liaoning Service. ⁽⁵⁾
4.79	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Liaoning Mobile and Liaoning Service. ⁽⁵⁾
4.80	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Liaoning Mobile and Liaoning Service. ⁽⁵⁾
4.81	Building Leasing and Property Management Agreement, dated September 1, 2000, between Shandong Mobile and Shandong Communications Service Company (“Shandong Service”). ⁽⁵⁾
4.82	Agreement on Contracting Mobile Communications Projects, dated September 1, 2000, between Shandong Mobile and Shandong Mobile Communications Engineering Bureau. ⁽⁵⁾
4.83	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Shandong Mobile and Shandong Service. ⁽⁵⁾
4.84	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Shandong Mobile and Shandong Service. ⁽⁵⁾
4.85	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Shandong Mobile and Shandong Service. ⁽⁵⁾
4.86	Building Lease Agreement, dated August 26, 2000, between Guangxi Mobile and Guangxi Communications Service Company (“Guangxi Service”). ⁽⁵⁾
4.87	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Guangxi Mobile and Guangxi Service. ⁽⁵⁾
4.88	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Guangxi Mobile and Guangxi Service. ⁽⁵⁾
4.89	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Guangxi Mobile and Guangxi Service. ⁽⁵⁾



Exhibit Number	Description of Exhibit
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|------|--|
| 4.90 | Strategic Investor Placing Agreement among China Mobile (Hong Kong) Limited, Vodafone Group Plc, China International Capital Corporation, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited. ⁽⁵⁾ |
| 4.91 | Conditional Sale and Purchase Agreement, dated October 4, 2000, among CMCC, China Mobile Hong Kong (BVI) Limited and China Mobile (Hong Kong) Limited. ⁽⁵⁾ |
| 4.92 | Conditional Sale and Purchase Agreement, dated October 4, 1999, among China Telecom Hong Kong (BVI) Limited, China Telecom (Hong Kong) Group Limited and China Telecom (Hong Kong) Limited. ⁽⁶⁾ |
| 8.1 | List of major subsidiaries. |
| 11.1 | Code of Ethics. |
| 12.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a). |
| 12.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a). |
| 13.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b). |
| 13.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b). |

- (1) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-14696), filed with the U.S. Securities and Exchange Commission on June 26, 2001.
- (2) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (File No. 1-14696), filed with the U.S. Securities and Exchange Commission on June 17, 2003.
- (3) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2001 (File No. 1-14696), filed with the U.S. Securities and Exchange Commission on June 13, 2002.
- (4) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 1999 (File No. 1-14696), filed with the Securities and Exchange Commission on June 20, 2000.
- (5) Incorporated by reference to our Registration Statement on Form F-3 (File No. 333-47256), filed with the Securities and Exchange Commission on October 30, 2000.
- (6) Incorporated by reference to our Registration Statement on Form F-3 (File No. 333-10956), filed with the Securities and Exchange Commission on October 30, 1999.



SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA MOBILE (HONG KONG) LIMITED

By: /s/ WANG Xiaochu

Name: WANG Xiaochu

Title: Chairman and Chief Executive Officer

Date: June 17, 2004



Exhibit Index

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2.3	Letter of Guarantee from CMCC for the RMB 3 billion guaranteed bonds due 2007 and RMB 5 billion guaranteed bonds due 2017, both issued by Guangdong Mobile in 2002 (with English translation). ⁽²⁾
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4.4	Asset Injection Agreement, dated April 9, 2004, between CMCC and China Mobile Communication Company Limited (with English translation).
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4.12	Agreement on Sharing of Administrative Services and Administrative Costs, dated April 27, 2004, between China Mobile Communication Co., Ltd. and CMCC (with English translation).



<u>Exhibit Number</u>	<u>Description of Exhibit</u>
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4.14	Trademark License Agreement, dated July 18, 2002, between CMCC and China Mobile (Hong Kong) Limited (with English translation). ⁽²⁾
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4.18	Asset Injection Agreement dated May 15, 2002 among CMCC, Anhui Mobile Communication Company Limited and Anhui Communication Service Company (with English translation). ⁽²⁾
4.19	Asset Injection Agreement dated May 15, 2002 among CMCC, Jiangxi Mobile Communication Company Limited and Jiangxi Communication Service Company (with English translation). ⁽²⁾
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4.21	Asset Injection Agreement dated May 15, 2002 among CMCC, Sichuan Mobile Communication Company Limited and Sichuan Communication Service Company (with English translation). ⁽²⁾
4.22	Asset Injection Agreement dated May 15, 2002 among CMCC, Hubei Mobile Communication Company Limited and Hubei Communication Service Company (with English translation). ⁽²⁾
4.23	Asset Injection Agreement dated May 15, 2002 among CMCC, Hunan Mobile Communication Company Limited and Hunan Communication Service Company (with English translation). ⁽²⁾
4.24	Asset Injection Agreement dated May 15, 2002 among CMCC, Shaanxi Mobile Communication Company Limited and Shaanxi Communication Service Company (with English translation). ⁽²⁾
4.25	Asset Injection Agreement dated May 15, 2002 among CMCC, Shanxi Mobile Communication Company Limited and Shanxi Communication Service Company (with English translation). ⁽²⁾
4.26	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Anhui Mobile Communication Company Limited and Anhui Communication Service Company (with English translation). ⁽²⁾
4.27	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Jiangxi Mobile Communication Company Limited and Jiangxi Communication Service Company (with English translation). ⁽²⁾



<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.28	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Chongqing Mobile Communication Company Limited and Chongqing Communication Service Company (with English translation). ⁽²⁾
4.29	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Sichuan Mobile Communication Company Limited and Sichuan Communication Service Company (with English translation). ⁽²⁾
4.30	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Hubei Mobile Communication Company Limited and Hubei Communication Service Company (with English translation). ⁽²⁾
4.31	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Hunan Mobile Communication Company Limited and Hunan Communication Service Company (with English translation). ⁽²⁾
4.32	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Shaanxi Mobile Communication Company Limited and Shaanxi Communication Service Company (with English translation). ⁽²⁾
4.33	Agreement on the Confirmation of Rights and Obligations dated May 15, 2002 between Shanxi Mobile Communication Company Limited and Shanxi Communication Service Company (with English translation). ⁽²⁾
4.34	Telecommunications Services Agreement dated April 10, 2002 between Anhui Mobile Communication Company Limited and Anhui Communication Service Company (with English translation). ⁽²⁾
4.35	Telecommunications Services Agreement dated April 10, 2002 between Jiangxi Mobile Communication Company Limited and Jiangxi Communication Service Company (with English translation). ⁽²⁾
4.36	Telecommunications Services Agreement dated April 10, 2002 between Chongqing Mobile Communication Company Limited and Chongqing Communication Service Company (with English translation). ⁽²⁾
4.37	Telecommunications Services Agreement dated April 27, 2002 between Sichuan Mobile Communication Company Limited and Sichuan Communication Service Company (with English translation). ⁽²⁾
4.38	Telecommunications Services Agreement dated April 10, 2002 between Hubei Mobile Communication Company Limited and Hubei Communication Service Company (with English translation). ⁽²⁾
4.39	Telecommunications Services Agreement dated April 10, 2002 between Hunan Mobile Communication Company Limited and Hunan Communication Service Company (with English translation). ⁽²⁾
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4.42	Service Agreement for Supply Installation and Maintenance of Steel Towers dated May 8, 2002 between China Mobile (Hong Kong) Limited and Hubei Communication Services Company (with English translation). ⁽²⁾



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4.44	Trademark License Agreement, dated April 24, 2002, between CMCC and China Mobile (Hong Kong) Limited. ⁽³⁾
4.45	Conditional Sale and Purchase Agreement, dated May 16, 2002, among China Mobile Hong Kong (BVI) Limited, China Mobile (Hong Kong) Limited and CMCC. ⁽³⁾
4.46	Subscription Agreement, dated May 16, 2002, among Vodafone Group Plc, Vodafone Holdings (Jersey) Limited and China Mobile (Hong Kong) Limited. ⁽³⁾
4.47	Prepaid services agreement dated May 11, 2001, between China Mobile (Hong Kong) Limited and CMCC. ⁽¹⁾
4.48	Inter-Provincial Long-Distance Transmission Leased Line Fee Sharing Agreement, dated May 5, 2000, between CMCC and China Telecom (Hong Kong) Limited. ⁽⁴⁾
4.49	Inter-Provincial Network Interconnection, Domestic and International Roaming and Settlement Agreement, dated May 5, 2000, between CMCC and China Telecom (Hong Kong) Limited. ⁽⁴⁾
4.50	Tenancy Agreement, dated June 7, 2000, between Fu Hao Properties Limited and China Telecom (Hong Kong) Limited. ⁽⁴⁾
4.51	Agreement Regarding the Roaming Settlement of “Shenzhouxing” Prepaid Services “Shenzhouxing” and Revenues Sharing for Sales of Stored Value for Stored Value Cards, dated October 4, 2000, between CMCC and China Mobile (Hong Kong) Limited. ⁽⁵⁾
4.52	Contract on Termination of the Trademark Licensing, dated September 15, 2000, between China Telecommunications Corporation and China Mobile (Hong Kong) Limited. ⁽⁵⁾
4.53	Building Leasing and Property Management Agreement, dated September 18, 2000, between Beijing Mobile and Beijing Communications Service Company (“Beijing Service”). ⁽⁵⁾
4.54	Building Leasing and Property Management Agreement, dated September 18, 2000, between Beijing Mobile and Beijing Service. ⁽⁵⁾
4.55	Agreement on Mobile Communications Equipment Maintenance and Modulation, dated September 18, 2000, between Beijing Mobile and Beijing Huarui Wireless Communications Equipment Installation Company (“Beijing Huarui”). ⁽⁵⁾
4.56	Agreement on Communications Projects Design and Construction, dated September 18, 2000, between Beijing Mobile and Beijing Huarui. ⁽⁵⁾
4.57	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Beijing Mobile and Beijing Service. ⁽⁵⁾
4.58	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Beijing Mobile and Beijing Service. ⁽⁵⁾
4.59	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Beijing Mobile and Beijing Service. ⁽⁵⁾
4.60	Agreement on Mobile Communications Equipment Maintenance, dated September 20, 2000, between Shanghai Mobile and Shanghai Long-distance Telecommunications Engineering Company (“Shanghai Engineering”). ⁽⁵⁾
4.61	Agreement on Contracting Mobile Communications Projects, dated September 20, 2000, between Shanghai Mobile and Shanghai Engineering. ⁽⁵⁾
4.62	Building Leasing and Property Management Agreement, dated September 20, 2000, between Shanghai Mobile and Shanghai Communications Service Company (“Shanghai Service”). ⁽⁵⁾



<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.63	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Shanghai Mobile and Shanghai Service. ⁽⁵⁾
4.64	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Shanghai Mobile and Shanghai Service. ⁽⁵⁾
4.65	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Shanghai Mobile and Shanghai Service. ⁽⁵⁾
4.66	Building Leasing Agreement, dated August 1, 2000, between Tianjin Mobile and Tianjin Communications Service Company ("Tianjin Service"). ⁽⁵⁾
4.67	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Tianjin Mobile and Tianjin Service. ⁽⁵⁾
4.68	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Tianjin Mobile and Tianjin Service. ⁽⁵⁾
4.69	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Tianjin Mobile and Tianjin Service. ⁽⁵⁾
4.70	Building Leasing and Property Management Agreement, dated August 1, 2000, between Hebei Mobile and Hebei Communications Service Company ("Hebei Service"). ⁽⁵⁾
4.71	Agreement on the Sales and Maintenance of Masts and Maintenance of Antennas and Feeder Lines, dated August 1, 2000, between Hebei Mobile and Hebei Provincial Posts and Telecommunications Equipment and Machinery Plant. ⁽⁵⁾
4.72	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Hebei Mobile and Hebei Service. ⁽⁵⁾
4.73	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Hebei Mobile and Hebei Service. ⁽⁵⁾
4.74	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Hebei Mobile and Hebei Service. ⁽⁵⁾
4.75	Building Leasing and Property Management Agreement, dated August 10, 2000, between Liaoning Mobile and Liaoning Communications Service Company ("Liaoning Service"). ⁽⁵⁾
4.76	Agreement on Communications Equipment Maintenance, dated September 8, 2000, between Liaoning Mobile and Liaoning Provincial Posts and Telecommunications Engineering Bureau ("Liaoning Engineering"). ⁽⁵⁾
4.77	Agreement on Mobile Communications Projects Construction, dated September 8, 2000, between Liaoning Mobile and Liaoning Engineering. ⁽⁵⁾
4.78	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Liaoning Mobile and Liaoning Service. ⁽⁵⁾
4.79	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Liaoning Mobile and Liaoning Service. ⁽⁵⁾
4.80	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Liaoning Mobile and Liaoning Service. ⁽⁵⁾
4.81	Building Leasing and Property Management Agreement, dated September 1, 2000, between Shandong Mobile and Shandong Communications Service Company ("Shandong Service"). ⁽⁵⁾



<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.82	Agreement on Contracting Mobile Communications Projects, dated September 1, 2000, between Shandong Mobile and Shandong Mobile Communications Engineering Bureau. ⁽⁵⁾
4.83	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Shandong Mobile and Shandong Service. ⁽⁵⁾
4.84	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Shandong Mobile and Shandong Service. ⁽⁵⁾
4.85	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Shandong Mobile and Shandong Service. ⁽⁵⁾
4.86	Building Lease Agreement, dated August 26, 2000, between Guangxi Mobile and Guangxi Communications Service Company ("Guangxi Service"). ⁽⁵⁾
4.87	Capital Contribution Agreement, dated August 30, 2000, among CMCC, Guangxi Mobile and Guangxi Service. ⁽⁵⁾
4.88	Agreement Regarding the Transfer of Personnel, Finances and Assets Not Directly Related to Mobile Communication Services, dated August 30, 2000, among CMCC, Guangxi Mobile and Guangxi Service. ⁽⁵⁾
4.89	Agreement on the Confirmation of the Transfer of Personnel, Finances and Assets and the Related Rights and Obligations, dated August 30, 2000, between Guangxi Mobile and Guangxi Service. ⁽⁵⁾
4.90	Strategic Investor Placing Agreement among China Mobile (Hong Kong) Limited, Vodafone Group Plc, China International Capital Corporation, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited. ⁽⁵⁾
4.91	Conditional Sale and Purchase Agreement, dated October 4, 2000, among CMCC, China Mobile Hong Kong (BVI) Limited and China Mobile (Hong Kong) Limited. ⁽⁵⁾
4.92	Conditional Sale and Purchase Agreement, dated October 4, 1999, among China Telecom Hong Kong (BVI) Limited, China Telecom (Hong Kong) Group Limited and China Telecom (Hong Kong) Limited. ⁽⁶⁾
8.1	List of major subsidiaries.
11.1	Code of Ethics.
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
13.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b).
13.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b).

- (1) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-14696), filed with the U.S. Securities and Exchange Commission on June 26, 2001.
- (2) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (File No. 1-14696), filed with the U.S. Securities and Exchange Commission on June 17, 2003.
- (3) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2001 (File No. 1-14696), filed with the U.S. Securities and Exchange Commission on June 13, 2002.
- (4) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 1999 (File No. 1-14696), filed with the Securities and Exchange Commission on June 20, 2000.
- (5) Incorporated by reference to our Registration Statement on Form F-3 (File No. 333-47256), filed with the Securities and Exchange Commission on October 30, 2000.
- (6) Incorporated by reference to our Registration Statement on Form F-3 (File No. 333-10956), filed with the Securities and Exchange Commission on October 30, 1999.



China Mobile (Hong Kong) Limited
For the year ended December 31, 2003
Consolidated Financial Statements



Index to Consolidated Financial Statements

	<u>Page No.</u>
<u>Report of Independent Public Accounting Firm</u>	F-2
<u>Consolidated statements of income for each of the three years ended December 31, 2001, 2002 and 2003</u>	F-3 - F-4
<u>Consolidated balance sheets as of December 31, 2002 and 2003</u>	F-5 - F-6
<u>Consolidated statements of cash flows for each of the three years ended December 31, 2001, 2002 and 2003</u>	F-7 - F-10
<u>Consolidated statements of shareholders' equity for each of the three years ended December 31, 2001, 2002 and 2003</u>	F-11
<u>Notes to consolidated financial statements</u>	F-12 - F-110



Report of Independent Public Accounting Firm

The Board of Directors and Shareholders of
China Mobile (Hong Kong) Limited:

We have audited the accompanying consolidated balance sheets of China Mobile (Hong Kong) Limited and subsidiaries (the "Group") as of December 31, 2002 and 2003 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003, all expressed in Renminbi. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and generally accepted auditing standards in Hong Kong. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Mobile (Hong Kong) Limited and subsidiaries as of December 31, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003 in conformity with accounting principles generally accepted in Hong Kong.

Accounting principles generally accepted in Hong Kong vary in certain material respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 33 to the consolidated financial statements.

The accompanying consolidated financial statements as of and for the year ended December 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation, and in our opinion, the consolidated financial statements expressed in Renminbi have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

KPMG
Hong Kong

March 18, 2004



Consolidated Statements of Income
(Amounts in millions, except share data)

	Note	Year ended December 31,			
		2001 restated	2002 restated	2003	2003
		RMB	RMB	RMB	US\$
Operating revenue					
Usage fees		73,458	93,272	111,027	13,414
Monthly fees		14,085	16,901	20,666	2,497
Connection fees		711	—	—	—
Other operating revenue		12,077	18,388	26,911	3,252
Total operating revenue	4	<u>100,331</u>	<u>128,561</u>	<u>158,604</u>	<u>19,163</u>
Operating expenses					
Leased lines		5,005	5,287	4,914	594
Interconnection		13,055	12,975	12,868	1,555
Depreciation		17,664	26,827	36,611	4,423
Personnel		5,325	6,757	7,700	930
Other operating expenses		18,270	27,919	43,308	5,233
Total operating expenses	5	<u>59,319</u>	<u>79,765</u>	<u>105,401</u>	<u>12,735</u>
Operating profit		41,012	48,796	53,203	6,428
Amortization of goodwill	14	—	(936)	(1,850)	(223)
Other net income	6	1,594	1,686	2,464	298
Non-operating net (expenses) / income	7	(6)	571	434	52
Interest income		857	713	807	97
Finance costs	20	(1,740)	(1,852)	(2,099)	(253)
Profit before tax		41,717	48,978	52,959	6,399
Income tax	8	(13,763)	(16,375)	(17,412)	(2,104)
Profit after tax		27,954	32,603	35,547	4,295
Minority interests		1	(2)	9	1
Profit attributable to shareholders		<u>27,955</u>	<u>32,601</u>	<u>35,556</u>	<u>4,296</u>
Dividends attributable to the year:					
Interim dividend declared and paid during the year	9	—	—	3,339	403
Final dividend proposed after the balance sheet date	9	—	6,678	4,178	505
		<u>—</u>	<u>6,678</u>	<u>7,517</u>	<u>908</u>

See accompanying notes to consolidated financial statements.



Consolidated Statements of Income (Continued)
(Amounts in millions, except share data)

		Year ended December 31,						
	Note	2001 restated		2002 restated		2003		
		RMB		RMB		RMB		
						US\$		
Basic net profit per share	2(u)	RMB	1.50	RMB	1.70	RMB	1.81	US\$ 0.22
Weighted average number of shares used in calculating basic net profit per share (thousands)			18,605,371		19,151,322		19,671,654	
Diluted net profit per share	2(u)	RMB	1.50	RMB	1.70	RMB	1.81	US\$ 0.22
Weighted average number of shares used in calculating diluted net profit per share (thousands)			18,698,023		19,243,050		19,762,812	

See accompanying notes to consolidated financial statements.



Consolidated Balance Sheets
(Amounts in millions)

	Note	December 31,		
		2002 restated	2003	2003
		RMB	RMB	US\$
Assets				
Current assets				
Cash and cash equivalents		32,575	39,129	4,728
Deposits with banks		11,069	17,227	2,081
Accounts receivable	10	6,066	6,116	739
Other receivables	11	1,465	1,787	216
Inventories		1,586	2,050	248
Prepayments and other current assets		2,059	2,128	257
Tax recoverable		—	258	31
Amount due from ultimate holding Company	12	1,282	762	92
Total current assets		56,102	69,457	8,392
Fixed assets				
Construction in progress	13	165,409	171,604	20,733
Goodwill		23,013	28,370	3,428
Interest in associates	14	36,223	34,373	4,153
Investment securities	15	16	16	2
Deferred tax	16	77	77	9
Deferred expenses	17	4,991	3,263	394
	18	190	143	17
Total assets		286,021	307,303	37,128

See accompanying notes to consolidated financial statements.



Consolidated Balance Sheets (Continued)
(Amounts in millions)

	Note	December 31,		
		2002 restated	2003	2003
		RMB	RMB	US\$
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	19	19,251	25,225	3,048
Bills payable		1,256	2,059	249
Deferred revenue - current portion	23	6,760	9,476	1,145
Bank loans and other interest-bearing borrowings	20	8,132	13,090	1,581
Taxes payable		6,568	4,516	546
Obligations under capital lease - current portion	21	68	68	8
Amount due to immediate holding company	12	402	47	6
Amount due to ultimate holding company	12	1,217	1,352	163
Accrued expenses and other payables	22	16,460	22,317	2,696
Total current liabilities		60,114	78,150	9,442
Deferred taxation	17	58	97	12
Bank loans and other interest-bearing borrowings	20	36,348	19,407	2,345
Amount due to immediate holding company	12	15,176	9,976	1,205
Deferred revenue - long term portion	23	869	688	83
Total liabilities		112,565	108,318	13,087
Minority interests		191	182	22
Shareholders' equity		173,265	198,803	24,019
Total liabilities and shareholders' equity		286,021	307,303	37,128

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows
(Amounts in millions)

	Year ended December 31,			
	2001	2002	2003	2003
	RMB	RMB	RMB	US\$
Operating activities				
Profit before taxation	41,717	48,978	52,959	6,399
<i>Adjustment for:</i>				
- Depreciation of fixed assets	17,664	26,827	36,611	4,423
- Amortization of goodwill	—	936	1,850	223
- Provision for interest in associates	30	—	—	—
- Profit on deemed disposal of a subsidiary	(54)	(255)	—	—
- Loss on sale of fixed assets	275	205	795	96
- Write off of fixed assets	—	96	669	81
- Provision for doubtful accounts	1,737	1,749	2,006	242
- Amortization of deferred expenses	39	43	47	6
- Interest income	(857)	(713)	(807)	(97)
- Interest expense and capital lease charges	1,740	1,852	2,099	253
- Dividend income	(43)	(25)	(48)	(6)
- Unrealized exchange loss, net	4	8	47	6
Operating profit before changes in working capital	62,252	79,701	96,228	11,626
Increase in inventories	(124)	(234)	(464)	(56)
Decrease in amount due from ultimate holding company	54	765	520	63
Increase in accounts receivable	(213)	(733)	(1,968)	(238)
Decrease/(increase) in other receivables	1,111	(234)	(259)	(31)
(Increase)/decrease in prepayments and other current assets	(282)	91	(69)	(8)
(Decrease)/increase in amount due to ultimate holding company	(437)	450	135	16
Increase/(decrease) in amount due to immediate holding company	—	402	(355)	(43)
(Decrease)/increase in accounts payable	(1,724)	4,915	940	114
Increase in accrued expenses and other payables	2,616	469	6,246	755
Increase in deferred revenue	583	2,370	2,535	306
Cash generated from operations	63,836	87,962	103,489	12,504
Tax paid				
- PRC income tax paid	(12,865)	(18,540)	(17,955)	(2,169)
Net cash from operating activities carried forward	50,971	69,422	85,534	10,335

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows (Continued)
(Amounts in millions)

	Note	Year ended December 31,			
		2001	2002	2003	2003
		RMB	RMB	RMB	US\$
Net cash from operating activities brought forward		50,971	69,422	85,534	10,335
Investing activities					
Payment of amount due to immediate holding company in respect of acquisition of subsidiaries		(4,136)	—	(5,200)	(628)
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	(b)	—	(28,733)	—	—
Capital expenditure		(39,500)	(41,000)	(43,871)	(5,301)
Proceeds from sale of fixed assets		204	411	233	28
Proceeds from issuance of shares to minority interest by subsidiary, net of expenses		69	412	—	—
(Increase)/decrease in deposits with banks		(2,766)	3,901	(6,158)	(744)
Interest received		867	867	656	79
Dividends received from associate		14	25	48	6
Net cash used in investing activities		(45,248)	(64,117)	(54,292)	(6,560)
Financing activities					
Proceeds from issue of shares, net of expenses		4	5,970	—	—
Proceeds from bank and other loans		5,407	6,955	760	92
Repayments of bank and other loans		(17,897)	(12,232)	(12,790)	(1,545)
Repayment of obligations under capital lease		(2,055)	(1,652)	—	—
Proceeds from issue of bonds		5,000	8,000	—	—
Expenses on issue of bonds		(55)	(53)	—	—
Interest paid		(2,008)	(1,539)	(2,640)	(319)
Dividend paid		—	—	(10,018)	(1,210)
Net cash (used in) / from financing activities		(11,604)	5,449	(24,688)	(2,982)
Net (decrease) / increase in cash and cash equivalents		(5,881)	10,754	6,554	793
Cash and cash equivalents at beginning of year		27,702	21,821	32,575	3,935
Cash and cash equivalents at end of year		21,821	32,575	39,129	4,728
Analysis of the balances of cash and cash equivalents					
Deposits with banks maturing within three months when placed		3,818	5,004	5,696	688
Cash and bank balances		18,003	27,571	33,433	4,040
		21,821	32,575	39,129	4,728

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows (Continued)
(Amounts in millions)

(a) Acquisition of subsidiaries

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
<i>Net assets acquired:</i>			
Fixed assets	—	43,665	—
Construction in progress	—	7,024	—
Deferred tax	—	918	—
Inventories	—	323	—
Amount due from ultimate holding company	—	1,544	—
Accounts receivable	—	1,206	—
Other receivables	—	344	—
Prepayments and other current assets	—	579	—
Cash and cash equivalents	—	5,339	—
Bank and other loans	—	(4,342)	—
Bills payable	—	(66)	—
Amount due to ultimate holding company	—	(526)	—
Accounts payable	—	(3,849)	—
Accrued expenses and other payables	—	(4,657)	—
Long-term bank and other loans	—	(11,285)	—
Taxes payable	—	(1,395)	—
Deferred revenue	—	(1,022)	—
	—	33,800	—
Goodwill arising on acquisition (restated)	—	37,159	—
	—	70,959	—
Satisfied by: Cash consideration	—	49,248	—
Issue of ordinary shares	—	21,711	—
	—	70,959	—



Consolidated Statements of Cash Flows (Continued)
(Amounts in millions)

(b) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Cash consideration	—	49,248	—
Cash and cash equivalents acquired	—	(5,339)	—
Amount due to immediate holding company	—	(15,176)	—
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	—	28,733	—

(c) Significant non-cash transactions:

The Group incurred payables of RMB17,235 and RMB2,059 to equipment suppliers and banks respectively for additions of construction in progress during the year ended December 31, 2003.

The Group incurred payables of RMB10,270 and RMB1,190 to equipment suppliers and banks respectively for additions of construction in progress during the year ended December 31, 2002. On July 1, 2002, the Group issued new shares to China Mobile Hong Kong (BVI) Limited (“CMHK (BVI)”) at HK\$20,458 (RMB equivalent 21,711) respectively as part of the consideration for the acquisition of the entire issued share capital of Anhui Mobile (BVI) Limited (“Anhui Mobile BVI”), Jiangxi Mobile (BVI) Limited (“Jiangxi Mobile BVI”), Chongqing Mobile (BVI) Limited (“Chongqing Mobile BVI”), Sichuan Mobile (BVI) Limited (“Sichuan Mobile BVI”), Hubei Mobile (BVI) Limited (“Hubei Mobile BVI”), Hunan Mobile (BVI) Limited (“Hunan Mobile BVI”), Shaanxi Mobile (BVI) Limited (“Shaanxi Mobile BVI”) and Shanxi Mobile Communication (BVI) Limited (“Shanxi Mobile BVI”).

The Group incurred payables of RMB8,679 and RMB1,337 to equipment suppliers and banks respectively for additions of construction in progress during the year ended December 31, 2001.

Consolidated Statements of Shareholders' Equity
(Amounts in millions, except share data)

Statements of shareholders' equity for the years:

	Number of ordinary shares	Share capital	Share premium	Capital Reserve	General reserve	PRC statutory reserves	Retained earnings	Total
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Shareholders' equity at January 1, 2001								
-as previously reported	18,605,312,241	1,986	347,007	(296,470)	72	12,643	18,522	83,760
-prior year adjustment arising from change in accounting policy for deferred taxation		—	—	805	—	—	459	1,264
-as restated		1,986	347,007	(295,665)	72	12,643	18,981	85,024
Transfer from statements of income (restated)	—	—	—	—	—	—	27,955	27,955
Shares issued under share option scheme	93,000	—	4	—	—	—	—	4
Appropriation	—	—	—	—	—	5,033	(5,033)	—
Shareholders' equity at December 31, 2001 (restated)	18,605,405,241	1,986	347,011	(295,665)	72	17,676	41,903	112,983
Shareholders' equity at January 1, 2002								
-as previously reported	18,605,405,241	1,986	347,011	(296,470)	72	17,676	41,504	111,779
-prior year adjustment arising from change in accounting policy for deferred taxation		—	—	805	—	—	399	1,204
-as restated		1,986	347,011	(295,665)	72	17,676	41,903	112,983
Transfer from statements of income (restated)	—	—	—	—	—	—	32,601	32,601
Shares issued under share option scheme	2,100,000	—	24	—	—	—	—	24
Issue of new shares	236,634,212	25	6,180	—	—	—	—	6,205
Issue of consideration shares for acquisition of subsidiaries	827,514,446	88	21,623	—	—	—	—	21,711
Expenses incurred in connection with the issue of consideration shares	—	—	(259)	—	—	—	—	(259)
Appropriation	—	—	—	—	—	7,038	(7,038)	—
Shareholders' equity at December 31, 2002 (restated)	19,671,653,899	2,099	374,579	(295,665)	72	24,714	67,466	173,265
Shareholders' equity at January 1, 2003								
-as previously reported	19,671,653,899	2,099	374,579	(296,470)	72	24,714	67,208	172,202
-prior year adjustment arising from change in accounting policy for deferred taxation		—	—	805	—	—	258	1,063
-as restated		2,099	374,579	(295,665)	72	24,714	67,466	173,265
Transfer from statements of income	—	—	—	—	—	—	35,556	35,556
Dividends approved in respect of previous								





year	—	—	—	—	—	—	(6,679)	(6,679)
Dividends declared in respect of current year	—	—	—	—	—	—	(3,339)	(3,339)
Appropriation	—	—	—	—	—	7,972	(7,972)	—
Shareholders' equity at December 31, 2003	19,671,653,899	2,099	374,579	(295,665)	72	32,686	85,032	198,803

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation

China Mobile (Hong Kong) Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the provision of cellular telephone and related services in Guangdong, Zhejiang, Jiangsu, Fujian, Henan, Hainan, Hebei, Liaoning, Shandong, Anhui, Jiangxi, Sichuan, Hubei, Hunan, Shaanxi and Shanxi provinces, Beijing, Shanghai, Tianjin and Chongqing municipalities, and Guangxi Zhuang Autonomous Region of the People’s Republic of China (“PRC”) and market their services under the “China Mobile” logo, which is a registered trademark owned by China Mobile Communications Corporation (“China Mobile”), a company incorporated in the PRC in July 1999 to hold and operate the cellular telecommunications networks nationwide as a result of restructuring of the telecommunications industry in the PRC. The telecommunications operations in the PRC previously controlled by the Ministry of Information Industry (“MII”) have been separated into four business lines: fixed line communications, mobile communications, paging services and satellite communications. Since then, the MII act exclusively as the industry regulator and are not involved in managing the day-to-day operations of telecommunications service providers in the PRC.

Prior to the restructuring (as described below, the “Restructuring”), the Group’s Total Access Communications Systems (“TACS”) and Global System for Mobile Communications (“GSM”) cellular networks in Guangdong were owned by Guangdong Mobile Communication Corporation (together with the successor wholly-owned foreign enterprise formed in connection with the Restructuring, “Guangdong Mobile”), an enterprise formed in September 1988 and wholly owned by the MII on behalf of the State. Prior to the Restructuring, the Group’s GSM cellular network in Zhejiang was owned by Zhejiang GSM Mobile Communication Company Limited (together with the successor sino-foreign joint venture company formed in connection with the Restructuring, “Zhejiang Mobile”), a company formed in February 1996 and 98.55% owned by the Zhejiang Provincial Posts and Telecommunications Administrations (“PTA”) (“Zhejiang PTA”), while the Group’s TACS cellular networks in Zhejiang were owned and operated directly by the Zhejiang PTA.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Restructuring

Pursuant to the Restructuring, the Company was established as a wholly-owned subsidiary of China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)"), a company incorporated with limited liability in the British Virgin Islands. CMHK (BVI) is controlled by China Mobile (Hong Kong) Group Limited ("CMHKG"), which in turn is 51% owned by Telpo Communications (Group) Limited ("Telpo"), a Hong Kong company wholly owned by the MII, and as to 49% by the China Telecommunications Corporation (previously known as the Directorate General of Telecommunications, or the DGT). At December 31, 1999, the percentages of equity interests of CMHK (BVI), which in turn were owned by Telpo and DGT were changed to 57% and 43%, respectively. On May 12, 2000, China Mobile acquired a 100% controlling interest in CMHKG. As a result of this, China Mobile indirectly holds approximately 75% equity interest in the Company. Guangdong Mobile was formed as a wholly foreign-owned enterprise whereas Zhejiang Mobile was formed as a sino-foreign joint venture company. The Company is the sole equity owner in Guangdong Mobile and was initially the 99.63% joint venture partner in Zhejiang Mobile, with the remaining interests held by various local investors. The Company acquired the remaining 0.37% interest in Zhejiang Mobile in April 1999. Subsequent to the acquisition, Zhejiang Mobile became a wholly foreign-owned enterprise.

In connection with the Restructuring and in anticipation of the initial offering of the Company's ordinary shares, the fixed assets of Guangdong Mobile and Zhejiang Mobile were revalued as of May 31, 1997, by a firm of independent valuers and approved by the China State-owned Assets Administration Bureau. The value of fixed assets of Guangdong Mobile and Zhejiang Mobile pursuant to the valuation, based on a depreciated replacement cost basis, was determined at RMB15,630. Upon the transfer of interests in Guangdong Mobile and Zhejiang Mobile by the MII and the DGT to the Company, 9,010,000,000 ordinary shares of HK\$0.10 each were issued by the Company to CMHK (BVI) for consideration valued at RMB19,466. Such amount was based on the net asset value of Guangdong Mobile and Zhejiang Mobile at May 31, 1997, the effective date of the Restructuring, adjusted for additional earnings to September 26, 1997, the completion date of the Restructuring, of RMB1,132, which is reflected as capital reserve.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Equity offering

Subsequent to the Restructuring, in October 1997, the Company completed an initial public offering (the "Offering") of an aggregate of 2,770,788,000 ordinary shares. Net proceeds to the Company for the Offering, after deduction of offering expenses, were approximately RMB33,570.

Acquisition of Jiangsu Mobile Communication Company Limited ("Jiangsu Mobile")

Pursuant to the ordinary resolution passed by the Company's shareholders on June 3, 1998, the Company acquired the entire issued share capital of China Telecom Jiangsu Mobile (BVI) Limited ("Jiangsu Mobile BVI") from CMHK (BVI) by a total cash consideration of HK\$22,475 (RMB equivalent 24,120) (hereinafter referred to as the "First Acquisition").

The only asset of Jiangsu Mobile BVI is its interest in the entire equity of Jiangsu Mobile. Subsequent to the First Acquisition, Jiangsu Mobile became a wholly foreign-owned enterprise.

In connection with the First Acquisition, the fixed assets of Jiangsu Mobile were revalued as of December 31, 1997, by a firm of independent valuers and approved by the China State-owned Assets Administration Bureau. The value of fixed assets of Jiangsu Mobile pursuant to the valuation, based on a depreciated replacement cost basis, was determined at RMB7,879.

Goodwill arising on the acquisition of Jiangsu Mobile BVI and Jiangsu Mobile (RMB15,569 (restated)), being the excess of the cost of investments (RMB24,120) over the fair value of the Group's share of the separable net assets acquired (RMB8,551 (restated)), was eliminated against reserves immediately on acquisition. The fair value of the Group's share of the separable net assets acquired was based on the net asset value of Jiangsu Mobile at December 31, 1997 (RMB8,065 (restated)), adjusted for additional earnings to June 3, 1998, the completion date of the First Acquisition, of RMB489.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Acquisition of Fujian Mobile Communication Company Limited ("Fujian Mobile"), Henan Mobile Communication Company Limited ("Henan Mobile") and Hainan Mobile Communication Company Limited ("Hainan Mobile")

Pursuant to an ordinary resolution passed by the Company's shareholders on November 11, 1999, the Company acquired the entire issued share capital of Fujian Mobile (BVI) Limited ("Fujian Mobile BVI"), Henan Mobile (BVI) Limited ("Henan Mobile BVI") and Hainan Mobile (BVI) Limited ("Hainan Mobile BVI") from CMHK (BVI) for a total consideration of HK\$49,715 (RMB equivalent 52,953) (hereinafter referred to as the "Second Acquisition"). The consideration was satisfied by cash of HK\$19,031 (RMB equivalent 20,268) and an allotment of 1,273,195,021 ordinary shares of HK\$0.10 each to CMHK (BVI) amounting to HK\$30,684 (RMB equivalent 32,685). The only assets of each of Fujian Mobile BVI, Henan Mobile BVI and Hainan Mobile BVI are their interests in the entire equity of Fujian Mobile, Henan Mobile and Hainan Mobile, respectively.

In connection with the Second Acquisition, the fixed assets of Fujian Mobile, Henan Mobile and Hainan Mobile were revalued as of June 30, 1999, by a firm of independent valuers and approved by the Ministry of Finance. The value of fixed assets of Fujian Mobile, Henan Mobile and Hainan Mobile pursuant to the valuation, based on a depreciated replacement cost basis, was determined at RMB10,684.

Goodwill arising on the acquisition of Fujian Mobile, Henan Mobile and Hainan Mobile (RMB42,340 (restated)), being the excess of the cost of investments (RMB52,953) over the fair value of the Group's share of the separable net assets acquired (RMB10,613 (restated)), was eliminated against reserves immediately on acquisition. The fair value of the Group's share of the separable net assets acquired was based on the net assets of Fujian Mobile, Henan Mobile and Hainan Mobile at June 30, 1999 (RMB9,624 (restated)), adjusted for additional earnings to November 11, 1999, the completion date of the Second Acquisition, of RMB989.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Equity offering and debt offering

In order to finance the acquisition consideration, the Company completed an international offering of an aggregate of 644,804,000 ordinary shares and debt offering with a principal amount of US\$600 with maturity due on November 2, 2004. Further, the Company issued 1,273,195,021 consideration shares to CMHK (BVI), credited as fully paid as part of the acquisition consideration. Net proceeds to the Company for such equity offering and debt offering, after deduction of offering expenses and discount, were approximately RMB16,134 and RMB4,899, respectively.

Acquisition of Beijing Mobile Communication Company Limited ("Beijing Mobile"), Shanghai Mobile Communication Company Limited ("Shanghai Mobile"), Tianjin Mobile Communication Company Limited ("Tianjin Mobile"), Hebei Mobile Communication Company Limited ("Hebei Mobile"), Liaoning Mobile Communication Company Limited ("Liaoning Mobile"), Shandong Mobile Communication Company Limited ("Shandong Mobile") and Guangxi Mobile Communication Company Limited ("Guangxi Mobile")

Pursuant to an ordinary resolution passed by the Company's shareholders on November 10, 2000, the Company acquired the entire issued share capital of Beijing Mobile BVI, Shanghai Mobile BVI, Tianjin Mobile BVI, Hebei Mobile BVI, Liaoning Mobile BVI, Shandong Mobile BVI and Guangxi Mobile BVI from CMHK (BVI) for a total consideration of HK\$256,021 (RMB equivalent 271,485) (hereinafter referred to as the "Third Acquisition"). The consideration was satisfied by cash of HK\$74,609 (RMB equivalent 79,116) and an allotment of 3,779,407,375 ordinary shares of HK\$0.10 each to CMHK (BVI) amounting to HK\$181,412 (RMB equivalent 192,369). The only assets of each of Beijing Mobile BVI, Shanghai Mobile BVI, Tianjin Mobile BVI, Hebei Mobile BVI, Liaoning Mobile BVI, Shandong Mobile BVI and Guangxi Mobile BVI are their interests in the entire equity of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile, respectively.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

In connection with the Third Acquisition, the fixed assets of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile were revalued as of June 30, 2000, by a firm of independent valuers and approved by the Ministry of Finance. The value of fixed assets of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile pursuant to the valuation, based on a depreciated replacement cost basis, was determined at RMB37,252.

Goodwill arising on the acquisition of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile (RMB238,891 (restated)), being the excess of the cost of investments (RMB271,485) over the fair value of the Group's share of the separable net assets acquired (RMB32,594 (restated)), was eliminated against reserves immediately on acquisition. The fair value of the Group's share of the separable net assets acquired was based on the net assets of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile at June 30, 2000 (RMB29,966 (restated)), adjusted for additional earnings to November 12, 2000, the completion date of the Third Acquisition, of RMB2,628.

Equity offering and debt offering

In order to finance the acquisition consideration, the Company completed an international offering of an aggregate of 1,115,643,845 ordinary shares and debt offering with a principal amount of US\$690 with maturity due on November 3, 2005. Further the Company issued 3,779,407,375 consideration shares to CMHK (BVI), credited as fully paid as part of the acquisition consideration. Net proceeds to the Company for such equity offering and debt offering, after deduction of offering expenses and discount, were approximately RMB55,723 and RMB5,580, respectively.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Acquisition of Anhui Mobile Communication Company Limited (“Anhui Mobile”), Jiangxi Mobile Communication Company Limited (“Jiangxi Mobile”), Chongqing Mobile Communication Company Limited (“Chongqing Mobile”), Sichuan Mobile Communication Company Limited (“Sichuan Mobile”), Hubei Mobile Communication Company Limited (“Hubei Mobile”), Hunan Mobile Communication Company Limited (“Hunan Mobile”), Shaanxi Mobile Communication Company Limited (“Shaanxi Mobile”) and Shanxi Mobile Communication Company Limited (“Shanxi Mobile”)

Pursuant to a resolution passed at the extraordinary general meeting held on June 24, 2002, the Company acquired the entire issued share capital of Anhui Mobile BVI, Jiangxi Mobile BVI, Chongqing Mobile BVI, Sichuan Mobile BVI, Hubei Mobile BVI, Hunan Mobile BVI, Shaanxi Mobile BVI and Shanxi Mobile BVI from CMHK(BVI). The acquisition was completed on July 1, 2002 for a total consideration of US\$8,573 (RMB equivalent 70,959) (hereinafter referred to as the “Fourth Acquisition”). The consideration was satisfied by cash of RMB49,248 and an allotment of 827,514,446 ordinary shares of HK\$0.10 each to CMHK (BVI) amounting to HK\$20,458 (RMB equivalent 21,711). The only assets of each of Anhui Mobile BVI, Jiangxi Mobile BVI, Chongqing Mobile BVI, Sichuan Mobile BVI, Hubei Mobile BVI, Hunan Mobile BVI, Shaanxi Mobile BVI and Shanxi Mobile BVI are their interests in the entire equity of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile, respectively.

In connection with the Fourth Acquisition, the fixed assets of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile were revalued as of December 31, 2001, by a firm of independent valuers and approved by the Ministry of Finance. The value of fixed assets of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile pursuant to the valuation, based on a depreciated replacement cost basis, was determined at RMB39,499.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Positive goodwill arising on the acquisition of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile (RMB37,159 (restated)), being the excess of the cost of investments (RMB70,959) over the fair value of the Group's share of the separable net assets acquired (RMB33,800 (restated)), is amortized to the consolidated statements of income on a straight-line basis over 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortization and any impairment losses. The fair value of the Group's share of the separable net assets acquired was based on the net assets of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile at December 31, 2001 (RMB30,982 (restated)), adjusted for additional earnings to June 30, 2002, the completion date of the Fourth Acquisition, of RMB2,818.

Equity offering and debt offering

In order to finance the acquisition consideration, the Company issued 236,634,212 new shares to Vodafone Holdings (Jersey) Limited at HK\$5,850 (RMB equivalent 6,205). Further, the Company issued 827,514,446 consideration shares to CMHK (BVI), credited as fully paid as part of the acquisition consideration. Net proceeds to the Company for the equity offering, after deduction of offering expenses, was approximately RMB5,946. In addition, Guangdong Mobile issued five-year guaranteed bonds and fifteen-year guaranteed bonds, with a principal amount of RMB3,000 and RMB5,000 respectively, at an issue price equal to the face value of the bonds. Net proceeds to the Group for the debt offering, after deduction of offering expenses, was approximately RMB7,947.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

Basis of preparation

The consolidated financial statements have been prepared on a consolidated basis to reflect the financial position and results of operations of the Company, Guangdong Mobile and Zhejiang Mobile from the date of the Restructuring and of Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile, Guangxi Mobile, Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile from their respective dates of acquisition. The consolidated statements of income for the year ended December 31, 2003 includes the results of the Company, Guangdong Mobile, Zhejiang Mobile, Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile, Guangxi Mobile, Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile for the year ended December 31, 2003. The consolidated statements of income for the year ended December 31, 2002 includes the results of the Company, Guangdong Mobile, Zhejiang Mobile, Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile for the year ended December 31, 2002 and the post-acquisition results of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile for the period from July 1, 2002 to December 31, 2002. The consolidated statements of income for the year ended December 31, 2001 includes the results of the Company, Guangdong Mobile, Zhejiang Mobile, Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile for the year ended December 31, 2001.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP"). Significant differences between HK GAAP and accounting principles generally accepted in the United States ("US GAAP") are set forth in Note 33.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

1 Organization, principal activities and basis of presentation (Continued)

The consolidated financial statements are expressed in Renminbi. Solely for the convenience of the reader, for the December 31, 2003 financial statements have been translated into United States dollars at the rate of US\$1.00 = RMB8.2767 quoted by the Federal Reserve Bank of New York on December 31, 2003. 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 December 31, 2003, or any other certain date.

2 Principal accounting policies**(a) Basis of consolidation**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (see Note 30 for details of the Company's principal subsidiaries). The results of subsidiary companies are included in the consolidated statements of income, and the share attributable to minority interest is deducted from or added to the consolidated income after taxation. All significant inter-company balances and transactions have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. None of the Group's cash and cash equivalents is restricted as to withdrawal.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(c) Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's share of the results of its associates is included in the consolidated statements of income. Such amounts were immaterial for the years presented. In the consolidated balance sheets, interest in associates is stated at cost adjusted for post-acquisition retained result of operations, less impairment losses (see note 2(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognized in the consolidated statements of income as they arise.

(d) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before January 1, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses recognized in the consolidated statements of income (see note 2(h)); and
- for acquisitions on or after January 1, 2001, positive goodwill is amortized to the consolidated statements of income on a straight-line basis over 20 years. Positive goodwill is stated in the consolidated balance sheets at cost less accumulated amortization and any impairment losses recognized in the consolidated statements of income (see note 2(h)).



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(d) Goodwill (Continued)

Negative goodwill arising on acquisitions of controlled subsidiaries represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before January 1, 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after January 1, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognized, it is recognized in the consolidated statements of income when the future losses and expenses are recognized. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognized in the consolidated statements of income over the weighted average useful life of those non-monetary assets that are depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognized immediately in the consolidated statements of income.

In respect of any negative goodwill not yet recognized in the consolidated statements of income, it is shown in the consolidated balance sheets as a deduction from assets in the same balance sheet classification as positive goodwill.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(e) Other investments in securities

The Group's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the consolidated balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognized as an expense in the consolidated statements of income, such provisions being determined for each investment individually.
- (ii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated statements of income as they arise.

(f) Fixed assets and depreciation

- (i) Fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 2(h)). The circumstances and basis under which the revalued amount is arrived at are set out in details in Note 13.
- (ii) The cost of fixed assets comprises the purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statements of income in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalized as an additional cost of the fixed asset.
- (iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income on the date of retirement or disposal.



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(f) Fixed assets and depreciation (Continued)

(iv) Depreciation is calculated to write-off the cost of fixed assets on a straight-line basis over their estimated useful lives, to residual values, as follows:

	<u>Depreciable life</u>	<u>Residual value</u>
Land use rights	Over the period of grant	—
Buildings	8 -35 years	3%
Telecommunication transceivers, switching centers and other network equipment	7 years	3%
Office equipment, furniture and fixtures and others	4 - 18 years	3%

(g) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as capital leases.

Where the Group acquires the use of assets under capital leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in the fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under capital leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to the consolidated statements of income over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting year.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- fixed assets;
- construction in progress;
- investments in associates; and
- positive goodwill (whether taken initially to reserves or recognized as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the consolidated statements of income whenever the carrying amount of an asset (including positive goodwill taken directly to reserves) exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the consolidated statements of income in the year in which the reversals are recognized.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)**(i) Construction in progress**

Construction in progress is stated at cost less any impairment losses (see note 2 (h)). Cost comprises direct costs of construction as well as interest expense and exchange differences capitalized during the years of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to fixed assets when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use. No exchange differences were capitalized during 2003 and the exchange differences capitalized during 2001 and 2002 were immaterial.

(j) Inventories

Inventories, which consist primarily of handsets, SIM cards and accessories, are stated at the lower of cost and net realizable value. Cost represents purchase cost of goods calculated using the weighted average cost method. Net realizable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management's estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognized as a deduction of other income due to its insignificance. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the year in which the reversal occurs. No reversal of any write-down of inventories occurred during the years presented.

(k) Deferred revenue

Deferred revenue, which consists primarily of deferred revenue from prepaid service fees received from subscribers and deferred revenue from assignment of rights to income from subscribers with distributors of telecommunications services are stated in the balance sheet at the amount of consideration received according to the relevant assignment contracts if applicable, less income recognized in the consolidated statements of income up to the balance sheet date.

Revenue from prepaid service fees is recognized when the cellular services are rendered.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)**(k) Deferred revenue (Continued)**

Income from assignment of rights is deferred and recognized on a straight-line basis over the relevant assignment period. Details of the assignment of rights arrangement are set forth in Note 23.

(l) Fixed rate notes, bonds and convertible notes

Fixed rate notes, bonds and convertible notes are stated in the balance sheet at face value, less unamortized discount arising thereon, if any. The discount is amortized on a straight-line basis over the period from the date of issue to the date of maturity.

(m) Deferred expenses

Deferred expenses comprise incidental costs incurred in relation to the issue of the fixed rate notes, bonds and convertible notes of the Group and are amortized on a straight-line basis over the periods from the date of issue to the date of maturity. In the event that the notes are redeemed prior to the maturity date, the unamortized expenses are charged immediately to the consolidated statements of income.

(n) Interest costs

Interest costs are expensed in the consolidated statements of income in the year in which they are incurred, except to the extent that they are capitalized as being 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.

(o) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will accrue to the Group and when the revenue can be measured reliably on the following basis:

- (i) usage fees are recognized as revenue when the service is rendered;



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(o) Revenue recognition (Continued)

- (ii) monthly fees are recognized as revenue in the month during which the service is rendered;
- (iii) connection fees are recognized as revenue when the activating service is rendered;
- (iv) deferred revenue from prepaid services is recognized as income when the cellular telephone services are rendered upon actual usage by subscribers;
- (v) deferred revenue from assignment of rights to income from subscribers is recognized on a straight-line basis over the duration of the assignment period;
- (vi) interest income is recognized on a time proportion basis by reference to the principal outstanding and at the rate applicable; and
- (vii) sales of SIM cards and handsets are recognized on delivery of goods to the buyer. Such revenue, net of cost of goods sold, is included in other net income due to its insignificance.

(p) Allowance for doubtful accounts

The allowance for doubtful accounts is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable and other receivable. The Group determines the allowance based on the length of time the receivables are past due, the current business environment and the Group's historical experience.

(q) Translation of foreign currencies

The functional currency and reporting currency of the Group's operations is Renminbi. See Note 29. Foreign currency transactions are recorded at the applicable rates of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at the exchange rates ruling at the balance sheet date. Exchange gains and losses, other than those capitalized as construction in progress, are recognized in the consolidated statements of income. Exchange differences attributable to the translation of borrowings denominated in currencies other than the functional currency, and used for financing the construction of fixed assets, are included in the cost of the related construction in progress. Exchange differences capitalized to construction in progress are immaterial for the years presented.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)**(r) Income Tax**

- (i) Income tax for the year comprises current and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the consolidated statements of income except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(r) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(r) Income tax (Continued)

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Provisions and contingent liabilities

- (i) Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

- (ii) Provision for customer point reward program (the "Program")

The Group invites its subscribers to participate in a customer point reward program (the "Program"), which provides subscribers the option of electing to receive free telecommunications services or other non-cash gifts. The level of bonus points earned under the Program vary depending on the subscribers' service consumption, loyalty and payment history. The estimated incremental costs of providing these free rewards are expensed in the consolidated statements of income and are accrued as a current liability on the consolidated balance sheet based on (i) the number of subscribers who are qualified to exercise their redemption right at period/year end and the estimated rate of redemptions based on past experience; (ii) the estimated number of subscribers who have no right to redeem the incentives at period/year end, but who will ultimately earn and claim awards under the Program; and (iii) type of incentives that subscribers will select for redemption based on past experience. In the absence of historical experience, the Group recognized the maximum potential liability. As subscribers redeem rewards or their entitlements expire, the provision is reduced accordingly.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

2 Principal accounting policies (Continued)

(t) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Company's contributions to the Mandatory Provident Funds, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognized as an expense in the consolidated statements of income as incurred.
- (iii) The employees of the subsidiaries participate in defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the schemes at fixed rates of the employees' salary costs. In addition to the local governmental defined contribution retirement plans, certain subsidiaries also participate in supplementary defined contribution retirement plans managed by independent insurance companies whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs or in accordance with the terms of the plans. The Group's contributions to these plans are charged to the consolidated statements of income when incurred. The subsidiaries have no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.
- (iv) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognized at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.
- (v) Termination benefits are recognized when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)**(u) Net profit per share**

The calculation of basic net profit per share for the years ended December 31, 2001, 2002 and 2003 are based on the net profit and the weighted average number of shares in issue during the years.

The calculation of diluted net profit per share for the years ended December 31, 2001, 2002 and 2003 have been computed after adding back the interest expense on the convertible notes and adjusting for the effects of all dilutive potential ordinary shares. All dilutive potential ordinary shares arise from the share options granted to the directors under the share option scheme and convertible notes issued by the Group which, if converted to ordinary shares, would decrease net profit per share.

(v) Operating leases

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating lease, payments made under the leases are charged to the consolidated statements of income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in the consolidated statements of income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated statements of income in the accounting period in which they are incurred.

(w) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All material related parties transactions have been disclosed in the relevant notes on the financial statements.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

2 Principal accounting policies (Continued)**(x) Segment reporting**

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No analysis of the Group's operating revenue and contribution to profit from operations by geographical segment or business segment has been presented as all the Group's operating activities are carried out in the PRC and less than 10% of the Group's operating revenue and contribution to profit from operations were derived from activities outside the Group's cellular telephone and related services activities. There is no other geographical or business segment with segment assets equal to or greater than 10% of the Group's total assets.

(y) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the years reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for doubtful accounts, the fixed assets' depreciation and amortization periods and impairment of long-lived assets including goodwill. Actual results may differ from these estimates.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

3 Change of accounting policy

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Deferred tax assets were not recognized unless their realization was assured beyond reasonable doubt. With effect from January 1, 2003, in order to comply with Statement of Standard Accounting Practice No. 12 (revised) issued by the Hong Kong Society of Accountants ("HKSA"), the Group adopted a new accounting policy for deferred tax as set out in the note 2(r).

As a result of the adoption of this accounting policy, the Group's profit for the year ended December 31, 2003 has been decreased by RMB62 (2002: RMB141) and the net assets as at December 31, 2003 have been increased by RMB1,001 (at December 31, 2002: RMB1,063).

The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and reserves and the comparative information of the Group adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

4 Operating revenue

The principal activities of the Group are the provision of cellular telephone and related services in Guangdong, Zhejiang, Jiangsu, Fujian, Henan, Hainan, Hebei, Liaoning, Shandong, Anhui, Jiangxi, Sichuan, Hubei, Hunan, Shaanxi and Shanxi provinces, Beijing, Shanghai, Tianjin and Chongqing municipalities and Guangxi Zhuang autonomous Region of the PRC. The principal activity of the Company is investment holding.

Operating revenue primarily represents usage fees, monthly fees, connection fees and other operating revenue derived from the Group's cellular telephone networks, net of PRC business tax and government surcharges. Business tax and government surcharges are charged at 3% to 3.3% of the corresponding revenue.

Operating revenue consist of:

- (i) Usage fees which represent standard local usage fee for airtime and, where applicable, Domestic Direct Dial ("DDD") charges and International Direct Dial ("IDD") charges receivable from subscribers for the use of the Group's cellular telecommunication networks and facilities; revenue from assignment of rights to income from subscribers, and fees in respect of roaming out calls. Roaming out calls are those made by the Group's subscribers outside the local service areas. See Note 5 (ii).
- (ii) Monthly fees which represent fixed amounts charged to subscribers each month for their entitlement to use the Group's cellular telephone and related services.
- (iii) Connection fees which represent amounts charged to subscribers for the initial connection to the Group's cellular telecommunications network.
- (iv) Other operating revenue mainly represents charges for wireless data and value added services, roaming in fees and interconnection revenue.



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

5 Operating expenses

Operating expenses consist of:

- (i) Leased line charges which represent expenses paid or payable for the use of leased lines between the main switches, base transceiver stations, base station controllers, base stations, fixed line network connectors and long distance network connectors.
- (ii) Interconnection charges which represent amounts paid or payable in respect of call made between the Group's cellular networks, the fixed line networks and other GSM network operators in the relevant provinces and other provinces in the PRC. Included in the amounts are also charges in respect of the Group's subscribers roaming outside the service areas of the Group's cellular networks (see Note 4 (i)).
- (iii) Personnel expenses which represent staff salaries, bonuses and medical benefits, provision for staff welfare expenses and contributions to staff retirement scheme.
- (iv) Other operating expenses which consist of:

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Selling and promotion	7,897	12,259	21,071
Maintenance	1,289	2,691	4,683
Provision for doubtful accounts	1,737	1,749	2,006
Operating lease charges	1,347	1,701	2,364
Other expenses (Note (a))	6,000	9,519	13,184
	18,270	27,919	43,308

- (a) Other expenses consist of offices expenses, utilities charges, travelling expenses, entertainment expenses, spectrum charges, insurance expenses, consumables and supplies, debt collection fees and other miscellaneous expenses.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

6 Other net income

Other net income primarily consists of the gross margin from sales of cellular telephone SIM cards and handsets.

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Sales of SIM cards and handsets	3,338	3,641	5,305
Cost of SIM cards and handsets	(1,744)	(1,955)	(2,841)
	1,594	1,686	2,464

7 Non-operating net (expenses) / income

Non-operating net (expenses) / income consist of:

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Exchange (loss) / gain	(39)	47	(38)
Loss on sale of fixed assets	(275)	—	—
Penalty income on overdue accounts	165	192	193
Others	143	332	279
Total non-operating net (expenses) / income	(6)	571	434

In 2002, there is RMB255 included in others being gain recognized on deemed disposal of shareholding in Aspire Holdings Limited, a non-wholly owned subsidiary of the Company. The Company has no intention to re-acquire the shares of this subsidiary. The loss on sale of fixed assets of RMB795 in 2003 and RMB205 in 2002 was included in other operating expenses – other expenses.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

8 Income tax

- (i) No provision has been made for Hong Kong profits tax as there were no estimated Hong Kong assessable profits for the years ended December 31, 2001, 2002 and 2003.
- (ii) The provision for the PRC enterprise income tax is based on a statutory rate of 33% of the assessable profit of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC during the year, except for certain subsidiaries of the Company and certain operations of the subsidiaries located within special economic zones in the PRC, which enjoy a preferential rate of 30% and 15% respectively.

Income tax in the consolidated statements of income represents:

	Year ended December 31,		
	2001	2002	2003
	RMB restated	RMB restated	RMB
Provision for PRC enterprise income tax on the estimated taxable profits for the year	12,153	17,724	16,020
Over-provision in respect of PRC enterprise income tax for prior year	(20)	(14)	(375)
	12,133	17,710	15,645
Origination and reversal of temporary differences (Note 17)	1,630	(1,335)	1,767
	13,763	16,375	17,412



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

8 Income tax (Continued)

The provision for income tax differs from the amount computed by applying the PRC statutory income tax rate of 33% to profit before tax and minority interests for the following reasons:

	Year ended December 31,		
	2001	2002	2003
	RMB restated	RMB restated	RMB
Expected PRC taxation at statutory tax rates	13,767	16,163	17,477
Non-taxable items			
- Interest income	(32)	(25)	(12)
Non-deductible expenses	142	851	1,059
Rate differential on PRC operations	(558)	(859)	(1,286)
Rate differential on Hong Kong operations	165	229	277
Reversal of deferred taxation due to change of tax rate	29	(97)	17
Tax losses not recognized for deferred tax	203	242	324
Over-provision for prior year	(20)	(14)	(375)
Others	67	(115)	(69)
Income tax	13,763	16,375	17,412

9 Dividends

(a) *Dividends attributable to the year:*

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Interim dividend declared and paid of HK\$0.16 (equivalent to approximately RMB0.17) (2001 and 2002: Nil) per share	—	—	3,339
Final dividend proposed after the balance sheet date of HK\$0.20 (equivalent to approximately RMB0.21) (2001: Nil; 2002: HK\$0.32 (equivalent to approximately RMB0.34)) per share	—	6,678	4,178
	—	6,678	7,517

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

9 Dividends (continued)

(b) *Dividends attributable to the previous financial year, approved and paid during the year:*

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	RMB	RMB	RMB
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.32 (equivalent to approximately RMB0.34) (2001 and 2002:Nil) per share	—	—	6,679

10 Accounts receivable

	<u>December 31,</u>	
	<u>2002</u>	<u>2003</u>
	RMB	RMB
Accounts receivable	10,367	10,534
Less: Allowance for doubtful accounts	(4,301)	(4,418)
	<u>6,066</u>	<u>6,116</u>

The ageing of accounts receivable, net of allowance for doubtful accounts, is analyzed as follows:

	<u>December 31,</u>	
	<u>2002</u>	<u>2003</u>
	RMB	RMB
Within 30 days	5,150	5,121
31-60 days	580	545
61-90 days	336	450
	<u>6,066</u>	<u>6,116</u>

Balances are due for payment within one month from the date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further phone calls can be made.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

10 Accounts receivable (Continued)

Allowance for doubtful accounts for the years is analyzed as follows:

	RMB
At January 1, 2001	4,060
Provision for the year	1,737
Written-off	(1,824)
	<hr/>
At December 31, 2001	3,973
Acquired on acquisition of subsidiaries	992
Provision for the year	1,601
Written-off	(2,265)
	<hr/>
At December 31, 2002	4,301
Provision for the year	1,918
Written-off	(1,801)
	<hr/>
At December 31, 2003	4,418
	<hr/>

11 Other receivables

	December 31,	
	2002	2003
	RMB	RMB
Other receivables	1,590	1,900
Less: Allowance for doubtful accounts	(125)	(113)
	<hr/>	<hr/>
	1,465	1,787
	<hr/>	<hr/>

Included in other receivables as at December 31, 2002 and 2003 are amounts due from the PRC fixed line telephone services providers, including China Telecommunications Corporation (“China Telecom”) and its subsidiaries (collectively the “China Telecom Group”) and China Network Communications Group Corporation (“China Netcom”) and its subsidiaries (collectively the “China Netcom Group”), amounting to RMB227 and RMB53, representing primarily revenue collected on behalf of the Group. These balances are unsecured, non-interest bearing and repayable within one year.



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

11 Other receivables (continued)

Allowance for doubtful accounts for the years is analyzed as follows:

	RMB
At January 1, 2001	—
Provision for the year	—
Written-off	—
	<hr/>
At December 31, 2001	—
Provision for the year	148
Written-off	(23)
	<hr/>
At December 31, 2002	125
Provision for the year	88
Written-off	(100)
	<hr/>
At December 31, 2003	113
	<hr/>

12 Amounts due from/to ultimate holding company and amount due to immediate holding company

Amounts due from/to ultimate holding company are unsecured, non-interest bearing, repayable on demand and arose in the ordinary course of business.

At December 31, 2002 and 2003, amount due to immediate holding company included in non-current liabilities primarily represented the balance of the purchase consideration for acquisition of subsidiaries as described in note 26(b), which is unsecured, bears interest at the rate of two year US dollar LIBOR swap rate per annum (for the years ended December 31, 2002 and 2003: 3.801% per annum) and is not expected to be settled within one year. The balance is due on July 1, 2017 and is subordinated to other senior debts owed by the Company from time to time including the fixed rate notes and convertible notes. The Company may make early payment of all or part of the balance at any time before the date without penalty.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

12 Amounts due from/to ultimate holding company and amount due to immediate holding company (continued)

The movements of amount due to immediate holding company included in non-current liabilities are as follows:

	December 31,	
	2002	2003
	RMB	RMB
Balance at beginning of the year	—	15,176
Addition during the year	23,176	—
Less: Repayments during the year	(8,000)	(5,200)
Balance at 31 December	15,176	9,976

The current portion of amount due to immediate holding company represented interest payable on the unpaid balance of the purchase consideration, which is expected to be settled within one year.

13 Fixed assets

	December 31,	
	2002	2003
	RMB	RMB
Land use rights and buildings	19,182	24,957
Telecommunications transceivers, switching centers and other network equipment	202,537	233,026
Office equipment, furniture and fixtures and others	9,600	11,600
	231,319	269,583
Less: accumulated depreciation	(65,910)	(97,979)
	165,409	171,604



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

13 Fixed assets (continued)

All of the Group's buildings are located outside Hong Kong.

The carrying value of fixed assets of the Group includes an amount of RMB111 in respect of assets held under capital lease as at December 31, 2002. None of the leases include contingent rentals.

In connection with the Restructuring, pursuant to an approval document dated September 5, 1997 issued by China State-owned Assets Administration Bureau, the fixed assets of Guangdong Mobile and Zhejiang Mobile as of May 31, 1997 were valued by Zhongqihua Assets Appraisal Company ("ZAAC"), a firm of independent valuers registered in the PRC, on a replacement cost basis. The value of fixed assets of Guangdong Mobile and Zhejiang Mobile has been determined at RMB15,630 reflecting a surplus on revaluation of approximately RMB3,529.

In connection with the acquisition of Jiangsu Mobile, and pursuant to an approval document dated April 7, 1998 issued by China State-owned Assets Administration Bureau, the fixed assets of Jiangsu Mobile as of December 31, 1997 were valued by ZAAC on a replacement cost basis. The value of fixed assets of Jiangsu Mobile has been determined at RMB7,879 reflecting a surplus on revaluation of approximately RMB2,443.

In connection with the acquisition of Fujian Mobile, Henan Mobile and Hainan Mobile, and pursuant to an approval document dated September 27, 1999 issued by the Ministry of Finance, the fixed assets of Fujian Mobile, Henan Mobile and Hainan Mobile as of June 30, 1999 were valued by China International Engineering Consulting Corporation ("CIECC") on a replacement cost basis. The aggregate value of fixed assets of Fujian Mobile, Henan Mobile and Hainan Mobile has been determined at RMB10,684 reflecting a surplus on revaluation of approximately RMB391.

In connection with the acquisition of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile and pursuant to an approval document dated August 28, 2000 issued by the Ministry of Finance, the fixed assets of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile as of June 30, 2000 were valued by China Assets Appraisal Corporation Ltd. ("CAAC") on a replacement cost basis. The aggregate value of fixed assets of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile has been determined at RMB37,252 reflecting a surplus on revaluation of approximately RMB4,823.



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

13 Fixed assets (Continued)

In connection with the acquisition of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile, and pursuant to an approval document dated May 15, 2002 issued by the Ministry of Finance, the fixed assets of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile as of December 31, 2001 were valued by China Enterprise Appraisals (“CEA”) on a replacement cost basis. The aggregate value of fixed assets of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile has been determined at RMB39,499 reflecting a net deficit on revaluation of approximately RMB833.

The Group’s land and buildings in Guangdong Mobile and Zhejiang Mobile, Jiangsu Mobile, Fujian Mobile, Henan Mobile and Hainan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile, and Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile were also valued separately by Chesterton Petty Limited, independent qualified valuers in Hong Kong as of May 31, 1997, December 31, 1997, June 30, 1999, June 30, 2000 and December 31, 2001 respectively. The values of such reports have been determined at approximately the same amounts as the ZAAC, CIECC, CAAC and CEA reports.

Other than revaluations carried out in compliance with relevant PRC rules and regulations, the Group has no plan to revalue its fixed assets on a regular basis.

The effect of the above five revaluations is to increase annual depreciation charges by approximately RMB501 (2002: approximately RMB646).

The historical cost net book value of the fixed assets of these subsidiaries in the Group’s financial statements as of the respective revaluation dates and the revalued basis of these fixed assets are as follows:

	Net Book Value	Revalued Amount
	RMB	RMB
Land use rights and buildings	5,574	8,087
Telecommunications transceivers, switching centers and other network equipment	92,176	100,090
Office equipment, furniture and fixtures and others	2,841	2,767
	100,591	110,944



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

14 Goodwill

	Goodwill	Positive goodwill carried in reserves
	RMB	RMB
<i>Cost:</i>		
Balance at beginning of year	37,458	297,605
Prior year adjustments in respect of deferred taxation	(299)	(805)
Balance at beginning of year (restated) and end of year	<u>37,159</u>	<u>296,800</u>
<i>Accumulated amortization:</i>		
Balance at beginning of year	936	—
Amortization for the year	1,850	—
Balance at end of year	<u>2,786</u>	<u>—</u>
<i>Carrying amount:</i>		
At December 31, 2003	<u>34,373</u>	<u>296,800</u>
At December 31, 2002 (restated)	<u>36,223</u>	<u>296,800</u>

15 Interest in associates

	December 31,	
	2002	2003
	RMB	RMB
Unlisted shares, at cost	37	37
Capital contributions, at cost	9	9
	<u>46</u>	<u>46</u>
Less: Provision for impairment	(30)	(30)
	<u>16</u>	<u>16</u>



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

15 Interest in associates (Continued)

Details of the associates, all of which are unlisted corporate entities, are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest held by the subsidiary	Principal Activity
China Motion United Telecom Limited	Hong Kong	30%	Provision of telecommunication services
Shenzhen China Motion Telecom United Limited	PRC	30%	Provision of telecommunication services
Fujian Nokia Mobile Communication Technology Company Limited	PRC	50%	Network planning and optimizing construction-testing and supervising, technology support, development and training of Nokia GSM 900/1800 Mobile Communication System

16 Investment securities

	December 31,	
	2002	2003
	RMB	RMB
Unlisted equity securities in the PRC, at cost	77	77



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

17 Deferred tax

- (a) The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheet and the movements during the year for the Group are as follows:

Deferred tax assets and liabilities recognized and the movements during 2002

	At 1 January 2002	Additions on acquisition of subsidiaries	Credited/ (charged) to consolidated statements of income	At 31 December 2002
	RMB	RMB	RMB	RMB
Deferred tax assets arising from:				
Provision for obsolete inventories	4	8	4	16
Write-down and write-off of fixed assets relating to network equipment	171	—	29	200
Amortization of deferred revenue	140	—	14	154
Income recognition on prepaid service fee	1,161	624	1,474	3,259
As previously reported	1,476	632	1,521	3,629
Provision for doubtful accounts - prior year adjustments	1,204	299	(141)	1,362
As restated	2,680	931	1,380	4,991
Deferred tax liabilities arising from:				
Capitalized interest	—	(13)	(45)	(58)
Total	2,680	918	1,335	4,933



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

17 Deferred tax assets and liabilities (continued)

Deferred tax assets and liabilities recognized and the movements during 2003

	At 1 January 2003	Additions on acquisition of subsidiaries	Credited/ (charged) to consolidated statements of income	At 31 December 2003
	RMB	RMB	RMB	RMB
Deferred tax assets arising from:				
Provision for obsolete inventories	16	—	7	23
Write-down and write-off of fixed assets relating to network equipment	200	—	825	1,025
Amortization of deferred revenue	154	—	(85)	69
Income recognition on prepaid service fee	3,259	—	(2,780)	479
Provision for certain operating expenses	—	—	367	367
Provision for doubtful accounts	—	—	(62)	(62)
As previously reported	3,629	—	(1,728)	1,901
Provision for doubtful accounts - prior year adjustments	1,362	—	—	1,362
As restated	4,991	—	(1,728)	3,263
Deferred tax liabilities arising from:				
Capitalized interest	(58)	—	(39)	(97)
Total	4,933	—	(1,767)	3,166

	December 31,	
	2002 restated	2003
	RMB	RMB
Net deferred tax assets recognized in the balance sheet	4,991	3,263
Net deferred tax liabilities recognized in the balance sheet	(58)	(97)
	4,933	3,166



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

17 Deferred tax (Continued)

(b) Deferred tax of the Group not provided for:

As described in Note 13, in connection with the Restructuring and the subsequent acquisitions, the fixed assets of Guangdong Mobile and Zhejiang Mobile and the acquired subsidiaries were revalued on different basis dates. Such revalued amounts would serve as the tax base for these assets for future years. As a result, the timing differences that gave rise to the potential net deferred tax liabilities of these subsidiaries relating to the revaluation of fixed assets of totaling RMB5,341 were eliminated. Additionally, the tax losses carried forward relating to Liaoning Mobile and Guangxi Mobile, and Chongqing and Sichuan Mobile of RMB72 and RMB378 were eliminated as of June 30, 2000 and December 31, 2001 respectively.

18 Deferred expenses

	Year ended December 31,	
	2002	2003
	RMB	RMB
Balance at beginning of year	180	190
Additions during the year	53	—
Less: Amortization for the year	(43)	(47)
Balance at the end of year	190	143



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

19 Accounts payable

Included in accounts payable as at December 31, 2002 and 2003 are amounts due to the China Telecom Group and China Netcom Group amounting to RMB2,119 and RMB1,796 respectively, representing primarily payables for leased lines and interconnection expenses.

The ageing analysis of accounts payable as at December 31 is analyzed as follows:

	December 31,	
	2002	2003
	RMB	RMB
Amounts payables in the next:		
1 month or on demand	10,904	14,066
2-3 months	2,160	3,348
4-6 months	2,599	2,198
7-9 months	1,594	1,966
10-12 months	1,994	3,647
	<u>19,251</u>	<u>25,225</u>

20 Bank loans and other interest-bearing borrowings

	Note	December 31,					
		2002			2003		
		Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
		RMB	RMB	RMB	RMB	RMB	RMB
Bank loans	(a)	6,243	2,613	8,856	1,853	672	2,525
Other loans	(a)	1,889	10,063	11,952	6,253	—	6,253
Fixed rate notes	(b)	—	4,961	4,961	4,984	—	4,984
Convertible notes	(c)	—	5,711	5,711	—	5,735	5,735
Bonds	(d)	—	13,000	13,000	—	13,000	13,000
		<u>8,132</u>	<u>36,348</u>	<u>44,480</u>	<u>13,090</u>	<u>19,407</u>	<u>32,497</u>



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

20 Bank loans and other interest-bearing borrowings (Continued)

All of the above bank and other loans are unsecured.

At December 31, 2003, other loans include designated loans borrowed from China Mobile, the ultimate holding company, totalling RMB6,170 (At December 31, 2002: RMB11,680), which bear interest rates at 3.57% per annum (2002: 3.45% to 3.57% per annum) with maturities in 2004 (2002: 2003 to 2004).

The Group's borrowings under short-term bank and other loans are used primarily to finance construction projects and generally consist of unsecured loans and are repayable in full on respective due dates with interest rates ranging from 3.45% to 7.5% per annum at December 31, 2002 and from 4.78% to 5.34% per annum at December 31, 2003. The Group's weighted average interest rate on short-term loans was 4.48% per annum and 4.82% per annum at December 31, 2002 and 2003, respectively. Included in short-term bank and other loans as of December 31, 2002, there was RMB2,500 syndicated loan. Pursuant to the syndicate loan agreement, Guangdong Mobile, Zhejiang Mobile, Jiangsu Mobile, Fujian Mobile, Henan Mobile and Hainan Mobile (the "six subsidiaries") have provided joint and several guarantees in respect of this loan. Under these guarantees, the six subsidiaries will not be permitted to incur other indebtedness or contingent liability without prior written consent of the relevant lenders if the aggregate outstanding amount of their indebtedness and contingent liabilities exceeds 120% of their collective owners' equity. For the year ended December 31, 2002, the six subsidiaries had complied with their debt covenants. The syndicated loan was fully repaid in 2003.

(a) Long-term bank and other loans

		December 31,	
		2002	2003
Interest rate and final maturity		RMB	RMB
Renminbi denominated bank loans:			
For construction of telecommunications network	Floating interest rates ranging from 5.02% to 5.49% per annum as of December 31, 2003 with maturities 2004 to 2005 (i)	2,899	1,096
	Fixed interest rates ranging from 5.43% to 5.49% per annum as of December 31, 2003 with maturities in 2004	785	255



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

20 Bank loans and other interest – bearing borrowings (Continued)

(a) Long-term bank and other loans (Continued)

	Interest rate and final maturity	December 31,	
		2002	2003
		RMB	RMB
Renminbi denominated bank loans:			
For working capital	Floating interest rate ranging from 4.94% to 5.49% per annum as of December 31, 2003 with maturities through 2005	2,950	400
Renminbi denominated other loans:			
For construction of telecommunications network	Floating interest rate at 3.57% per annum as of December 31, 2002 with maturities in 2004	9,980	—
For working capital	Floating interest rate at 3.57% per annum as of December 21, 2003 with maturities in 2004	—	5,024
	Fixed interest rate at 3.57% per annum as of December 31, 2003 with maturities in 2004	—	1,146
US dollar denominated bank loans:			
For construction of telecommunications network	Floating interest rate at 3.68% per annum as of December 31, 2002 with maturities in 2003	69	—
	Fixed interest rate ranging from 5.25% to 5.75% per annum as of December 31, 2003 with maturities through 2005	188	126
US dollar denominated other loans:			
For construction of telecommunications network	Fixed interest rate at 7.5% per annum as of December 31, 2003 with maturities through 2004	248	81
Total long-term loans		17,119	8,128
Less: current portion		(4,443)	(7,456)
		12,676	672

(i) At December 31, 2003, bank loans amounting to RMB750 was guaranteed by Hebei Provincial Telecommunications Company (“PTC”).



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

20 Bank loans and other interest – bearing borrowings (Continued)

(a) Long-term bank and other loans (Continued)

The aggregate maturities of long-term bank and other loans subsequent to December 31, 2003 are as follows:

	RMB
2004	7,456
2005	672
	<u>8,128</u>

Interest expense, net of the amounts capitalized, is as follows:

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Interest incurred	1,068	1,213	1,211
Interest element of capital lease	129	47	—
Interest capitalized	(88)	(181)	(152)
	<u>1,109</u>	<u>1,079</u>	<u>1,059</u>
Interest expenses of fixed rate notes	394	394	394
Interest expenses of convertible notes	129	128	129
Interest expenses of bonds	108	251	517
Interest expense	<u>1,740</u>	<u>1,852</u>	<u>2,099</u>



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

20 Bank loans and other interest – bearing borrowings (Continued)**(b) Fixed rate notes**

On November 2, 1999, the Company issued unsecured fixed rate notes (the “FRN”) with a principal amount of US\$600 at an issue price equal to 99.724% of the principal amount of the FRN, due on November 2, 2004. The FRN bear interest at the rate of 7.875% per annum and such interest is payable semi-annually on May 2 and November 2 of each year, commencing May 2, 2000. In accordance with the covenants of the FRN, there is a limitation on the Group’s pledges, sale and leaseback transactions and the ability of the Company’s subsidiaries to incur debt. So long as any notes remain outstanding, whereas no additional debt is allowed to incur by any subsidiaries if the aggregate debt of the subsidiaries exceeds 120% of the consolidated adjusted earnings before interest, tax, depreciation, amortization and write-down and write-off of fixed assets (“adjusted EBITDA”) for the most recently completed 12 months period. For the years presented, the Group has complied with the above covenants.

(c) Convertible notes

- (i) On November 3, 2000, the Company issued convertible notes (the “CN”) in an aggregate principal amount of US\$690 at an issue price equal to 100% of the principal amount of the CN. The CN bear interest at the rate of 2.25% per annum, payable semi-annually on May 3 and November 3 of each year commencing May 3, 2001. Unless previously redeemed, converted or purchased and cancelled, the CN will be redeemed at 100% of the principal amount, plus any accrued and unpaid interest on November 3, 2005. The CN are unsecured, senior and unsubordinated obligations of the Company.
- (ii) The CN are convertible at any time on or after December 3, 2000 and before the close of business on the third business day prior to the earlier of (1) the maturity date of November 3, 2005 or (2) the redemption date fixed for early redemption, at an initial conversion price, subject to adjustment in certain events, of HK\$59.04 per share.
- (iii) During the year, no CN were converted into ordinary shares of the Company.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

20 Bank loans and other interest – bearing borrowings (Continued)

(c) Convertible notes (Continued)

- (iv) In accordance with the covenants given by the Company given to the note holders, there is a limitation on the Group's pledges, sale and leaseback transactions and the ability of the Company's subsidiaries to incur debt. So long as any notes remain outstanding, whereas no additional debt is allowed to incur by any subsidiaries if the aggregate debt of the subsidiaries exceeds 120% of the consolidated adjusted EBITDA for the most recently completed 12 months period. For the years presented, the Group has complied with the above covenants.

(d) Bonds

- (i) On June 18, 2001, Guangdong Mobile issued guaranteed bonds with a principal amount of RMB5,000 (the "Ten-year Bonds") at an issue price equal to the face value of the bonds.

The Ten-year Bonds bear interest at a floating rate, adjusted annually from the first day of each interest payable year and payable annually. The bonds, redeemable at 100% of the principal amount, will mature on June 18, 2011 and the interest will be accrued up to June 17, 2011. Incidental costs incurred in relation to the issue of the bonds are amortized on a straight-line basis over the period from the date of issue to the date of maturity.

- (ii) On October 28, 2002, Guangdong Mobile issued five-year guaranteed bonds (the "Five-year Bonds") and fifteen-year guaranteed bonds (the "Fifteen-year Bonds"), with a principal amount of RMB3,000 and RMB5,000 respectively, at an issue price equal to the face value of the bonds.

The Five-year Bonds and the Fifteen-year Bonds bear interest at the rate of 3.5% per annum and 4.5% per annum respectively and payable annually. They are redeemable at 100% of the principal amount and will mature on October 28, 2007 and October 28, 2017 and the interest will be accrued up to October 27, 2007 and October 27, 2017 respectively.

The Company has issued a joint and irrevocable guarantee (the "Guarantee") for the performance of the above bonds. China Mobile has also issued a further guarantee in relation to the performance by the Company of its obligations under the Guarantee. The maximum exposure of the Guarantee is the face value of the bonds which have been reflected as liabilities in the consolidated balance sheet as at December 31, 2003.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

21 Obligations under capital lease

- (i) Hainan Mobile entered into certain capital lease agreements to finance the purchase of telecommunications equipment. The leases are denominated in Renminbi and the lease term is expired in 2003. The legal title of the equipment will be transferred to Hainan Mobile when all outstanding lease payments are paid.
- (ii) The following is a schedule by years of future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of December 31, 2003:

	RMB
2004	71
Total minimum lease payments	71
Less: Amount representing interest	(3)
Present value of net minimum lease payments	68
Less: Obligations under capital lease - current portion	(68)
	—

22 Accrued expenses and other payables

	December 31,	
	2002	2003
	RMB	RMB
Other payables	5,355	5,376
Receipts in advance	8,066	13,393
Accrued salaries, wages and benefits	2,026	1,435
Accrued expenses	1,013	2,113
	16,460	22,317



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

23 Deferred revenue

Deferred revenue includes primarily prepaid service fees received from subscribers which is recognized as income when the cellular telephone services are rendered upon actual usage by subscribers.

Deferred revenue also includes income from assignment of rights. The balance at year end represents the unamortized portion of proceeds received by Guangdong Mobile from certain distributors of telecommunications services pursuant to agreements under which Guangdong Mobile sold certain mobile phone numbers to these distributors at RMB0.0092 each, in return for assigning to such distributors the rights to certain revenue such as usage fees, monthly fees, connection fees, telephone number selection fees and 50% value-added services fees from those subscribers over a period of seven years. The distributors have no recourse to the Group under the relevant agreements and the Group retains no credit risk from such subscribers during the seven-year period. The proceeds received by Guangdong Mobile have been accounted for as deferred revenue and are amortized over a period of seven years. After the expiration of the relevant agreements, the rights to income from these subscribers will revert to the Group.

	December 31,	
	2002	2003
	RMB	RMB
Balance at beginning of year	4,237	7,629
Additions on acquisition of subsidiaries	1,022	—
Additions during the year	35,907	54,032
Recognized in the consolidated statements of income	(33,537)	(51,497)
Balance at end of year	7,629	10,164
Less: Current portion	(6,760)	(9,476)
Non-current portion	869	688



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

24 Commitments and contingencies

(a) Operating leases

Future minimum lease payments as of December 31, 2003 under non-cancellable operating leases having initial or remaining lease terms of more than one year are as follows:

	RMB
2004	5,038
2005	2,440
2006	1,419
2007	1,124
2008	808
Thereafter	1,744
	<u>12,573</u>

(b) Capital commitments

As of December 31, 2003, the Group had capital commitments as follows:

	RMB
Authorized and contracted for	7,533
Authorized but not contracted for	31,637
	<u>39,170</u>



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

25 Employee and retirement benefits

- (a) As stipulated by the regulations of the PRC, the subsidiaries in the PRC participate in basic defined contribution pension plans organized by their respective Municipal Governments under which they are governed.

Employees in the PRC are entitled to retirement benefits equal to a fixed proportion of their salary at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

Other than the above, certain subsidiaries also participate in supplementary defined contribution retirement plans managed by independent insurance companies whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs or in accordance with the terms of the plans.

Expenses incurred by the subsidiaries in connection with the retirement scheme were RMB287, RMB451 and RMB546, respectively, for three years ended December 31, 2001, 2002 and 2003, respectively.

- (b) The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$0.02. Contributions to the scheme vest immediately.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

26 Related party transactions

(a) Companies are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

The Group has significant transactions with China Mobile (the Company’s ultimate holding company) and its subsidiaries, other than the Group, (the “China Mobile Group”).

The following is a summary of principal related party transactions carried out by the Group with China Mobile Group for years ended December 31, 2001, 2002 and 2003.

	Note	Year ended December 31,		
		2001	2002	2003
		RMB	RMB	RMB
Interconnection revenue	(i)	1,793	2,329	1,771
Interconnection charges	(ii)	1,772	2,290	1,750
Leased line charges	(iii)	278	484	515
Roaming revenue	(iv)	4,688	5,838	4,239
Roaming expenses	(v)	4,559	6,043	4,540
Spectrum fees	(vi)	18	224	508
Operating lease charges	(vii)	138	189	264
Roaming billing processing fees	(viii)	201	225	194
Equipment maintenance service fees	(ix)	46	54	57
Construction and related service fees	(x)	161	223	313
Purchase of transmission tower and transmission tower-related service and antenna maintenance service fees	(xi)	55	87	84
Prepaid card sales commission income	(xii)	241	197	281
Prepaid card sales commission expenses	(xii)	315	195	283
Technology platform development and maintenance service income	(xiii)	—	39	22
Telecommunications lines maintenance service fees	(xiv)	—	22	44
Interest paid / payable	(xv)	—	645	906



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

26 Related party transactions (Continued)*Notes:*

- (i) Interconnection revenue represents the amounts received or receivable from the China Mobile Group in respect of long distance calls made by non-Group's subscribers.
- (ii) Interconnection charges represent the amounts paid or payable to the China Mobile Group in respect of long distance calls made by the Group's subscribers roaming outside their registered provinces.
- (iii) Leased line charges represent expenses paid or payable to the China Mobile Group for the use of inter-provincial leased lines which link the Group's mobile switching centers together and with other mobile switching centers of the China Mobile Group.
- (iv) A cellular telephone user using roaming services is charged at the respective roaming usage rate for roaming in calls, in addition to applicable long distance charges. Roaming revenue represents domestic and international roaming in usage charges from non-subscribers received or receivable from the relevant domestic and international cellular telephone operators through the China Mobile Group.
- (v) A cellular telephone user using roaming services is charged at the respective roaming usage rate for roaming out calls, in addition to applicable long distance charges. Roaming expenses represent the amount of domestic and international roaming out charges received or receivable from subscribers which are to be remitted to the relevant domestic and international cellular telephone operators for their share of the roaming revenue through the China Mobile Group.
- (vi) Spectrum fees represent the spectrum usage fees paid or payable to the China Mobile Group for the usage of the frequency bands allocated to the Company's subsidiaries in the PRC.
- (vii) Operating lease charges represent the rental and property management fees paid or payable to the subsidiaries of China Mobile for operating leases in respect of land and buildings and others.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

26 Related party transactions (Continued)

Notes: (Continued)

- (viii) Roaming billing processing fees represent the amounts paid or payable to the China Mobile Group for the provision of the roaming billing processing services to the Company's subsidiaries.
- (ix) Equipment maintenance service fees represent the amount paid or payable to subsidiaries of China Mobile for the provision of the maintenance services to the Company's subsidiaries.
- (x) Construction and related service fees represent the amount paid or payable to subsidiaries of China Mobile for the provision of telecommunications projects planning, design and construction services and telecommunications lines and pipelines construction services to the Company's subsidiaries.
- (xi) This represents payment made by Hebei Mobile to acquire transmission towers from relevant subsidiary of China Mobile and expenses paid or payable to relevant subsidiary of China Mobile for the provision of transmission towers related services and antenna maintenance services provided to Hebei Mobile; and payment made by the Group to Hubei Communications Services Company, a subsidiary of China Mobile, in respect of the purchase of transmission towers and for the provision of transmission tower related services.
- (xii) Prepaid card sales commission income and commission expenses represent handling charges received/receivable from subsidiaries of China Mobile to the Company's subsidiaries or paid/payable by the Company's subsidiaries to subsidiaries of China Mobile in respect of prepaid card services.
- (xiii) Technology platform development and maintenance service income represents the amounts received or receivable from China Mobile in respect of equipment charges, systems integration fees, software licensing fees, technical support fees and/or major overhaul charges for the mobile information service center platform.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

26 Related party transactions (Continued)*Notes: (Continued)*

- (xiv) Telecommunications lines maintenance service fees represent the amount paid or payable by Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile to the relevant subsidiaries of China Mobile for the provision of telecommunications lines maintenance services.
- (xv) Interest paid/payable represents the interest paid or payable to China Mobile and CMHK (BVI) in respect of the designated loans borrowed and the balance of purchase consideration for acquisition of subsidiaries.
- (b) Pursuant to a resolution passed at the extraordinary general meeting held on June 24, 2002, the Company acquired the entire issued share capital of Anhui Mobile BVI, Jiangxi Mobile BVI, Chongqing Mobile BVI, Sichuan Mobile BVI, Hubei Mobile BVI, Hunan Mobile BVI, Shaanxi Mobile BVI and Shanxi Mobile BVI from CMHK (BVI), the immediate holding company of the Company, for a total consideration of US\$8,573 (RMB equivalent 70,959). The consideration was satisfied by a cash payment of RMB49,248 and allotment of shares to CMHK (BVI) amounted to HK\$20,458 (RMB equivalent 21,711). The only assets of each of Anhui Mobile BVI, Jiangxi Mobile BVI, Chongqing Mobile BVI, Sichuan Mobile BVI, Hubei Mobile BVI, Hunan Mobile BVI, Shaanxi Mobile BVI and Shanxi Mobile BVI are their interests in the entire equity of Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile, respectively.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

27 Shareholders' equity

Share capital

	Number of ordinary shares	Nominal amount of each ordinary share		Amount
				HK\$
Authorized:				
Balance at December 31, 2002 and 2003	30,000,000,000	HK\$	0.10	3,000
Issued and fully paid:				
Balance at January 1, 2002	18,605,405,241	HK\$	0.10	1,861
Issue of new shares	236,634,212	HK\$	0.10	24
Issue of consideration shares for acquisition of subsidiaries	827,514,446	HK\$	0.10	82
Shares issued under share option scheme	2,100,000	HK\$	0.10	—
Balance at December 31, 2002	19,671,653,899			1,967
		RMB equivalent		2,099
Balance at January 1, 2003 and December 31, 2003	19,671,653,899	HK\$	0.10	1,967
		RMB equivalent		2,099



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

27 Shareholders' equity (Continued)

Share capital (Continued)

The Company was established in Hong Kong on September 3, 1997 as a limited company, with a registered share capital of HK\$10,000 divided into 100,000 shares of HK\$0.10 each, two of which were issued and credited as fully paid.

At an extraordinary general meeting of the Company held on September 27, 1997,

- (i) the authorized share capital of the Company was increased from HK\$10,000 to HK\$1,600,000,000 by the creation of an additional 15,999,900,000 shares of HK\$0.10 each; and
- (ii) 9,009,999,998 shares were credited as fully paid and issued to CMHK (BVI) for the transfer of interests in Guangdong Mobile and Zhejiang Mobile to the Company.

Pursuant to the resolutions passed on October 21, 1997, the Company issued 2,600,000,000 shares of HK\$0.10 each at HK\$11.68 per share and the shares were listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited on October 22, 1997 and October 23, 1997, respectively. On November 7, 1997, the Company issued 170,788,000 shares of HK\$0.10 each at HK\$11.68 per share by way of a placing among professional and institutional investors.

Pursuant to ordinary resolutions passed at directors' meetings held on November 1, 1999 and November 3, 1999 respectively, the Company issued 560,700,000 and 84,104,000 ordinary shares of HK\$0.10 each to professional and institutional investors, at a consideration of HK\$24.10 per share, for financing the acquisition of Fujian Mobile BVI, Henan Mobile BVI and Hainan Mobile BVI.

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on November 11, 1999, 1,273,195,021 ordinary shares of HK\$0.10 each were issued and credited as fully paid to CMHK (BVI), at a consideration of HK\$24.10 per share as part of the consideration for the acquisition of Fujian Mobile BVI, Henan Mobile BVI and Hainan Mobile BVI.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

27 Shareholders' equity (Continued)

Share capital (Continued)

Pursuant to resolutions passed at directors' meetings held on November 2, 2000 and November 8, 2000 respectively, the Company issued 1,068,396,405 and 47,247,440 ordinary shares of HK\$0.10 each to professional and institutional investors, at a consideration of HK\$48 per share, for financing the acquisition of Beijing Mobile BVI, Shanghai Mobile BVI, Tianjin Mobile BVI, Hebei Mobile BVI, Liaoning Mobile BVI, Shandong Mobile BVI and Guangxi Mobile BVI.

Pursuant to ordinary resolutions passed at an extraordinary general meeting held on November 10, 2000, the Company's authorized share capital was increased to HK\$3,000,000,000 by the creation of an additional 14,000,000,000 ordinary shares of HK\$0.10 each, ranking pari passu with the existing shares of the Company, and 3,779,407,375 ordinary shares of HK\$0.10 each were issued and credited as fully paid to CMHK (BVI), at a consideration of HK\$48 per share as part of the consideration for the acquisition of Beijing Mobile BVI, Shanghai Mobile BVI, Tianjin Mobile BVI, Hebei Mobile BVI, Liaoning Mobile BVI, Shandong Mobile BVI and Guangxi Mobile BVI.

Pursuant to a resolution passed at a directors' meeting held on May 16, 2002, the Company issued 236,634,212 ordinary shares of HK\$0.10 each to Vodafone Holdings (Jersey) Limited, at a consideration of HK\$24.7217 per share, for financing the acquisition of Anhui Mobile BVI, Jiangxi Mobile BVI, Chongqing Mobile BVI, Sichuan Mobile BVI, Hubei Mobile BVI, Hunan Mobile BVI, Shaanxi Mobile BVI and Shanxi Mobile BVI.

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on June 24, 2002, 827,514,446 ordinary shares of HK\$0.10 each were issued and credited as fully paid to CMHK (BVI) at HK\$24.7217 per share as part of the consideration of the acquisition of Anhui Mobile BVI, Jiangxi Mobile BVI, Chongqing Mobile BVI, Sichuan Mobile BVI, Hubei Mobile BVI, Hunan Mobile BVI, Shaanxi Mobile BVI and Shanxi Mobile BVI.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

27 Shareholders' equity (Continued)**Reserves***Capital reserve*

As mentioned in Note 1, this amount represents the total of the following:

- the additional earnings of Guangdong Mobile and Zhejiang Mobile from June 1, 1997 to September 26, 1997, the completion date of the Restructuring (RMB1,132);
- goodwill arising on the acquisition of Jiangsu Mobile BVI and Jiangsu Mobile on June 3, 1998 (RMB15,569 (restated)), which has been eliminated against capital reserve immediately upon acquisition;
- goodwill arising on the acquisition of Fujian Mobile BVI, Henan Mobile BVI, Hainan Mobile BVI, Fujian Mobile, Henan Mobile and Hainan Mobile on November 11, 1999 (RMB42,340 (restated)), which has been eliminated against capital reserve immediately upon acquisition; and
- goodwill arising on the acquisition of Beijing Mobile BVI, Shanghai Mobile BVI, Tianjin Mobile BVI, Hebei Mobile BVI, Liaoning Mobile BVI, Shandong Mobile BVI, Guangxi Mobile BVI, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile on November 12, 2000 (RMB238,891 (restated)), which has been eliminated against capital reserve immediately upon acquisition.

PRC statutory reserves

PRC statutory reserves include general reserve, enterprise expansion fund, statutory surplus reserve and statutory public welfare fund.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

27 Shareholders' equity (Continued)**Reserves (Continued)***PRC statutory reserves (Continued)*

In accordance with Accounting Regulations for Business Enterprises, foreign investment enterprises in the PRC are required to transfer at least 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP") to the general reserve until the balance of the general reserve is equal to 50% of their registered capital. Moreover, they are required to transfer a certain percentage of their profit after taxation, as determined under PRC GAAP, to the enterprise expansion fund. During the year, appropriations were made by each of the above subsidiaries to the general reserve and the enterprise expansion fund each at 10% of their profit after taxation determined under PRC GAAP.

The general reserve can be used to reduce previous years' losses and to increase the capital of the subsidiaries while the enterprise expansion fund can be used to increase the capital of the subsidiaries, to acquire fixed assets and to increase current assets.

At December 31, 2000, Shanghai Mobile has not yet registered as a wholly-foreign owned enterprise. As a result, appropriations were made by Shanghai Mobile, according to its Articles of Association to the statutory surplus reserve and the statutory public welfare fund both at 10% of its profit after taxation determined under PRC GAAP during the year ended December 31, 2000.

Statutory surplus reserve can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the balance after such conversion is not less than 25% of the registered capital of the subsidiaries. Statutory public welfare fund can only be utilized on capital items for the collective benefits of the employees such as the construction of staff quarters and other staff welfare facilities. This reserve is non-distributable other than in liquidation.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

27 Shareholders' equity (Continued)**Reserves (Continued)***PRC statutory reserves (Continued)*

At December 31, 2002 and 2003, the balances of the general reserve, enterprise expansion fund, statutory surplus reserve and statutory public welfare fund were RMB9,577 and RMB 13,562, RMB14,905 and RMB18,890, RMB99 and RMB100 and RMB133 and RMB134, respectively.

Distributable reserves

At December 31, 2002 and 2003, the amount of distributable reserves of the Company amounted to RMB23,430 and RMB38,926.

28 Equity compensation benefits

Pursuant to a resolution passed at an annual general meeting held on June 24, 2002, the share option scheme established on October 8, 1997 (the "Old Scheme") was terminated and the current share option scheme (the "Current Scheme") was adopted.

Under the Old Scheme, the directors of the Company may, at their discretion, invite employees, including executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. Under the Current Scheme, the directors of the Company may, at their discretion, invite employees, executive directors and non-executive directors of the Company, any of its holding companies and any of their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds any equity interest, to take up options to subscribe for shares of the Company.

The maximum aggregate number of shares which can be subscribed pursuant to options that are or may be granted under the above schemes equals to 10% of the total issued share capital of the Company as at the date of adoption of the Current Scheme. Options lapsed or cancelled in accordance with the terms of the Old Scheme or the Current Scheme will not be counted for the purpose of calculating this 10% limit. The consideration payable for the grant of each option under each of the Old Scheme and the Current Scheme is HK\$1.00.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

28 Equity compensation benefits (Continued)

For options granted before September 1, 2001 under the Old Scheme, the exercise price of options was determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the higher of:

- (i) the nominal value of a share; and
- (ii) 80% of the average of the closing price of the share on The Stock Exchange of Hong Kong Limited (the "SEHK") on the five trading days immediately preceding the date on which the option was granted.

With effect from September 1, 2001, the SEHK requires that the exercise price of options to be at least the higher of the nominal value of a share, the closing price of the shares on the SEHK on the date on which the option was granted and the average closing price of the shares on the SEHK for the five trading days immediately preceding the date on which the option was granted.

For options granted under the Current Scheme, the exercise price of options shall be determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of a share;
- (ii) the closing price of the shares on the SEHK on the date on which the option was granted; and
- (iii) the average closing price of the shares on the SEHK for the five trading days immediately preceding the date on which the option was granted.

During the year ended December 31, 2003, no options were granted under the Current Scheme.

Under both the Old Scheme and the Current Scheme, the term of the option is determined by the directors at their discretion, provided that all options shall be exercised within 10 years after the adoption of the scheme (in the case of the Old Scheme) and within 10 years after the date on which the option is granted (in the case of the Current Scheme).



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

28 Equity compensation benefits (Continued)

During the year ended December 31, 2002, share options involving a total number of 150,476,500 ordinary shares were granted under the Current Scheme to certain directors and employees of the Company and no options were granted under the Old Scheme.

During the year ended December 31, 2002, options were exercised to subscribe for 2,100,000 ordinary shares of HK\$0.10 each at a total consideration of HK\$23.3 (RMB equivalent 24.7).

During the year ended December 31, 2003, no options were exercised.

At December 31, 2002 and 2003, the outstanding options were as follows:

<u>Date of options granted</u>	<u>Normal period during which options exercisable</u>	<u>Price per share to be paid on exercise of options</u>	<u>Number of shares involved in the options outstanding at the year end</u>
At December 31, 2003			
November 26, 1999	November 26, 1999 to October 7, 2007	HK\$ 33.91	3,500,000
November 26, 1999	November 26, 2002 to October 7, 2007	HK\$ 33.91	3,500,000
April 25, 2000	April 25, 2002 to October 7, 2007	HK\$ 45.04	14,686,000
April 25, 2000	April 25, 2005 to October 7, 2007	HK\$ 45.04	14,686,000
June 22, 2001	June 22, 2003 to October 7, 2007	HK\$ 32.10	37,052,250
June 22, 2001	June 22, 2006 to October 7, 2007	HK\$ 32.10	37,052,250
July 3, 2002	July 3, 2004 to July 2, 2012	HK\$ 22.85	74,243,750
July 3, 2002	July 3, 2007 to July 2, 2012	HK\$ 22.85	74,243,750



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

28 Equity compensation benefits (Continued)

<u>Date of options granted</u>	<u>Normal period during which options exercisable</u>	<u>Price per share to be paid on exercise of options</u>	<u>Number of shares involved in the options outstanding at the year end</u>
At December 31, 2002			
November 26, 1999	November 26, 1999 to October 7, 2007	HK\$ 33.91	3,500,000
November 26, 1999	November 26, 2002 to October 7, 2007	HK\$ 33.91	3,500,000
April 25, 2000	April 25, 2002 to October 7, 2007	HK\$ 45.04	15,161,000
April 25, 2000	April 25, 2005 to October 7, 2007	HK\$ 45.04	15,161,000
June 22, 2001	June 22, 2003 to October 7, 2007	HK\$ 32.10	37,719,750
June 22, 2001	June 22, 2006 to October 7, 2007	HK\$ 32.10	37,719,750
July 3, 2002	July 3, 2004 to July 2, 2012	HK\$ 22.85	75,104,500
July 3, 2002	July 3, 2007 to July 2, 2012	HK\$ 22.85	75,104,500



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

29 Foreign currency exchange

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange or at a swap center. Currently the Company's subsidiaries established in the PRC are able to purchase foreign exchange for settlement of "current account transactions" (as defined in the applicable regulations), including payment of dividends without the approval of the State Administration of Foreign Exchange ("SAFE"). However, there can be no assurance that the current authorization for foreign investment enterprises to retain their foreign exchange to satisfy foreign exchange liabilities or to pay dividends in the future will not be limited or eliminated or that the subsidiaries of the Company will be able to obtain sufficient foreign exchange to pay dividends or satisfy their foreign exchange requirements. Foreign exchange transactions under the capital account continue to be subject to limitations and require approvals of the SAFE, which could affect the ability of the Company's subsidiaries established in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from the Company.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

30 Principal subsidiaries

Details of the Company's principal subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment	Authorized, issued and paid up capital		Attributable equity interest %	Principal activities
		Authorized	Issued and paid up		
Guangdong Mobile	PRC September 28, 1988	-	RMB 5,595	100%	Cellular telephone operator
Zhejiang Mobile	PRC February 2, 1996	-	RMB 2,118	100%	Cellular telephone operator
Jiangsu Mobile BVI	BVI March 6, 1998	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Jiangsu Mobile	PRC December 10, 1992	-	RMB 2,800	100%	Cellular telephone operator
Fujian Mobile BVI	BVI September 1, 1999	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Fujian Mobile	PRC September 7, 1999	-	RMB 5,247	100%	Cellular telephone operator
Henan Mobile BVI	BVI September 1, 1999	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Henan Mobile	PRC August 6, 1999	-	RMB 4,368	100%	Cellular telephone operator
Hainan Mobile BVI	BVI September 1, 1999	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Hainan Mobile	PRC August 19, 1999	-	RMB 643	100%	Cellular telephone operator
Beijing Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Beijing Mobile	PRC July 26, 2000	-	RMB6,125	100%	Cellular telephone operator



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

30 Principal subsidiaries (Continued)

Details of the Company's principal subsidiaries are as follows (Continued):

Name of company	Place and date of incorporation/ establishment	Authorized, issued and paid up capital		Attributable equity interest %	Principal activities
		Authorized	Issued and paid up		
Shanghai Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Shanghai Mobile	PRC August 4, 2000	-	RMB6,039	100%	Cellular telephone operator
Tianjin Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Tianjin Mobile	PRC July 24, 2000	-	RMB2,151	100%	Cellular telephone operator
Hebei Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Hebei Mobile	PRC July 31, 2000	-	RMB4,315	100%	Cellular telephone operator
Liaoning Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Liaoning Mobile	PRC August 7, 2000	-	RMB5,140	100%	Cellular telephone operator
Shandong Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Shandong Mobile	PRC August 7, 2000	-	RMB6,342	100%	Cellular telephone operator
Guangxi Mobile BVI	BVI September 1, 2000	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Guangxi Mobile	PRC August 3, 2000	-	RMB2,341	100%	Cellular telephone operator



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

30 Principal subsidiaries (Continued)

Details of the Company's principal subsidiaries are as follows (Continued):

Name of company	Place and date of incorporation/ establishment	Authorized, issued and paid up capital		Attributable equity interest %	Principal activities
		Authorized	Issued and paid up		
Anhui Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Anhui Mobile	PRC January 29, 2002	-	RMB4,099	100%	Cellular telephone operator
Jiangxi Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Jiangxi Mobile	PRC January 18, 2002	-	RMB2,933	100%	Cellular telephone operator
Chongqing Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Chongqing Mobile	PRC January 28, 2002	-	RMB3,030	100%	Cellular telephone operator
Sichuan Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Sichuan Mobile	PRC February 4, 2002	-	RMB7,484	100%	Cellular telephone operator
Hubei Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Hubei Mobile	PRC February 1, 2002	-	RMB3,961	100%	Cellular telephone operator
Hunan Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

30 Principal subsidiaries (Continued)

Details of the Company's principal subsidiaries are as follows (Continued):

Name of company	Place and date of incorporation/ establishment	Authorized, issued and paid up capital		Attributable equity interest %	Principal activities
		Authorized	Issued and paid up		
Hunan Mobile	PRC February 6, 2002	-	RMB4,016	100%	Cellular telephone operator
Shaanxi Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Shaanxi Mobile	PRC February 3, 2002	-	RMB3,171	100%	Cellular telephone operator
Shanxi Mobile BVI	BVI May 10, 2002	10,000 shares at HK\$1	1 share at HK\$1	100%	Investment holding company
Shanxi Mobile	PRC February 4, 2002	-	RMB2,773	100%	Cellular telephone operator
China Mobile Holding Company Limited (Formerly known as China Mobile (Shenzhen) Limited)	PRC June 9, 2000	-	US\$30	100%	Investment holding company
China Mobile (Shenzhen) Limited	PRC March 20, 2003	-	US\$8	100%	Provision of roaming clearance service
Aspire Holdings Limited	Cayman Islands June 5, 2000	1,500,000,000 shares at HK\$0.1	HK\$94	66.41%	Investment holding company
Aspire (BVI) Limited	BVI June 7, 2000	50,000 shares at US\$1	US\$0.001	66.41%	Investment holding company
Aspire Technologies (Shenzhen) Limited	PRC December 1, 2000	US\$10	US\$10	66.41%	Technology platform development and maintenance
Aspire Information Network (Shenzhen) Limited	PRC August 1, 2001	US\$5	US\$4	66.41%	Provision of mobile data solutions, system integration and development



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

30 Principal subsidiaries (Continued)

Dividend declared in respect of previous financial year, approved and paid by the Company's subsidiaries for the financial years ended December 31, 2001, 2002 and 2003 amounting to RMB4,863, RMB18,000 and RMB27,301 respectively. All dividend income from these subsidiaries was entirely eliminated in preparing the consolidated financial statements.

Prior to January 1, 2001, dividend income from subsidiaries was recognized as income in the Company's statements of income in the period in which they related. With effect from January 1, 2001, in order to comply with Statement of Standard Accounting Practice No. 9 (revised) issued by HKSA, the Company recognizes dividend income as income in the accounting period in which the dividends are declared or proposed and approved by the shareholders of the relevant subsidiaries.

The new accounting policy has been adopted retrospectively, with the opening balance of retained earnings and the comparative information of the Company adjusted for the amounts relating to prior periods.

31 Post balance sheet events

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in Note 9.

32 Comparative figures

The presentation and classification of items in the consolidated balance sheet at December 31, 2002 and consolidated statements of income for the years ended December 2001 and 2002 have been changed due to the adoption of the requirements of Statement of Standard Accounting Practice No. 12 (revised) "Income Taxes". As a result, goodwill, deferred tax assets, deferred tax liabilities and reserves in the consolidated balance sheet at December 31, 2002 have been restated, and deferred tax assets and deferred tax liabilities have been reclassified into non-current assets and liabilities respectively. Income tax in the consolidated statements of income for the years ended December 31, 2001 and 2002 have also been revised.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP

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 purchase accounting method to account for the purchase of subsidiaries from the holding company. Under the purchase accounting method, the acquired results are included in the results of operations from the date of their acquisition. For acquisitions before January 1, 2001, 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. For acquisitions on or after January 1, 2001, goodwill arising on the acquisition is amortized to the consolidated statements of income on a straight-line basis over 20 years.

As a result of the Group and the acquired subsidiaries 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 are restated on a combined basis. The consideration paid and payable by the Group has been treated as distribution to owner in the year of acquisition. Goodwill arising on consolidation and the amortization of goodwill which are recognized under HK GAAP has been reversed for US GAAP purposes.

(b) Capitalization of interest

Under HK GAAP, interest costs are only capitalized to the extent that funds are borrowed and used for the purpose of obtaining qualifying asset which necessarily takes a substantial period of time to get ready for its intended use.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

(b) Capitalization of interest (Continued)

Under US GAAP, interest costs capitalized 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 capitalized 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 May 31, 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 the subsidiaries were revalued as a result of the restructuring occurred in 1997 and the subsequent acquisitions. 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, except the Fourth Acquisition.

In connection with the Fourth Acquisition, the fixed assets of the subsidiaries acquired were revalued at December 31, 2001. Such revaluation resulted in an increase directly to those shareholders' equity with respect to the increase in carrying amount of certain fixed assets above their historical cost bases, and a charge to income statement with respect to the decrease in carrying amount of certain fixed assets below 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 using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. 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.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

(c) Revaluation and impairment of fixed assets (Continued)

Under US GAAP, fixed assets are stated at their historical cost, less accumulated depreciation. Accordingly, the revaluation reserve recorded directly to shareholders' equity and the charge to income statement under HK GAAP as a result of the revaluation of fixed assets are reversed for US GAAP purposes. Additionally, as a result of the tax deductibility of the revaluation, a deferred tax asset related to the reversal of the net 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 recognized 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. Any subsequent increase in the recoverable amount written back to results of operations when circumstances and events that led to the write-down or write-off cease to exist under HK GAAP is reversed for US GAAP purposes. For the years presented, there were no differences related to impairment charges under HK GAAP and US GAAP.

The US GAAP difference as shown in the reconciliation represents the reversal of revaluation reserves and the related depreciation which are recognized under HK GAAP.

(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 recognized 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.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

(e) Deferred taxation

Until December 31, 2002, 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 recognized unless their realization is assured beyond reasonable doubt.

With effect from January 1, 2003, in order to comply with Statement of Standard Accounting Practice No. 12 (revised) issued by the HKSA, the Group adopted a new accounting policy for deferred tax. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. The new accounting policy has been adopted retrospectively.

Under US GAAP, provisions are made for all deferred taxes as they arise, except a valuation allowance is provided against deferred tax assets when realization of such amounts does not meet the criteria 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 recognized 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 amortizes this amount over the vesting period of the option concerned.

(g) Revenue recognition

Until June 30, 1999, under both HK GAAP and US GAAP, connection fees revenue and telephone number selection fees were recognized as received. Under US GAAP, effective July 1, 1999, net connection fees and telephone number selection fees received in excess of direct costs were deferred and recognized over the estimated customer usage period of approximately 48 months.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)**(g) Revenue recognition (continued)**

Under US GAAP, effective January 1, 2000, the Group adopted the provisions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB101"). In December 2003, Staff Accounting Bulletin No.104, "Revenue Recognition" ("SAB 104") updates the guidance in SAB 101 and Emerging Issues Task Force Issue 00-21 "Revenue Arrangement with Multiple Deliverable" ("EITF 00-21"). EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which the vendor will perform multiple revenue generating activities. Under SAB 104, connection fees and telephone number selection fees received and incremental direct costs up to, but not exceeding such fees, are deferred and amortized over the estimated customer usage period for the related service. The cumulative effect from the adoption of SAB 104 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 October 1, 1999 for Guangdong Mobile, Zhejiang Mobile and Jiangsu Mobile and from April 1, 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 year ended December 31, 2000. Under US GAAP, such net savings are deferred and amortized on a straight-line basis over seven years.

(i) Recently Issued Accounting Standards**Statement of Financial Accounting Standards ("SFAS") No. 149**

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The Group currently does not have any financial instruments that are within the scope of this Statement.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

(i) Recently Issued Accounting Standards (Continued)

SFAS No. 150

FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, was issued in May 2003. This Statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The Statement also includes required disclosures for financial instruments within its scope. For the Group, the Statement was effective for instruments entered into or modified after May 31, 2003 and otherwise will be effective as of January 1, 2004, except for mandatorily redeemable financial instruments. For certain mandatorily redeemable financial instruments, the Statement will be effective for the Group on January 1, 2005. The effective date has been deferred indefinitely for certain other types of mandatorily redeemable financial instruments. The adoption of SFAS No. 150 had no effect on the Group's consolidated financial statements.

SFAS No. 132 (revised 2003)

In December 2003, FASB Statement No. 132 (revised), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, was issued. Statement 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The Statement retains and revises the disclosure requirements contained in the original Statement 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The Statement generally is effective for fiscal years ending after December 15, 2003. The Group currently does not have any defined benefits pension and other postretirement benefit plans that are within the scope of this Statement.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

(i) Recently Issued Accounting Standards (Continued)

Interpretation No. 46 (revised December 2003)

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, which was issued in January 2003. The Company will be required to apply FIN 46R to variable interests in VIEs created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation will be applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and non-controlling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. The application of this Interpretation is not expected to have a material effect on the Group's consolidated financial statements.

(j) Related party transactions

The Group has transactions with China Telecom Group and China Netcom Group, the fixed lines operators in the PRC which are majority owned by the PRC Government.

Under HK GAAP, transactions of the Group entered into with China Telecom Group and China Netcom Group are not disclosed as related party transactions.

Under US GAAP, transactions between the Group and China Telecom Group and China Netcom Group are also disclosed as related party transactions.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

(k) Emerging Issues Task Force (“EITF”) 00-21

In November 2002, the EITF reached a consensus on Issue 00-21 (EITF 00-21) *Revenue Arrangements with Multiple Deliverables*. EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which the vendor will perform multiple revenue generating activities, EITF 00-21 will be effective for interim periods beginning after June 15, 2003. The Group was required to adopt EITF 00-21 on January 1, 2004. The the adoption of EITF 00-21 had no effect on the Group’s consolidated financial statements.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

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

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Net profit under HK GAAP (restated)	27,955	32,601	35,556
<i>Adjustments:</i>			
Effect of combination of entities under common control	3,059	2,874	—
Capitalized interest	85	(100)	(96)
Revaluation of fixed assets	3,211	672	514
Deferred taxation	(431)	—	—
Share option scheme	(277)	(331)	(192)
Amortization of net connection fees and telephone number selection fees	764	853	659
Amortization of net savings from interconnection, roaming and leased line agreements	86	85	86
Reversal of goodwill amortization	—	936	1,850
Deferred tax effects of US GAAP adjustments	(216)	(388)	(189)
Net profit under US GAAP	34,236	37,202	38,188
Basic net profit per share in accordance with US GAAP	1.76	1.90	1.94
Diluted net profit per share in accordance with US GAAP	1.76	1.90	1.94



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

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

	As of December 31,	
	2002	2003
	RMB	RMB
Shareholders' equity under HK GAAP (restated)	173,265	198,803
<i>Adjustments:</i>		
Capitalized interest	476	380
Revaluation of fixed assets		
- Cost	(10,577)	(10,577)
- Accumulated depreciation and other	7,937	8,451
Deferred tax adjustments on revaluations	849	677
Employee housing scheme	(1,583)	(1,583)
Deemed capital contribution for employee housing scheme	1,583	1,583
Deferral of net connection fees and telephone number selection fees	(774)	(115)
Deferral of net savings from interconnection, roaming and leased line agreements	(372)	(286)
Reversal of goodwill	(36,223)	(34,373)
Deferred tax effects of US GAAP adjustments	(6)	(23)
Shareholders' equity under US GAAP	134,575	162,937

As a result of the Group and the acquired entities purchased in 2002 being under common control, the condensed financial information of the Group under US GAAP for the years presented have been restated to reflect the combination of the Group and these acquired entities under the "as if pooling-of-interest" 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 are restated on a combined basis.



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

The following are condensed consolidated balance sheets of the Group as of December 31, 2002 and 2003, and the related condensed consolidated statements of income, total shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003, restated to reflect the impact of the differences between HK GAAP and US GAAP.

Condensed consolidated statements of income

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Operating revenue			
Usage fees	92,478	104,373	111,027
Monthly fees	18,237	19,032	20,666
Connection fees	2,091	1,505	1,173
Other operating revenue	14,943	20,421	26,951
Total operating revenue	127,749	145,331	159,817
Operating expenses			
Cost of services (excluding depreciation of Rmb21,911 ,Rmb27,681 and Rmb35,543 included below)	27,086	25,586	22,045
Depreciation	21,911	27,681	35,543
Selling, general and administration	29,601	37,773	48,068
Total operating expenses	78,598	91,040	105,656
Operating profits	49,151	54,291	54,161
Other net income	1,715	1,739	2,464
Non-operating net income	322	632	434
Interest income	947	732	807
Interest expenses	(1,941)	(1,976)	(2,086)
Profit before tax	50,194	55,418	55,780
Income tax	(15,959)	(18,214)	(17,601)
Profit after tax	34,235	37,204	38,179
Minority interests	1	(2)	9
Net income	34,236	37,202	38,188



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

Condensed consolidated balance sheets

	December 31,	
	2002	2003
	RMB	RMB
Assets		
Current assets		
Cash and cash equivalents	32,575	39,129
Deposits with banks	11,069	17,227
Accounts receivable	5,899	6,053
Other receivables	1,231	1,734
Tax recoverable	—	258
Deferred tax - current portion	3,116	2,243
Inventories	1,586	2,050
Prepayments and other current assets	2,059	2,128
Amount due from ultimate holding company	1,282	762
Amounts due from related parties	401	116
Total current assets	59,218	71,700
Fixed assets	163,232	169,858
Construction in progress	23,026	28,370
Investment securities	77	77
Interest in associates	16	16
Deferred tax – non-current	2,660	1,792
Deferred expenses	912	311
Total assets	249,141	272,124



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

Condensed consolidated balance sheets

	December 31,	
	2002	2003
	RMB	RMB
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	17,069	23,429
Bills payable	1,256	2,059
Bank loans and other interest-bearing borrowings	8,132	13,090
Obligation under capital lease - current portion	68	68
Taxes payable	6,568	4,516
Amounts due to related parties	2,414	1,967
Accrued expenses and other payables	16,228	22,146
Amount due to immediate holding company	402	47
Amount due to ultimate holding company	1,217	1,352
Deferred revenue - current portion	6,760	9,476
Total current liabilities	60,114	78,150
Bank loans and other interest-bearing borrowings	36,348	19,407
Deferred revenue - long term portion	2,737	1,257
Deferred taxation – non-current	—	215
Amount due to immediate holding company	15,176	9,976
Total liabilities	114,375	109,005
Minority interests	191	182
Shareholders' equity	134,575	162,937
Total liabilities and shareholders' equity	249,141	272,124



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

Condensed consolidated statements of total shareholders' equity for the following years:

	RMB
Shareholders' equity at January 1, 2001	95,650
Net profit for the year ended December 31, 2001	34,236
Issue of ordinary shares	4
Distribution to owner	(794)
Contribution by owner	9,839
Tax effect of revaluation	1,088
Stock-based compensation	277
Shareholders' equity at December 31, 2001	140,300
Net profit for the year ended December 31, 2002	37,202
Issue of ordinary shares	27,681
Deemed capital distribution	(70,959)
Distribution to owner	(28)
Contribution by owner	48
Stock-based compensation	331
Shareholders' equity at December 31, 2002	134,575
Net profit for the year ended December 31, 2003	38,188
Distribution to owner	(10,018)
Stock-based compensation	192
Shareholders' equity at December 31, 2003	162,937



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

Condensed consolidated statements of cash flows

The Group applies Hong Kong Statement of Standard Accounting Practice No. 15 (revised 2001) "Cash Flow Statements" ("HK SSAP 15"). Its objectives and principles are similar to those set out in Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" ("SFAS 95"). The principal differences between the standards relate to classification. Under HK SSAP 15, the Group presents its cash flows for (a) operating activities; (b) investing activities; and (c) financing activities. Dividend received and interest received under investing activities and interest paid under financing activities shown under HK SSAP 15 would be included as operating activities under SFAS 95, with the exception of distributions, which under SFAS 95 would be classified as financing activities. Summarized cash flow data by operating, investing and financing activities in accordance with SFAS 95 are as follows:

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Net cash inflow/(outflow) from			
Operating activities	60,863	79,445	83,598
Investing activities	(69,166)	(44,070)	(54,996)
Financing activities	2,557	(27,981)	(22,048)
(Decrease)/increase in cash and cash equivalents	(5,746)	7,394	6,554
Cash and cash equivalents at beginning of year	30,927	25,181	32,575
Cash and cash equivalents at end of year	25,181	32,575	39,129
Interest paid (net of amounts capitalized)	2,541	1,740	2,640
Income taxes paid	14,104	18,723	17,955



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

33 Significant differences between HK GAAP and US GAAP (Continued)

Significant non-cash transactions

The Group incurred payables of RMB17,235 and RMB2,059 to equipment suppliers and banks respectively for additions of construction in progress during the year ended December 31, 2003.

The Group incurred payables of RMB10,803 and RMB1,257 to equipment suppliers and banks respectively for additions of construction in progress during the year ended December 31, 2002.

The Group incurred payables of RMB14,005 and RMB1,337 to equipment suppliers and banks respectively for additions of construction in progress during the year ended December 31, 2001.

34 Additional information required by US GAAP

The following additional financial statement disclosures are required under US GAAP and are presented on a US GAAP basis.

Income tax

The Company is subject to Hong Kong profits tax at 16% for the years ended December 31, 2001, 2002 and 17.5% for the year ended December 31, 2003.

The Group's PRC subsidiaries are subject to the statutory income tax rate of 33%, except for certain subsidiaries of the Company and certain operations of the subsidiaries located within special economic zones in the PRC, which enjoy a preferential rate of 30% and 15% respectively.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Income tax (Continued)

The components of PRC income tax expense are as follows:

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Current	12,826	19,202	15,645
Deferred	3,133	(988)	1,956
	15,959	18,214	17,601

The provision for income tax differs from the amount computed by applying the PRC statutory income tax rate of 33% to profit before tax and minority interests for the following reasons:

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Expected PRC taxation at statutory tax rates	16,564	18,288	18,407
Non-taxable items			
- Connection fee	(171)	(182)	(179)
- Surcharge	(5)	—	—
- Interest income	(32)	(25)	(12)
Non-deductible expenses	272	685	501
Rate differential on PRC operations	(1,095)	(897)	(1,300)
Rate differential on Hong Kong operations	165	229	277
Reversal of deferred taxation due to change of income tax rate	27	(9)	27
Tax losses not recognized for deferred tax	203	242	324
Over-provision for prior year	(20)	(14)	(375)
Others	51	(103)	(69)
Income tax	15,959	18,214	17,601



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Income tax (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below.

	December 31,	
	2002	2003
	RMB	RMB
Deferred tax assets:		
Provision for obsolete inventories	16	23
Provision for doubtful accounts	1,362	1,300
Revaluation of fixed assets	1,049	1,702
Amortization of deferred items	295	531
Income recognition on prepaid service fees	3,259	479
Gross deferred tax assets	5,981	4,035
Deferred tax liabilities:		
Capitalized interest	(205)	(215)
Net deferred tax assets	5,776	3,820
Less: Current portion of net deferred tax assets	(3,116)	(2,243)
	2,660	1,577

Accounts receivable

	December 31,	
	2002	2003
	RMB	RMB
Accounts receivable	10,200	10,471
Less: Allowance for doubtful accounts	(4,301)	(4,418)
	5,899	6,053



Notes to Consolidated Financial Statements (Continued)
 (Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Accounts receivable (Continued)

Allowance for doubtful accounts is analyzed as follows:

	RMB
At January 1, 2001	5,523
Provision for the year	2,236
Written-off	(2,969)
	<hr/>
At December 31, 2001	4,790
Provision for the year	1,857
Written-off	(2,346)
	<hr/>
At December 31, 2002	4,301
Provision for the year	1,918
Written-off	(1,801)
	<hr/>
At December 31, 2003	4,418
	<hr/>

Other receivables

	December 31,	
	2002	2003
	RMB	RMB
Other receivables	1,356	1,847
Less: Allowance for doubtful accounts	(125)	(113)
	<hr/>	<hr/>
	1,231	1,734
	<hr/>	<hr/>



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Other receivables (Continued)

Allowance for doubtful accounts is analyzed as follows:

	RMB
At January 1, 2001	—
Provision for the year	—
Written-off	—
<hr/>	
At December 31, 2001	—
Provision for the year	148
Written-off	(23)
<hr/>	
At December 31, 2002	125
Provision for the year	88
Written-off	(100)
<hr/>	
At December 31, 2003	113

Fixed assets

	December 31,	
	2002	2003
	RMB	RMB
Land use rights and buildings	16,805	22,755
Telecommunications transceivers, switching centers and other network equipment	223,642	250,830
Office equipment, furniture and fixtures and others	9,512	12,302
<hr/>		
	249,959	285,887
Less: accumulated depreciation	(86,727)	(116,029)
<hr/>		
	163,232	169,858



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Deferred revenue and other items

	Year ended December 31,	
	2002	2003
	RMB	RMB
Balance at beginning of year	8,794	9,497
Addition during the year	38,387	54,032
Recognized in the condensed consolidated statements of income	(37,684)	(52,796)
Balance at end of year	9,497	10,733
Less: Current portion	(6,760)	(9,476)
	2,737	1,257

Deferred revenue comprises:

- (i) the unamortized portion of proceeds received by Guangdong Mobile from certain distributors of telecommunications services which are amortized over a period of seven years;
- (ii) the unamortized portion of connection fees and telephone number selection fees received which are recognized over the estimated subscriber usage period for the related services;
- (iii) the prepaid services fee received from subscribers which is recognized as income when the cellular telephone services are rendered upon actual usage by subscribers; and
- (iv) the unamortized portion of net savings attributable to the Group as a result of the provincial interconnection, roaming and leased line agreements.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Deferred expenses

	Year ended December 31,	
	2002	2003
	RMB	RMB
Balance at beginning of year	1,597	912
Addition during the year	53	—
Recognized in the condensed consolidated statements of income	(738)	(601)
Balance at end of year	912	311

Deferred expenses comprise:

- (i) the unamortized portion of issuance costs in respect of the fixed rate notes, convertible notes and bonds; and
- (ii) the unamortized portion of direct costs related to connection fees and telephone number selection fees received.

Stock option plan

Details of the Company's stock option plan and options granted under the plan are contained in Note 28. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants: expected dividend yield of 0% and 20% during 2001 and 2002; expected volatility of 65.92% and 32.44% for the share option granted during 2001 and 2002 respectively; risk-free interest rate of 5.5% and 5.3% during 2001 and 2002 respectively; and expected life of 6 years and 10 years during 2001 and 2002 respectively. The per share fair value of stock options granted during 2001 and 2002 were HK\$29.46 and HK\$9.15 on the date of grant, respectively.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Stock option plan (continued)

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees”, and related interpretations including FASB Interpretation No. 44, “Account for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25”, issued in March 2000, to account for its plan. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. FASB No. 123, “Accounting for Stock-Based Compensation” and FASB Statement No. 148, “Accounting for Stock-Based Compensation –Transition and Disclosure, an amendment of FASB 123”, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As permitted by existing accounting standards, the Company has elected to continue to apply the intrinsic-valued-based method of accounting described above, and has adopted only the disclosure requirements of FASB No. 123, as amended. The compensation cost that has been charged against income for US GAAP for the Company’s stock option plan was RMB277 for 2001, RMB331 for 2002 and RMB192 for 2003. The following table illustrates the effect on net income if the fair-value-based method had been applied to all outstanding and unvested awards in each period.

	Year ended December 31,	
	2002	2003
	RMB	RMB
Net profit, as reported	37,202	38,188
Add stock-based employee compensation expense included in net income	331	192
Deduct total stock-based employee compensation expense determined under fair-value-based method	(1,403)	(1,158)
	<u>36,130</u>	<u>37,222</u>
Pro forma net income		
Basic net profit per share		
As reported	1.90	1.94
Pro forma	1.85	1.89
Diluted net profit per share		
As reported	1.90	1.94
Pro forma	1.84	1.89

34 Additional information required by US GAAP (Continued)

Net profit per share

The following is a reconciliation of the numerators and denominators of the basic and diluted net profit per share computations prepared under US GAAP.

	For the year ended December 31, 2001			For the year ended December 31, 2002			For the year ended December 31, 2003		
	Income (Numerator)	Shares (Denominator)	Per share amount	Income (Numerator)	Shares (Denominator)	Per share Amount	Income (Numerator)	Shares (Denominator)	Per share Amount
Basic net profit per share	34,236	19,433	1.76	37,202	19,561	1.90	38,188	19,672	1.94
Effect of dilutive securities									
Convertible notes	129	91		129	91		129	91	
Stock options	—	2		—	1		—	—	
Diluted net profit per share	34,365	19,526	1.76	37,331	19,653	1.90	38,317	19,763	1.94

Fair value

Financial assets of the Group include cash and cash equivalents, deposits with banks, accounts receivable, other receivables and amounts due from related parties. Financial liabilities of the Group include accounts payable, bank and other loans, other payables and amounts due to related parties. It is not practicable to estimate the fair value of the amounts due from and due to related parties without incurring excessive cost.

The following table presents the carrying amounts and fair values of the Group's bank and other loans as of December 31, 2002 and 2003:

	December 31, 2002		December 31, 2003	
	Carrying amount	Fair Value	Carrying amount	Fair value
	RMB	RMB	RMB	RMB
Fixed rate bank and other loans	4,769	4,762	1,659	1,668
Variable rate bank and other loans	16,039	16,039	7,119	7,119
Fixed rate notes	4,961	5,418	4,984	5,209
Convertible notes	5,711	5,576	5,735	5,713
Bonds	13,000	13,309	13,000	13,054
Total	44,480	45,104	32,497	32,763

The fair values of all other financial instruments approximate their carrying amounts due to the nature or short maturity of these instruments.





Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Related party transactions

	Year ended December 31,		
	2001	2002	2003
	RMB	RMB	RMB
Interconnection revenue	5,132	4,560	4,048
Interconnection charges	9,746	8,105	8,313
Leased line charges	5,839	5,926	4,843
Roaming revenue	5,945	6,629	4,239
Roaming expenses	5,803	6,735	4,540
Spectrum fees	26	226	508
Operating lease charges	527	527	544
Sales commission expenses	110	69	54
Debt collection service fees	135	74	60
Billing service fees	19	10	—
Roaming billing processing fees	201	225	194
Equipment maintenance service fees	48	55	66
Rental charges of synchronized clock ports	21	26	18
Construction and related service fees	2,523	345	314
Purchases of transmission tower and transmission tower-related service and antenna maintenance service fees	156	146	84
Prepaid card sales commission income	356	219	281
Prepaid card sales commission expenses	373	216	283
Technology platform development and maintenance service income	—	39	22
Telecommunications lines maintenance service fees	46	34	58
Interest paid/payable	41	821	906
Housing reform	4	—	—
Rental income	6	7	—
Capital contributions	9,838	—	—
Distributions	794	—	—

Descriptions of the nature of the related party transactions are set forth in Note 26.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Segment reporting

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", established standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

The Company's operating segments are comprised of its cellular businesses operated within the Guangdong, Zhejiang, Jiangsu, Fujian, Henan, Hainan, Hebei, Liaoning, Shandong, Anhui, Jiangxi, Sichuan, Hubei, Hunan, Shaanxi and Shanxi provinces, Beijing, Shanghai, Tianjin and Chongqing municipalities, and Guangxi Zhuang Autonomous Region of the PRC. The operating segments are managed separately because each operating segment represents a strategic business unit that serves different markets. All operating segments provide cellular services to individual customers within their geographic market. The Company's operating segments have been aggregated into a single operating segment as they are expected to exhibit similar future economic characteristics.

Business risks

The Group conducts its principal operations in the PRC and accordingly is subject to special considerations and significant risks not typically associated with investments in equity securities of United States and Western European companies. These include risks associated with, among others, the political, economic and legal environment, extensive government regulations and competition in the cellular telephone industry.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

New telecommunications law

In order to provide a uniform regulatory framework for the telecommunications industry in the PRC, the MII, pursuant to the direction of the PRC State Council, is currently preparing a draft of the Telecommunications Law of the PRC (the "Telecommunications Law"). The draft law, when formulated, will be submitted to the National People's Congress for review and adoption. It is unclear if and when the Telecommunications Law will be adopted, and the nature and scope of regulation envisaged by the Telecommunications Law are not fully known. There can be no assurance that the Telecommunications Law, if adopted, would not have a material adverse effect on the Group's business, financial condition and results of operations.

Amount of spectrum availability

The Group's cellular system's subscriber capacity is limited by the amount of spectrum available for use by the system. The former State Radio Regulatory Commission, now a department within the MII, is responsible for the overall allocation of radio frequency spectrum in the PRC. There can be no assurance that the Group would be granted additional spectrum when and if required, and any resulting levels of system congestion could result in subscriber dissatisfaction, decreased system usage by subscribers and increased churn rate.

Interconnection arrangement with networks of other operators

The Group's cellular services depend in large part upon access to the network of other operators. Any disruption of interconnection with the networks of operators could have a material adverse effect on the Group's results of operations.



Notes to Consolidated Financial Statements (Continued)
(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Changes in technology

The telecommunications industry is subject to rapid and significant changes in technology. Accordingly, the mobile telecommunications technologies that the Group currently employs may become obsolete or subject to competition from new technologies in the future, including new wireless telecommunications technologies. In addition, the new technologies the Group implements, such as wireless data applications, may not generate an acceptable rate of return.

New competition

Current Chinese government policy concerning the telecommunications sector is to encourage orderly competition. There can be no assurance that the State Council will not approve additional telecommunications service providers in the future, including providers of mobile telecommunications services, that may compete against the Group. In additions, China's accession into the WTO could lead to increased foreign investment in the telecommunications market in Mainland China, thereby increasing competition and foreign participation in the mobile telecommunications service sector in Mainland China. Increased competition and foreign participation may have a material adverse effect on the Group's financial conditions and result of operation.

Self insurance risk

The Group does not maintain any insurance policies to cover its assets.

Interest rate risk

The interest rates and terms of repayment of the bank and other loans payable of the Group are disclosed in Note 20.



Notes to Consolidated Financial Statements (Continued)

(Amounts in millions, except share data)

34 Additional information required by US GAAP (Continued)

Foreign currency risk

The Group has foreign currency risk as certain loans and cash and cash equivalents are denominated in foreign currencies, principally US dollars and Hong Kong dollars. Depreciation or appreciation of the Renminbi against foreign currencies affects the Group's results of operations.

Credit risk

Substantially all of the Group's cash and cash equivalents are deposited with Hong Kong and PRC financial institutions. The accounts receivable of the Group are spread among a number of customers.



Exhibit 1.1

**MEMORANDUM
AND
ARTICLES OF ASSOCIATION
(Inclusive of alterations made up to 16 June 2004)
OF**



CHINA MOBILE (HONG KONG) LIMITED

(中國 移動 (香港) 有限公司)

(Formerly CHINA TELECOM (HONG KONG) LIMITED)

(前稱中國電信 (香港) 有限公司)

Incorporated the 3rd day of September 1997

Linklaters
Solicitors

HONG KONG
SPECIAL
ADMINISTRATIVE
REGION



No. 622909

編號

[COPY]

COMPANIES ORDINANCE
(CHAPTER 32)
香港法例第32章

公司條例

CERTIFICATE OF INCORPORATION
ON CHANGE OF NAME

公司更改名稱

註冊證書

* * *

I hereby certify that

本人謹此證明

CHINA TELECOM (HONG KONG) LIMITED

(中國電信 (香港) 有限公司)

having by special resolution changed its name, is now incorporated under the name of
經通過特別決議，已將其名稱更改，該公司的註冊名稱現為

CHINA MOBILE (HONG KONG) LIMITED

(中國移動 (香港) 有限公司)

Issued by the undersigned on 28 June 2000.

本證書於二〇〇〇年六月廿八日簽發。

(Sd.) R. Cheung
MISS R. CHEUNG

for Registrar of Companies
Hong Kong
香港公司註冊處處長
(公司註冊主任張潔心代行)



No. 622909

編號

[COPY]

COMPANIES ORDINANCE
(CHAPTER 32)

香港法例第32章

公司條例

CERTIFICATE OF INCORPORATION

公司註冊證書

* * *

I hereby certify that

本人謹此證明

CHINA TELECOM (HONG KONG) LIMITED

(中國電信 (香港) 有限公司)

is this day incorporated in Hong Kong under the Companies Ordinance, and that this company is limited.

於本日在香港依據公司條例註冊成為有限公司。

Issued by the undersigned on 3 September 1997.

本證書於二〇〇〇年六月廿八日簽發。

(Sd.) H.Chang
MISS R. CHANG

for Registrar of Companies
Hong Kong
香港公司註冊處處長
(公司註冊主任張巧雯代行)



THE COMPANIES ORDINANCE (CHAPTER 32)

Company Limited by Shares

MEMORANDUM OF ASSOCIATION

OF

CHINA MOBILE (HONG KONG) LIMITED
(中國移動(香港)有限公司)

(Formerly CHINA TELECOM (HONG KONG) LIMITED)
(前稱中國電信(香港)有限公司)

1 NAME

The name of the Company is "CHINA MOBILE (HONG KONG) LIMITED 中國移動(香港)有限公司".*

2 REGISTERED OFFICE

The Registered Office of the Company will be situated in Hong Kong.

3 GENERAL OBJECTS AND POWERS

The Company has the capacity and the rights, powers and privileges of a natural person and, in addition and without limit, the Company may do anything which it is permitted or required to do by any enactment or rule of law.

4 LIABILITY OF MEMBERS

The liability of the members is limited.

5 CAPITAL

The Capital of the Company is HK\$10,000 divided into 100,000 shares of HK\$0.10 each and the Company shall have power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified, or other special rights, privileges, restrictions or conditions.**

* Pursuant to a Special Resolution passed on 16 June 2000, the name of the Company was changed to "China Mobile (Hong Kong) Limited 中國移動(香港)有限公司", with effect from 28 June 2000.

** By a Written Resolution passed on 27 September 1997, the Company's authorised share capital was increased from HK\$10,000 to HK\$1,600,000,000 by the creation of 15,999,900,000 new Ordinary Shares of HK\$0.10 each. By a Special Resolution passed on 10 November 2000, the Company's authorised share capital was increased to HK\$3,000,000,000 by the creation of 14,000,000,000 new Ordinary Shares of HK\$0.10 each.



We, the several persons whose names, addresses and descriptions are set out below, are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the Company set opposite to our respective names:-

Names Address and Description of Subscribers	Number of Shares taken by each Subscriber
China Telecom (Hong Kong) Group Limited (中國電信(香港)集團有限公司), Hong Kong company no. 569288, (formerly known as China Telecom (Hong Kong) Limited of 16/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong Corporation For and on behalf of China Telecom (Hong Kong) Group Limited (中國電信(香港)集團有限公司) (Sd.) Chen Zhaobin Director	1
China Telecom Hong Kong (BVI) Limited BVI I.B.C. company no. 244168, of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands Corporation For and on behalf of China Telecom Hong Kong (BVI) Limited (Sd.) Chen Zhaobin Director	1
Total Number of Shares Taken	2

Dated the 29 day of August, 1997.

WITNESS to the above signatures

Celia C.L. Lam
 Solicitor (Sd. Celia Lam)
 Hong Kong

Address:
 14th Floor, Alexandra House
 Chater Road
 Central
 Hong Kong



THE COMPANIES ORDINANCE (CHAPTER 32)

Company Limited by Shares

ARTICLES OF ASSOCIATION

(adopted by Special Resolution passed on 8 October 1997)

OF

CHINA MOBILE (HONG KONG) LIMITED

(中國移動(香港)有限公司)

(Formerly CHINA TELECOM (HONG KONG) LIMITED)

(前稱中國電信(香港)有限公司)

(Inclusive of alterations up to 16 June 2004)

PRELIMINARY

1 The regulations in Table A in the First Schedule to the Ordinance shall not apply to the Company.

INTERPRETATION

***2 (a)** In these Articles save where the context otherwise requires;

“**Associates**” has the same meaning ascribed to it under the HKSE Listing Rules;

“**Auditors**” means the Auditors of the Company for the time being;

“**Chairman**” means the Chairman presiding at any meeting of members or the Board;

“**Company**” means the above-named Company;

“**Ordinance**” means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), and includes every other ordinance incorporated therewith or substituted therefor; and in the case of any such substitution the references in these Articles to the provisions of the Ordinance shall be read as references to the provisions substituted therefor in the new ordinance;

“**Board**” and “**Directors**” means the directors for the time being of the Company or the Directors present at a duly convened meeting of directors at which a quorum is present;

“**call**” includes any instalment of a call and, in the application of provisions of these Articles to forfeiture of shares, a sum which, by the terms of issue of a share, is payable at a fixed time either in respect of the nominal value of the share or by way of premium;

“**capital**” means the share capital from time to time of the Company;

“**Clearing House**” means a recognised clearing house under the Securities and Futures Ordinance or any other ordinance substituted therefor;

“**Dividend**” includes distributions in specie or in kind, capital distributions and capitalisation issues;

“**Dollars**” & “**\$**” means dollars in the lawful currency of Hong Kong;

**Amended pursuant to a Special Resolution passed on 16 June 2004.*



“**HKSE Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**month**” means calendar month;

“**Office**” means the registered office of the Company for the time being;

“**paid up**” includes credited as paid up;

“**Register**” means the register of members of the Company kept pursuant to the Ordinance and includes any branch register kept pursuant to the Ordinance;

“**Seal**” means the common seal of the Company or any official seal that the Company may have as permitted by the Ordinance;

“**Secretary**” means the person or persons appointed for the time being to perform for the Company the duties of a secretary;

“**share**” means a share in the capital of the Company and includes stock except where a distinction between stock and shares is expressed or implied;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**these Articles**” means these Articles of Association in their present form or as altered from time to time;

“**in writing**” and “**written**” includes facsimile and telex messages and any mode of reproducing words in a legible and non-transitory form.

- (b) In these Articles, if not inconsistent with the subject or context, words importing the singular number only shall include the plural number and vice versa, words importing any gender shall include all other genders and references to persons shall include corporations (acting, where applicable, by their duly authorised representatives).
- (c) Subject as aforesaid, any words defined in the Ordinance shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.
- (d) The headings and any marginal notes are inserted for convenience only and shall not affect the construction of these Articles.

THE OFFICE

- 3 The Office shall be at such place in Hong Kong as the Directors shall from time to time appoint.

SHARES

- 4 Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special, or without any right, of voting.
- 5 Without prejudice to any special rights, privileges or restrictions for the time being attached to any issued shares, any unissued or forfeited shares may be issued or re-issued upon such terms and conditions, and with such rights, privileges and restrictions attached thereto, whether in regard to dividends, voting, repayment or redemption of share capital, or otherwise, as the Company may, subject to the Ordinance, from time to time determine or, in the absence of any such determination, as the Directors shall determine.



- 6 The Board may, subject to the approval by the shareholders in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.
- 7 Save as provided by contract or the Ordinance or these Articles to the contrary, all unissued shares shall be at the disposal of the Directors who may allot, grant options over or otherwise deal with or dispose of the same to such persons, at such times, for such consideration and generally upon such terms and conditions as they shall in their absolute discretion think fit, provided that no shares of any class shall be issued at a discount except in accordance with section 50 of the Ordinance.
- 8 The Company may make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and the time of payment of such calls.
- 9 If by the conditions of allotment of any shares the whole or part of the issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the shares, or his legal personal representative.
- 10 Subject to the provisions of section 49 of the Ordinance, any preference share may, with the sanction of a special resolution, be issued on the terms that it is, or at the option of the Company is liable, to be redeemed.
- 11 Subject to the provisions of these Articles, except as required by law or ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any share upon any trust, and except as aforesaid, the Company shall not be bound by or required in any way to recognise any contingent, future, partial or equitable interest in any share or in any fractional part of a share or any other right in respect of any share or any other claim to or in respect of any such share on the part of any person (even when having notice thereof) except an absolute right to the entirety thereof in the registered holder.
- 12 The Company may in connection with the issue of any shares exercise all powers of paying interest out of capital and of paying commission and brokerage conferred or permitted by the Ordinance.
- 13 No person shall become a member until his name shall have been entered into the Register.

JOINT HOLDERS OF SHARES

- 14 Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the following provisions:-
 - (a) the Company shall not be bound to register more than four persons as the holders of any shares except in the case of the legal personal representatives of a deceased member;
 - (b) the joint holders of any shares shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such shares;
 - (c) on the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such shares, but the Directors may require such evidence of death as they may deem fit;
 - (d) any one of such joint holders may give effectual receipts for any dividend, bonus or return of capital payable to such joint holders; and
 - (e) the Company shall be at liberty to treat the person whose name stands first in the Register as one of the joint holders of any shares as solely entitled to delivery of the certificate relating to such shares, or to receive notices from the Company, or to attend or vote at general meetings of the Company, and any notice given to such person shall be deemed notice to all the joint holders; but any one of such joint holders may be appointed the proxy of the persons entitled to vote on behalf of such joint holders, and as such proxy to attend and vote at general meetings of the Company, but if more than one of such joint holders be present at any meeting personally or by proxy that one so present whose name stands first in the Register in respect of such shares shall alone be entitled to vote in respect thereof.



SHARE CERTIFICATES

- 15** Every person whose name is entered as a member in the Register shall be entitled without payment to receive within two months after allotment or lodgment of an instrument of transfer duly stamped, or within such other period as the conditions of issue shall provide, one certificate for all his shares of any particular class, or if he shall so request, upon payment of a fee (not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit) for every certificate after the first, as the Directors shall from time to time determine, such number of certificates for shares in Stock Exchange board lots or multiples thereof as he shall request and one for the balance (if any) of the shares in question, provided that in the event of a member transferring part of the shares represented by a certificate in his name a new certificate in respect of the balance thereof shall be issued in his name without payment and, in the case of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.
- 16** Every share certificate shall be issued under the Seal (which for this purpose may be any official seal as permitted by section 73A of the Ordinance) and shall specify the number and class of shares and, if required, the distinctive numbers thereof, to which the certificate relates, and the amount paid up thereon and may otherwise be in such form as the Board may from time to time determine. If at any time the share capital of the Company is divided into different classes of shares, every share certificate issued at that time shall comply with section 57A of the Ordinance, and no certificate shall be issued in respect of more than one class of shares.
- 17** Subject to section 71A of the Ordinance, if any share certificate shall be worn out, defaced, destroyed or lost, it may be replaced on payment of such fee, if any (not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit), on such evidence being produced as the Directors shall require, and in case of wearing out or defacement, on delivery up of the old certificate, and in case of destruction or loss, on the execution of such indemnity (if any), as the Directors may require. In case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of the production of such indemnity.

CALLS ON SHARES

- 18** (a) The Directors may from time to time make calls upon the members in respect of all moneys unpaid on their shares whether on account of the nominal value of the shares or by way of premium but subject always to the terms of issue of such shares, and any such call may be made payable by instalments.
- (b) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place for payment, pay to the Company the amount called on his shares and at the time or times and place so specified. The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, any of the members shall not invalidate the call.
- 19** A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be revoked, varied or postponed as to all or any of the members liable therefor as the Directors may determine. A person on whom a call is made will remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made.



- 20 If any part of a call be not paid before or on the day appointed for payment thereof, the person from whom the payment is due shall be liable to pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment together with interest on the outstanding part thereof at such rate as the Directors shall determine (not exceeding twenty per cent. per annum) from the day appointed for the payment of such call or instalment to the time of discharge thereof in full; but the Directors may, if they shall think fit, waive the payment of such costs, charges, expenses or interest or any part thereof.
- 21 If, by the terms of the issue of any shares or otherwise, any amount is made payable upon allotment or at any fixed time, whether on account of the nominal amount of the shares or by way of premium, every such amount shall be payable as if it were a call duly made and payable on the date on which by the terms of issue the same becomes payable; and all the provisions hereof with respect to the payment of calls and interest thereon, or to the forfeiture of shares for non-payment of calls shall apply to every such amount and the shares in respect of which it is payable in the case of non-payment thereof.
- 22 The Directors may, if they shall think fit, receive from any member willing to advance the same (either in money or money's worth) all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him; and upon all or any of the moneys so paid in advance the Directors may (until the same would, but for such payment in advance, become presently payable) pay interest at such rate as may be agreed upon between the member paying the moneys in advance and the Directors (not exceeding twenty per cent. per annum). But a payment in advance of a call shall not entitle the shareholder to receive any dividend or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called. The Directors may also at any time repay the amount so advanced upon giving to such member one month's notice in writing unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced.
- 23 On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such money is due; that the resolution making the call is duly recorded in the minute book of the Company; and that notice of such call was duly given to the member sued in pursuance of these Articles, and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence that the money is due.
- 24 No member shall, unless the Directors otherwise determine, be entitled to receive any dividend or bonus, or to receive notice of or to be present or vote at any general meeting, either personally or (save as proxy for another member) by proxy, or to exercise any privileges as a member, or be reckoned in a quorum, until he shall have paid all calls or other sums for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

FORFEITURE

- 25 If any member fails to pay in full any call or any instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter, during such time as any part of the call remains unpaid without prejudice to the provisions of Article 24, serve a notice on him requiring him to pay so much of the call as is unpaid together with interest accrued and any expenses incurred by reason of such non-payment.
- 26 The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which such call or part thereof and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made, such place being either the Office, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call is payable will be liable to forfeiture.



- 27 If the requirements with regard to payment of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter and before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect, and any such forfeiture shall extend to all dividends and bonuses declared in respect of the shares so forfeited but not payable until after such forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such cases references in these Articles to forfeiture shall include surrender.
- 28 Any shares so forfeited shall be deemed for the purposes of this Article to be the property of the Company and may be sold, re-allotted or otherwise disposed of either subject to or discharged from all calls made prior to the forfeiture, to any person, upon such terms as to subscription price and otherwise and in such manner and at such time or times as the Directors think fit. For the purpose of giving effect to any such sale or other disposition the Directors may authorise the transfer of the shares so sold or otherwise disposed of to the purchaser thereof or any other person becoming entitled thereto. The Directors shall account to the person whose shares have been forfeited with the balance (if any) of monies received by the Company in respect of those shares after deduction of expenses of forfeiture, sale or disposal of the shares and any amounts due to the Company in respect of the shares.
- 29 The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit or permit the share forfeited to be redeemed upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.
- 30 Any person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding the forfeiture be and remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with interest thereon from the date of forfeiture until payment at such rate as the Directors may prescribe (not exceeding twenty per cent. per annum), and the Directors may enforce the payment of such moneys or any part thereof and without any deduction or allowance for the value of the shares at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.
- 31 When any shares have been forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry shall be made in the Register recording the forfeiture and the date thereof but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry, and so soon as the shares so forfeited have been sold or otherwise disposed of an entry shall also be made of the manner and date of the sale or disposal thereof.

LIEN

- 32 The Company shall have a first and paramount lien on every share (not being a fully paid-up share) for all moneys outstanding in respect of such share whether presently payable or not, and the Company shall also have a first and paramount lien on every share (other than fully paid-up shares) standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice has been given to the Company of any interest of any person other than such member, and whether the time for the payment or discharge of the same shall have already arrived or not, and notwithstanding that the same are joint debts or liabilities of such member or his estate and any other person, whether a member or not. The Company's lien on a share shall extend to all dividends payable thereon. The Directors may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be wholly or in part exempt from the provisions of this Article.



- 33 The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death, bankruptcy or winding-up or otherwise by operation of law or court order.
- 34 The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities in respect whereof the lien exists so far as the same are presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Directors may authorise some person to transfer the shares so sold to the purchaser thereof and may enter the purchaser's name in the Register as holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- 35 A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allocation or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, surrender, sale, reallocation or disposal of the share.

TRANSFER OF SHARES

- 36 The instrument of transfer of any shares in the Company shall be in writing in the usual common form or in such other form as the Board may accept and may be under hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
- 37 Every instrument of transfer shall be lodged at the Office for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto. All instruments of transfer which shall be registered shall be retained by the Company, but save where fraud is suspected any instrument of transfer which the Directors may decline to register shall, on demand, be returned to the person depositing the same.
- 38 There shall be paid to the Company in respect of the registration of a transfer and of any Grant of Probate or Letters of Administration, Certificate of Marriage or Death, Power of Attorney or other document relating to or affecting the title to any share or for making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribe (but not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit).



- 39 The registration of transfers may be suspended at such times and for such periods as the Directors may, in accordance with section 99 of the Ordinance, from time to time determine and either generally or in respect of any class of shares.
- 40 The Directors may, subject to section 69 of the Ordinance, at any time in their absolute discretion and without assigning any reason therefor decline to register any transfer of any share (not being a fully paid-up share). If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.
- 41 The Directors may also decline to register any transfer unless:-
- (a) the instrument of transfer is in respect of only one class of share;
 - (b) in the case of a transfer to joint holders, the number of transferees does not exceed four;
 - (c) the shares concerned are free of any lien in favour of the Company;
 - (d) the instrument of transfer is properly stamped;
 - (e) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;
 - (f) a fee not exceeding the maximum fee prescribed or permitted from time to time by the Stock Exchange is paid to the Company in respect thereof;
 - (g) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
- 42 No transfer may be made to an infant or to a person of unsound mind or under other legal disability.

TRANSMISSION OF SHARES

- 43 In the case of the death of a member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder, whether sole or joint, from any liability in respect of any share solely or jointly held by him.
- 44 Any person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall, upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the shares upon giving to the Company notice in writing of such his desire or to transfer such shares to some other person. All the limitations, restrictions and provisions of these Articles and the Ordinance relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as if the same were a transfer of shares by a member, including the Directors' right to refuse or suspend registration.
- 45 A person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the shares, provided always that the Directors may at any time give notice requiring any such person to elect to be registered himself or to transfer the shares, and if the notice is not complied with within sixty days, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the shares until the requirements of the notice have been complied with but subject to the requirements of Article 76 being met, such a person may vote at meetings.



STOCK

- 46 The Company may from time to time by ordinary resolution convert any fully paid-up shares into stock and may reconvert any stock into fully paid-up shares of any denomination. After the passing of any resolution converting all the fully paid-up shares of any class in the capital of the Company into stock, any shares of that class which subsequently become fully paid-up and rank pari passu in all other respects with such shares shall, by virtue of this Article and such resolution, be converted into stock transferable in the same units as the shares already converted.
- 47 The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations as the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit. The Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of such minimum, but the minimum shall not, without the sanction of an ordinary resolution of the Company, exceed the nominal amount of each of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock.
- 48 The holders of stock shall, according to the amount of the stock held by them, have the same rights as regards dividends, participation in assets on a winding-up, voting at general meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right (except as to participation in dividends, profits and in assets on a reduction of capital or a winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such right.
- 49 Such of these Articles as are applicable to fully paid-up shares shall apply mutatis mutandis to stock, and the words "share" and "shareholder" shall include "stock" and "stockholder".

INCREASE OF CAPITAL

- 50 The Company may, from time to time, by ordinary resolution increase its authorised capital by such sum divided into shares of such amounts as the resolution shall prescribe.
- 51 The general meeting resolving upon the creation of any new shares may direct that the same or any of them shall be offered in the first instance, and either at par or at a premium or (subject to the provisions of the Ordinance) at a discount, to all the holders for the time being of any class of shares in the capital of the Company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Directors, and Article 7 shall apply thereto. The Company may exercise any powers conferred or permitted by the Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares and warrants (including any redeemable shares) at any price or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in the Company and should the Company purchase or otherwise acquire its own shares or warrants neither the Company nor the Board shall be required to select the shares or warrants to be purchased or otherwise acquired ratably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the Securities and Futures Commission from time to time in force.
- 52 Subject to any direction or determination that may be given or made in accordance with the powers contained in these Articles, all new shares created pursuant to Article 50 shall be subject to the same provisions herein contained with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as the existing shares of the Company.



ALTERATIONS OF SHARE CAPITAL

- 53** The Company may by ordinary resolution:—
- (a) subdivide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares;
 - (b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
 - (c) consolidate and divide its capital or any part thereof into shares of larger amount than its existing shares;
 - (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised capital by the amount of the shares so cancelled; or
 - (e) make provision for the issue and allotment of shares which do not carry any voting rights.
- 54** The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner allowed by law.
- 55** Where any difficulty arises in regard to any consolidation and division under paragraph (c) of Article 53, the Directors may settle the same as they think expedient and in particular may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the members who would have been entitled to the fractions, and for this purpose the Directors may authorise some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

MODIFICATION OF RIGHTS

- 56** All or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may subject to the provisions of the Ordinance, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in these Articles relating to general meetings shall mutatis mutandis apply to every such meeting but so that the quorum thereof shall be not less than two persons holding or representing by proxy one third in nominal value of the issued shares of the class, and that any holder of shares of that class present in person or by proxy may demand a poll.
- 57** The provisions of the foregoing Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.
- 58** The special rights conferred upon the holders of the shares or class of shares shall not unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.



GENERAL MEETINGS

- 59 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held at such time (within a period of not more than fifteen months, or such longer period as the Registrar of Companies may authorise in writing, after the holding of the last preceding annual general meeting) and place as may be determined by the Directors. All other general meetings shall be called extraordinary general meetings.
- 60 The Directors may whenever they think fit, and shall on requisition in accordance with the Ordinance, proceed to convene an extraordinary general meeting.

NOTICE OF GENERAL MEETINGS

- 61 Subject to section 116C of the Ordinance, an annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing, and any other general meeting shall be called by not less than fourteen days' notice in writing. The notice shall specify the place, date and time of meeting, and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company.
- 62 Notwithstanding that a meeting of the Company is called by shorter notice than that specified in these Articles or required by the Ordinance, it shall be deemed to have been duly called if it is so agreed:—
- (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
 - (b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.
- 63 The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

- 64 All business shall be deemed special that is transacted at an extraordinary general meeting and at an annual general meeting with the exception of:—
- (a) the receipt of the accounts and balance sheet and the reports of the Directors and other documents required to be annexed to the accounts;
 - (b) the declaration and sanction of dividends;
 - (c) the election of Directors in place of those retiring (if any);
 - (d) the election or re-election of the Auditors of the Company; and
 - (e) the fixing of, or the determination of the method of fixing, the remuneration or extra remuneration of the Directors and of the Auditors of the Company.
- 65 No business save the election of a chairman of the meeting shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.



- 66 If, within fifteen minutes from the time appointed for the meeting a quorum be not present, the meeting, if convened upon requisition in accordance with the Ordinance, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the Chairman of the meeting may determine. If at such adjourned meeting a quorum be not present within fifteen minutes from the time appointed for the meeting, the member or members present in person or by proxy shall be a quorum and may transact the business for which the meeting is called.
- 67 The Chairman (if any) of the Board or, in his absence, a Deputy Chairman (if any) shall preside as Chairman at every general meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor a Deputy Chairman is present within fifteen minutes after the time appointed for holding the meeting, or if neither of them is willing to act as Chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as Chairman if willing to act. If no Director is present, or if each of the Directors present declines to act as Chairman, the persons present and entitled to vote shall elect one of their number to be Chairman of the meeting.
- 68 The Chairman of any general meeting at which a quorum is present may, with the consent of the meeting, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place or sine die; but no business shall be transacted at any adjourned meeting other than business which might have been transacted at the meeting from which the adjournment took place unless due notice thereof is given or such notice is waived in the manner prescribed by these Articles. When a meeting is adjourned for thirty days or more, or sine die, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjourned meeting or the business to be transacted thereat. Where a meeting is adjourned sine die the time and place for the adjourned meeting shall be fixed by the Directors.

VOTING

- 69 (a) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:-
 - (i) the Chairman of the meeting; or
 - (ii) at least three members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
 - (iii) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
 - (iv) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.
 - (b) Unless a poll is so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.
- 70 A demand for a poll may be withdrawn only with the approval of the Chairman of the meeting, at any time before the close of the meeting or the taking of the poll, whichever is earlier. If a poll be directed or demanded in the manner (including the use of ballot or voting papers or tickets) above mentioned it shall (subject to the provisions of Article 72 hereof) be taken at such time (being not later than thirty days after the date of the demand) and in such manner as the Chairman of the meeting may appoint. No notice need be given of a poll not taken immediately. The result of such poll shall be deemed for all purposes to be the resolution of the meeting at which the poll was so directed or demanded.



- 71 In the case of an equality of votes at any general meeting, whether upon a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.
- 72 A poll demanded upon the election of a Chairman or upon a question of adjournment shall be taken forthwith. Any business, other than that upon which a poll has been demanded, may be proceeded with pending the taking of the poll.
- 73 (a) Save as expressly provided in these Articles, no person other than a member duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member) either personally or by proxy, or to be reckoned in a quorum at any general meeting.
- (b) No objection shall be made to the validity of any vote except at a meeting at which such vote shall be tendered and every vote whether given personally or by proxy not disallowed at such meeting shall be deemed valid for all purposes whatsoever of such meeting or poll.
- (c) In case of any dispute as to voting the Chairman shall determine the same, and such determination shall be final and conclusive.
- 74 Subject to the provisions of the Ordinance, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. A written notice of confirmation of such resolution in writing signed by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents each signed by or on behalf of one or more members.

VOTES OF MEMBERS

- *75 Subject to Article 78A, Article 85 and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under section 115 of the Ordinance at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.
- 76 Any person entitled under Article 45 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.
- 77 On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- 78 A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis or other person in the nature of a committee or curator bonis appointed by that court, and any such committee, curator bonis or other person may on a poll, vote by proxy. If any member be a minor he may vote by his guardian or one of his guardians who may give their votes personally or by proxy.

**Amended pursuant to a Special Resolution passed on 16 June 2004.*



****78A** Where a member is, under the HKSE Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

PROXIES

- 79** (a) A proxy need not be a member of the Company.
- (b) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may accept, and shall be deemed, subject to the proviso hereinafter contained, to confer authority upon the proxy to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit.
- Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which special business (determined as provided in Article 64) is to be transacted shall be such as to enable the member according to his intention to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such special business and shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.
- 80** The instrument appointing a proxy shall be signed by the appointor, or his duly authorised attorney, or if such appointor be a corporation, under its common seal or signed by some officer, attorney or other person duly authorised in that behalf.
- 81** The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office at least forty-eight hours before the time fixed for holding the meeting at which the person named in such instrument proposes to attend and vote or, in the case of a poll, at least thirty-six hours before the time appointed for the taking of the poll; otherwise the person so named shall not be entitled to vote at that meeting (or as the case may be) except with the approval of the Chairman of the meeting. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 82** Any member may by power of attorney appoint any person to be his attorney for the purpose of attending and voting at any meeting, and such power may be a special power limited to any particular meeting or a general power extending to all meetings at which such member is entitled to vote. Every such power shall be deposited at the Office at least thirty-six hours before the time fixed for holding the meeting at which such attorney proposes to attend and vote or, in the case of a poll, at least twenty-four hours before the time appointed for the taking of the poll; otherwise the attorney shall not be entitled to vote at that meeting (or as the case may be) except with the approval of the Chairman of the meeting.
- 83** (a) An instrument of proxy may be revoked by forwarding to the Office written notification of such revocation signed by or on behalf of the person who issued or authorised the issue of the instrument of proxy.
- (b) A vote given in accordance with the terms of an instrument of proxy or power of attorney or by the duly authorised representative of a corporation shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or power of attorney or other authority, or transfer of the shares in respect of which the proxy is given, provided no intimation in writing of the death, insanity, revocation or transfer shall have been received at the Office twenty-four hours at least before the time fixed for holding the meeting, or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

***Inserted pursuant to a Special Resolution passed on 16 June 2004.*



- 84** Any corporation which is a member of the Company may, by resolution of its Directors or other governing body or by power of attorney, authorise such persons as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. References in these Articles to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented at the meeting by such duly authorised representative.
- 85** Without prejudice to the generality of Article 84 if a Clearing House (or its nominee) is a member of the Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its proxy and proxies or representative or representatives at any meeting of the Company or at any meeting of any class of member of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provisions of this Article shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise if it were an individual member of the Company and, on a show of hands, each such person shall be entitled to a separate vote.

DIRECTORS

- 86** Unless and until otherwise determined by an ordinary resolution of the Company, the Directors shall be not fewer than two in number, and there shall be no maximum number of Directors.
- 87** The Company shall keep in accordance with the Ordinance a register containing the names and addresses and occupations of its Directors and shall from time to time notify to the Registrar of Companies any change that takes place in such Directors as required by the Ordinance.
- 88** A Director need not hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

DIRECTORS' REMUNERATION

- 89** (a) The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by resolution by which it is voted) is to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company in the case of sums paid in respect of directors' fees.
- (b) The Directors shall also be entitled to be repaid their reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or on the discharge of their duties as directors.
- 90** The Directors may award special remuneration out of the funds of the Company (by way of salary, commission or otherwise as the Directors may determine) to any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director.



POWERS OF DIRECTORS

- 91** The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Hong Kong or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents for the Company, and may fix their remuneration, and may delegate (with or without power to sub-delegate as the Directors shall determine) to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
- 92** The Directors may from time to time and at any time by power of attorney or other instrument appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other instrument may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. The Company may, by writing under its seal, empower any person, either generally or in respect of any specified matter, as its attorney to execute deeds and instruments on its behalf and to enter into contracts and sign the same on its behalf and every deed signed by such attorney on behalf of the Company and under his seal shall bind the Company and have the same effect as if it were under the seal of the Company.
- 93** Subject to and to the extent permitted by the Ordinance, the Company or the Directors on behalf of the Company, may cause to be kept in any territory a Branch Register of members resident in such territory, and the Directors may make and vary such regulations as they may think fit respecting the keeping of any such Branch Register.
- 94** All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine. The Company's bank accounts shall be kept with such banker or bankers as the Board shall from time to time determine.
- 95** (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Debentures, debenture stocks, bonds and other securities of the Company may be made assignable free from any equities between the Company and the person to which the same may be issued, and may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
- (b) The Directors shall cause a proper register to be kept, in accordance with the provisions of the Ordinance, of all mortgages and charges affecting the property of the Company and shall duly comply with the requirements of the Ordinance in regard to the registration of mortgages and charges therein specified and otherwise. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the members or otherwise, to obtain priority over such prior charge.
- 96** The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of the Company, or of any company



which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the wives, widows, families and dependants of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

APPOINTMENT AND REMOVAL OF DIRECTORS

- *97** At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices.
- 98** If at any general meeting at which an election of Directors ought to take place the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting and so on from year to year until their places are filled, unless:–
 - (i) it shall be determined at such meeting to reduce the number of Directors;
 - (ii) it is expressly resolved at such meeting not to fill up such vacated offices;
 - (iii) in any such case the resolution for re-election of a Director is put to the meeting and lost; or
 - (iv) such Director has given notice in writing to the Company that he is not willing to be re-elected.
- 99** The Company may, from time to time, by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.
- *100** The Company may by ordinary resolution remove any Director notwithstanding anything in these Articles or in any agreement between him and the Company (but without prejudice to any right to damages for termination of such agreement not in accordance with the terms thereof), and may, if thought fit, by ordinary resolution appoint another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.
- 101** The Directors shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time (if any) by the shareholders in general meeting and any directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.
- 102** The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose. If there shall be no Directors able or willing to act, then any two members may summon a general meeting for the purpose of appointing Directors.

**Amended pursuant to a Special Resolution passed on 16 June 2004.*



***103** No person other than a retiring Director shall, unless recommended by the Board for re-election, be eligible for election to the office of Director at any annual general meeting unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected, shall have been lodged at the office or principal office of the Company during a period of not less than seven days commencing no earlier than the despatch of the notice of the annual general meeting and at least seven days before the date of the annual general meeting.

ALTERNATE DIRECTORS

104 Each Director may by written notification to the Company nominate any other person to act as alternate Director in his place and at his discretion in similar manner remove such alternate Director. If such person is not another Director, such appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved. The alternate Director shall (except as regards the power to appoint an alternate) be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company; and each alternate Director, whilst acting as such, shall exercise and discharge all the functions, powers and duties of the Director he represents, but shall look to such Director solely for his remuneration as alternate Director. Every person acting as an alternate Director shall (except when absent from Hong Kong) be entitled to receive notices of meetings of the Board and shall have one vote for each Director for whom he acts as alternate at any such meeting at which the Director appointing him is not personally present (in addition to his own vote if he is also a Director). The signature of an alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor. Any Director of the Company who is appointed an alternate director shall be considered as two Directors for the purpose of making a quorum of Directors. Any person appointed as an alternate Director shall vacate his office as such alternate Director if and when the Director by whom he has been appointed removes him or vacates office as Director. A Director shall not be liable for the acts or defaults of any alternate Director appointed by him. To such extent as the Board may from time to time determine in relation to any committee of the Board, the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any committee of which his appointor is a member. An alternate Director shall not, save as aforesaid, have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Articles.

DISQUALIFICATION OF DIRECTORS

- 105** The office of a Director shall ipso facto be vacated:—
- (a) if he becomes prohibited by law or court order from being a Director;
 - (b) if a receiving order or in the case of a company a winding-up order is made against him or he makes any arrangement or composition with his creditors;
 - (c) if he becomes of unsound mind;
 - (d) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;
 - (e) if he shall be removed from office by notice in writing served upon him signed by all his co-directors;

**Amended pursuant to a Special Resolution passed on 16 June 2004.*



- (f) if he resigns his office;
- (g) if he is removed by a special resolution of the Company; or
- (h) if he is convicted of an indictable offence.

DIRECTORS' INTERESTS

- 106** A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provisions of the Ordinance. A general notice given to the Directors by a Director to the effect that he is a member or a director of a specified company or firm, and is to be regarded as interested in any contract, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall, for the purpose of this Article, be deemed to be a sufficient disclosure of interest in relation to any contract, arrangement or dealing so entered into or made. Without prejudice to the generality of the foregoing, a Director shall give notice to the Company of such matters relating to himself as may be necessary for the purposes of sections 155B, 158, 161 and 161B of the Ordinance.
- 107** A Director may hold any other office or place of profit under the Company (other than the office of Auditor), and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article. No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any contract or arrangement entered into by or on behalf of the Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits realised by any such contract or arrangement by reason only of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.
- *108** A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his Associates, is to his knowledge, materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters, namely:—
- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associates has himself or themselves assumed responsibility or guaranteed or secured in whole or in part whether alone or jointly;
 - (iii) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Associates are or are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- * *Amended pursuant to a Special Resolution passed on 16 June 2004.*



- (iv) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his Associates are interested whether directly or indirectly as an officer or a shareholder or in which the Director or his Associates are beneficially interested in shares of that company other than a company in which the Director and any of his Associates are beneficially interested in 5 per cent. or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his Associates is derived) or of the voting rights (excluding for the purpose of calculating such 5 per cent. interest any indirect interest of such Director or his Associates by virtue of an interest of the Company in such company);
- (vi) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his Associates and employees of the Company or of any of its subsidiaries and does not give the Director or his Associates any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- (vii) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his Associates may benefit.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman as known to such chairman has not been fairly disclosed to the Board.

109 A Director may continue to be or become a director, managing director, joint managing director, executive director or manager or other officer or member of any other company in which the Company is interested, and (unless otherwise agreed) shall not be liable to account to the Company for any remuneration or other benefits received by him as a director, managing director, joint managing director, executive director, manager or other officer or member of any such other company. The Board may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by it as directors of such other company in such manner as in all respects as the Board thinks fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) and any director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or be about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid. A Director of the Company may be or become a director of any company promoted by the Company or in which it may be interested as a vendor, shareholder or otherwise and no such Director will be accountable for any benefits received as a director or member of such company. A Director of the Company or his firm may not act as auditor of the Company.



CHIEF EXECUTIVE OFFICERS AND OTHER APPOINTMENTS

- 110 The Directors may, from time to time, appoint one or more of their number to be Chief Executive Officer or Joint Chief Executive Officer of the Company, or to hold such office in the management, administration or conduct of the business of the Company as they may decide, and for such period and upon such terms and for such remuneration as the Directors shall think fit, and the Directors may also, from time to time (subject to the provisions of any agreement between him or them and the Company) remove him or them from office, and appoint another or others in his or their place or places.
- 111 A Chief Executive Officer or a Joint Chief Executive Officer (subject to the provisions of any agreement between him and the Company) shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and shall ipso facto and immediately cease to be Chief Executive Officer or Joint Chief Executive Officer if he shall cease to hold the office of Director.
- 112 The Directors may, from time to time, entrust to and confer upon any Chief Executive Officer, Joint Chief Executive Officer or Director, holding any other office in the management, administration or conduct of the business of the Company, such of the powers exercisable under these Articles by the Directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they may consider expedient, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF DIRECTORS

- 113 The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined by the Board, two Directors shall constitute a quorum. For the purpose of this Article an alternate Director shall be counted in a quorum but, notwithstanding that an alternate Director is also a Director or is an alternate for more than one Director, he shall for quorum purposes count as only one Director. Matters arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote. A Director or the Secretary may, at any time, summon a meeting of the Directors. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
- 114 Notice of a meeting of Directors shall be deemed to be duly given to a Director if it is given to him personally, in writing or by word of mouth, or sent to him at his last known address or any other address given by him to the Company for this purpose provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong. A Director may consent to short notice of and may waive notice of any meeting and any such waiver may be retrospective.
- 115 The Directors may elect a Chairman of the Board and determine the period for which he is to hold office; but if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting.
- 116 A resolution in writing signed by all the Directors except such as are absent from Hong Kong or temporarily unable to act through ill health or disability (or their alternate Directors) shall (so long as they constitute a quorum) be as effective for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted. A written notification of confirmation of such resolution in writing signed by a Director shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents, each signed by one or more Directors.



- 117 A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board generally.
- 118 The Directors may, from time to time, appoint committees consisting of such one or more persons as they think fit, and may delegate any of their powers to any such committee and, from time to time, revoke any such delegation and discharge any such committee wholly or in part. Any committee so appointed shall, in the exercise of the powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Directors. All acts done by any such committee in conformity with such regulations and in fulfillment of the purposes for which it is appointed, but not otherwise, shall have the like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any special committee, and charge such remuneration to the current expenses of the Company.
- 119 The meetings and proceedings of any such committee consisting of two or more members shall be governed mutatis mutandis by the provisions of these Articles regulating the meetings and proceedings of the Directors, insofar as the same are not superseded by any regulations made by the Directors under the last preceding Article.
- 120 All acts done bona fide by any meeting of the Directors or of a committee of Directors, or by any persons acting as Directors, shall, notwithstanding that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, or had vacated office, be as valid as if every such person had been duly appointed and was qualified and continued to be a Director.

MINUTES

- 121 The Directors shall cause to be entered and kept in books provided for the purpose minutes of the following:–
 - (a) all appointments of officers;
 - (b) all the names of the Directors and any alternate Director who is not also a Director present at each meeting of the Directors and of any committee; and
 - (c) all resolutions and proceedings of general meetings and of meetings of the Directors and committees.

Any such minutes of any meeting of the Directors, or of any committee, or of the Company, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting shall be receivable as evidence of the proceedings of such meeting.

THE SEAL

- 122 The Directors shall procure a common seal to be made for the Company, and shall provide for the safe custody thereof. The Seal shall not be affixed to any instrument except by the authority of the Directors or a committee authorised by the Board in that behalf, and every instrument to which the Seal shall be affixed shall be signed by one Director or some other person nominated by the Directors for the purpose, provided that the Board may either generally or in any particular case or cases resolve (subject to such restrictions as to the manner in which the seal may be affixed as the Board may determine) that such signature may be affixed to certificates for shares or debentures or representing any other form of security by some mechanical means other than autographic to be specified in such resolution or that such certificates need not be signed by any person. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Directors previously given.



- 123** The Company may have an official seal for use for sealing certificates for shares or other securities issued by the Company as permitted by section 73A of the Ordinance (and no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document to which such official seal is affixed and such certificates or other document shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid) and an official seal for use abroad under the provisions of the Ordinance where and as the Board shall determine, and the Company may by writing under the seal appoint any agents or agent, committees or committee abroad to be the duly authorised agents of the Company for the purpose of affixing and using such official seal and may impose such restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the seal, the reference shall, when and so far as may be applicable, be deemed to include any such official seal as aforesaid.
- 124** The Company may exercise all the powers of having official seals conferred by the Ordinance and such powers shall be vested in the Directors.

SECRETARY

- 125** The Directors shall appoint such person, persons or entities to be Secretary or Joint Secretaries of the Company for such period, at such remuneration and upon such conditions as they may think fit, and any Secretary or Joint Secretaries so appointed may be removed by them. Anything by the Ordinance or these Articles required or authorised to be done by or to the Secretary or Joint Secretaries, if the office is vacant or there is for any other reason no person capable of acting in the capacity as Secretary or Joint Secretaries, may be done by or to any assistant or deputy Secretary, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specially in that behalf by the Board.

DIVIDENDS AND RESERVES

- 126** The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.
- 127** Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.
- 128** The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts and liabilities in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.
- 129** Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall mutatis mutandis apply to capitalisations to be effected in pursuance of these Articles.
- 130** Any general meeting sanctioning a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call shall be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the member, be set off against the call.



131 (a) In respect of any dividend which the Board has resolved to pay or any dividend declared or sanctioned or proposed to be declared or sanctioned by the Board or by the Company in general meeting, the Board may determine and announce, prior to or contemporaneously with the announcement, declaration or sanction of the dividend in question:—

either

(i) that shareholders entitled thereto will receive in lieu of such dividend (or such part thereof as the Board may think fit) an allotment of shares credited as fully paid provided that the shareholders are at the same time accorded the right to elect to receive such dividend (or part thereof as the case may be) in cash in lieu of such allotment. In such case, the following provisions shall apply:—

- (A) the basis of any such allotment shall be determined by the Board;
- (B) the Board, after determining the basis of allotment and notwithstanding that the number of shares to be allotted may not be calculated until after notice to the shareholders has been given as required by the provisions of this sub-paragraph and subject to the provisions of sub-paragraph (D) below, shall give notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective which shall be not less than two weeks from the date on which the notice above referred to was despatched to the shareholders;
- (C) the right of election accorded to shareholders as aforesaid may be exercised in whole or in part;
- (D) the Board may resolve:—
 - (I) that the right of election accorded to shareholders as aforesaid may be exercised so as to take effect on all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (i) of this paragraph (a); and/or
 - (II) that a shareholder who does not exercise the right of election accorded to him as aforesaid either in whole or in part may notify the Company that he will not exercise the right of election accorded to him in respect of all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (i) of this paragraph (a) of this Article.

Provided that a shareholder may exercise such election or give such notice in respect of all but not some of the shares held by him and may at any time give seven days notice in writing to the Company of the revocation of such an election or such a notice which revocation shall take effect at the expiry of such seven days, and until such revocation has taken effect, the Board shall not be obligated to give to such shareholder notice of the right of election accorded to him or send to him any form of election;

- (E) the dividend (or that part of the dividend in lieu of which an allotment of shares is to be made as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised (the “Non-Elected Shares”) and in lieu thereof shares shall be allotted credited as fully paid to the holders of the Non-Elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of the amount standing to the credit of share premium account or out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserve or reserves or other special account) as the Board may determine, a sum equal to the aggregate nominal amount of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Non-Elected Shares on such basis;



(F) the Board may resolve that the shares to be allotted shall be allotted at a premium provided that the premium is credited as fully paid up and in such case the Board shall in addition to the amount to be capitalised and applied pursuant to sub-paragraph (E) above, and for the purposes therein set out, capitalise and apply out of the amount standing to the credit of the share premium account or out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserve or reserves or other special account) as the Directors may determine, a sum equal to the aggregate amount of the premium on the shares to be allotted and shall apply the same together with the sum to be applied pursuant to sub-paragraph (E) above and on the basis therein set out in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Non-Elected Shares;

or

(ii) that shareholders entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:-

- (A) the basis of any such allotment shall be determined by the Board;
- (B) the Board, after determining the basis of allotment and notwithstanding that the number of shares to be allotted may not be calculated until after notice to the shareholders has been given as required by the provisions of this subparagraph and subject to the provisions of sub-paragraph (D) below, shall give notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective which shall be not less than two weeks from the date on which the notice above referred to was despatched to the shareholders;
- (C) the right of election accorded to shareholders as aforesaid may be exercised in whole or in part;
- (D) the Board may resolve:-
 - (I) that the right of election accorded to shareholders as aforesaid may be exercised so as to take effect on all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (ii) of this paragraph (a); and/or
 - (II) that a shareholder who does not exercise the right of election accorded to him as aforesaid either in whole or in part may notify the Company that he will not exercise the right of election accorded to him in respect of all future occasions (if any) when the Board makes determination pursuant to sub-paragraph (ii) of paragraph (a).

Provided that a shareholder may exercise such election or give such notice in respect of all but not some of the shares held by him and may at any time give seven days notice in writing to the Company of the revocation of such an election or such a notice which revocation shall take effect at the expiry of such seven days, and until such revocation has taken effect, the Board shall not be obliged to give to such member notice of the right of election accorded to him or send to him any form of election;



- (E) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised (the "Elected Shares") and in lieu thereof shares shall be allotted credited as fully paid to the holders of the Elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of the amount standing to the credit of share premium account or out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserve or reserves or other special account) as the Board may determine, a sum equal to the aggregate nominal amount of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Elected Shares on such basis;
 - (F) the Board may resolve that the shares to be allotted shall be allotted at a premium provided that the premium is credited as fully paid up and in such case the Board shall in addition to the amount to be capitalised and applied pursuant to sub-paragraph (E) above, and for the purpose therein set out, capitalise and apply out of the amount standing to the credit of the share premium account or out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserve or reserves or other special account) as the Board may determine, a sum equal to the aggregate amount of the premium on the shares to be allotted and shall apply the same together with the sum to be applied pursuant to sub-paragraph (E) above and on the basis therein set out in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Elected Shares.
- (b) The shares allotted pursuant to the provisions of paragraph (a) of this Article shall rank *pari passu* in all respects with the fully paid shares then in issue save only as regards participation:—
- (i) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
 - (ii) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend
- unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (i) or (ii) of paragraph (a) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (a) of this Article shall rank for participation in such distribution, bonus or rights.
- (c) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (a) of this Article with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the members concerned). The Board may authorise any person to enter into on behalf of all members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
 - (d) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (a) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shares to elect such dividend in cash in lieu of such allotment.



- (e) The Board may on any occasion when it makes a determination pursuant to paragraph (a) of this Article, resolve that no allotment of shares or rights of election for shares to be issued pursuant to such determination shall be made available or made to any shareholders with registered addresses in any particular territory or territories or to a Depository where the allotment of shares or the circulation of an offer of such rights of election would or might, in the opinion of the Board, be unlawful or would or might, in the opinion of the Board, be unlawful in the absence of a registration statement or other special formalities, and in such event the provision aforesaid shall be read and construed subject to such resolution and the only entitlement of shareholders in any such territory or territories shall be to receive in cash the relevant dividend resolved to be paid or declared. "Depository" means a custodian or other person (or a nominee for such custodian or other person) appointed under contractual arrangements with the Company or other arrangements approved by the Board whereby such custodian or other person or nominee holds or is interested in shares of the Company or rights or interests in shares of the Company and issues securities or other documents of title or otherwise evidencing the entitlement of the holder thereof to or to receive such shares, rights or interests, provided and to the extent that such arrangements have been approved by the Board for the purpose of these Articles and shall include, where approved by the Board, the trustees (acting in their capacity as such) of any employees' share scheme established by the Company or any other scheme or arrangements principally for the benefit of employees of the Company and/or its subsidiaries which have been approved by the Board.
- (f) The Board may at any time resolve to cancel all (but not some only) of the elections made and the notices given by the shareholders pursuant to sub-paragraphs (i)(D) and (ii)(D) of paragraph (a) of this Article by giving seven days notice in writing to the relevant shareholders.
- (g) The Board may on any occasion determine that rights of election under paragraph (a) of this Article shall not be made available to shareholders who are registered in the register of shareholders, or in respect of shares the transfer of which is registered, after a date fixed by the Board and in such event the provisions aforesaid shall be read and construed subject to such determination.

132 No dividend shall be payable except out of the profits or other distributable reserves of the Company, and no dividend shall bear interest as against the Company.

133 The Directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the Directors to be justified by the reserves of the Company. If at any time the share capital of the Company is divided into different classes the Directors may resolve to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividend, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the reserves of the Company justify the payment.

134 All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, and all dividends unclaimed for six years after having become payable may be forfeited by the Directors and shall revert to the Company. The payment into a separate account of any monies payable in respect of a dividend shall not constitute the Company a trustee in respect thereof for any person.

135 Unless otherwise directed any dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled, or, in the case of joint holders, to the registered address of that one whose name stands first on the Register in respect of the joint holding, or addressed to such person at such address as the holder or joint holders shall direct. The Company shall not be liable or responsible for any cheque or warrant lost in transmission nor for any dividend or other monies lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant. Payment of the cheque or warrant by the banker on whom it is drawn shall be a good discharge to the Company.



- 136** The Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend any of the assets of the Company, and in particular any shares or securities of other companies to which the Company is entitled and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Ordinance and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend and such appointment shall be effective.
- 137** Before recommending a dividend the Directors may set aside any part of the net profits of the Company to one or more reserves, and may apply the same either by employing it in the business of the Company or by investing it in such manner as they shall think fit and the income arising from such reserves shall be treated as part of the profits of the Company. Such reserves may be applied for the purpose of maintaining the property of the Company, replacing wasting assets, meeting contingencies, forming an insurance fund, equalising dividends, paying special dividends, or for any other purpose for which the undivided profits of the Company may lawfully be used, and until the same shall be so applied it shall be deemed to remain undivided profit. The Directors may also carry forward as undivided profit any profit or balance of profit which they shall not think fit to recommend as dividend or to place to reserve.

AUTHENTICATION OF DOCUMENTS

- 138** Any Director or the Secretary or other authorised officer of the Company shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies of extracts; and where any books, records, documents or accounts are elsewhere than at the Office, the local manager or such other officer of the Company having the custody thereof shall be deemed to be the authorised officer of the Company as aforesaid. A document purporting to be a copy of a resolution or an extract from the minutes of a meeting of the Company or of the Directors or any local board or committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

CAPITALISATION OF RESERVES ETC.

- 139** The Company in general meeting may upon the recommendation of the Directors resolve to capitalise any part of the Company's reserves or undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to a dividend, and accordingly that such part be divided amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied as a capitalisation issue either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures or other securities of the Company to be allotted and distributed credited as fully paid to and amongst such members in the proportion aforesaid, or partly in one way and partly in the other:—

Provided that any amount standing to the credit of a share premium account or a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid-up shares.



140 Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the reserves and undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid-up shares, debentures or other securities and generally shall do all acts and things required to give effect thereto.

141 For the purpose of giving effect to any resolution under Articles 136 and 139 hereof the Directors may settle any difficulty which may arise in regard to the distribution or capitalisation issue as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any members based upon the value so fixed or that fractions of such value as the Directors may determine may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the distribution or capitalisation issue as may seem expedient to the Directors. The provisions of the Ordinance in relation to the filing of contracts for allotment shall be observed, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the distribution or capitalisation issue, and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.

ACCOUNTS AND AUDITORS

142 The Directors shall cause proper books of account to be kept with respect to:-

- (a) all sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place; and
- (b) the assets and liabilities of the Company.

Proper books shall not be deemed to be kept if there are not kept such books of accounts as are necessary to give a true and fair view of the transactions.

143 The Directors shall from time to time, in accordance with the provisions of the Ordinance, cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Ordinance.

***144** A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' report and a copy of the Auditors' report, shall not less than twenty-one days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to all persons other than members or holders of debentures of the Company, being persons entitled to receive notices of general meetings of the Company:-

Provided that this Article shall be subject to Article 144B and shall not require a copy of those documents to be sent to any person of whose address the Company is not aware, to more than one of the joint holders of any shares or debentures, nor to any person to whom the Company has duly sent a copy of a summary financial report (as defined in the Ordinance) in accordance with the provisions of the Ordinance and Article 144A.

****144A** Subject to Article 144B, a copy of a summary financial report in the form and containing the contents as required by the Ordinance shall be sent by the Company in accordance with the provisions of the Ordinance to a person who has been offered and agreed, in accordance with the provisions of the Ordinance, to be sent a copy of such summary financial report.

**Amended pursuant to a Special Resolution passed on 24 June 2002.*

***Inserted pursuant to a Special Resolution passed on 24 June 2002.*



****144B** Where a person has, in accordance with the provisions of the Ordinance where applicable, consented to treat the publication or the making available of the relevant financial documents and/or the summary financial report (each as defined in the Ordinance) on a computer network or by such other means as discharging the Company's obligation under the Ordinance to send a copy of the relevant financial documents and/or the summary financial report (each as defined in the Ordinance), then the publication or the making available by the Company, in accordance with the provisions of the Ordinance where applicable, on such computer network or by such other means of the relevant financial documents or the summary financial report (each as defined in the Ordinance) shall, in relation to each consenting person, be deemed to discharge the Company's obligations under Article 144 and/or Article 144A.

145 Auditors shall be appointed and their duties regulated in the manner provided by the Ordinance.

146 Subject as otherwise provided by the Ordinance the remuneration of the Auditors shall be fixed by the Company in general meeting provided always that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.

147 Every statement of accounts audited by the Company's Auditors and presented by the Board at a general meeting shall after approval at such meeting be conclusive except as regards any error discovered therein within three months of the approval thereof. Whenever any such error is discovered within that period, it shall forthwith be corrected, and the statement of account amended in respect of the error shall be conclusive.

NOTICES

***148** Any notice, document or communication to be given or issued shall be in writing in any one or more languages to the members, may be served by the Company upon any member either personally or by sending it by mail, postage prepaid, addressed to such member at his registered address, and, in any case where the registered address of a member is outside Hong Kong, by prepaid airmail, or may be delivered, sent or otherwise made available using electronic or other means to such member.

149 Any notice sent by mail shall be deemed to have been served in the case where the member's registered address is in Hong Kong on the day following that on which the notice is mailed in Hong Kong and in any other case on the fifth day after the day of mailing. In proving such service it shall be sufficient to prove that the notice was properly addressed and mailed, postage prepaid.

150 Any person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which, previously to his name and address being entered in the Register, shall be duly given to the person from whom he derives his title to such share.

***151** Any notice, document or communication delivered or sent by mail to, or left at the registered address of or made available using electronic or other means to any member, in pursuance of these Articles, shall, notwithstanding such member be then deceased or bankrupt, and whether or not the Company have notice of his decease or bankruptcy, be deemed of have been duly served in respect of any shares held by such member, whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these Articles be deemed a sufficient service of such notice, document or communication on his executors, administrators or assigns and all persons (if any) jointly interested with him in any such share.

**Amended pursuant to a Special Resolution passed on 24 June 2002.*

***Inserted pursuant to a Special Resolution passed on 24 June 2002.*



- 152 Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid letter, envelope or wrapper, addressed to the Company or to such officer at the Office.
- 153 The signature to any notice to be given by the Company may be written or printed.
- 154 Subject to any special provisions contained in these Articles or in the Ordinance, all notices required to be given by advertisement shall be advertised in at least one daily Chinese and one daily English newspaper circulating in Hong Kong.
- 155 In reckoning the period for any notice given under these Articles, the day on which notice is served, or deemed to be served, and the day for which such notice is given shall be excluded.

WINDING UP

- 156 If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. This Article is, however, subject to the rights of the holders of any shares which may be issued on special terms or conditions.
- 157 If the Company shall be wound up, the liquidator (whether voluntary or official) may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company or vest any part of the assets of the Company in trustees upon such trusts for the benefit of the members or any of them as the resolution shall provide. Any such resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing rights, but each member shall in that event have a right of dissent and other ancillary rights in the same manner as if such resolution were a special resolution passed pursuant to section 237 of the Ordinance.
- 158 In the event of a winding-up of the Company in Hong Kong, every member of the Company who is not for the time being in Hong Kong shall be bound, within fourteen days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong upon whom all summonses, notices, processes, orders and judgements in relation to or under the winding-up of the Company may be served and, in default of such nomination, the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertising in such English language daily newspaper circulating in Hong Kong as he shall deem appropriate or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register, and such notice shall be deemed to be served on the day on which the advertisement appears or the letter is posted.

INDEMNITY

- *159 Subject to the provisions of the Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto and in particular and without prejudice to the generality of the foregoing every Director and other officer of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses which any such Director and other officer may incur or become liable for by reason of any contract entered into, or act or thing done by him or them as such Director and other officer, or in any way in the discharge of their or his duties, including travelling expenses; and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company, and have priority as between the members over all other claims. Any person who is a Director or other officer of the Company shall not be liable (except in consequence of his own dishonesty) for the acts, receipts, neglects or defaults of any other Director or other officer of the Company or for any losses or expenses incurred by the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects of the Company shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on their or his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto.

**Amended pursuant to a Special Resolution passed on 16 October 1997.*



UNTRACEABLE SHAREHOLDERS

- 160** Without prejudice to the rights of the Company, the Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.
- 161** The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:—
- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of Association of the Company have remained uncashed;
 - (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
 - (iii) the Company has caused an advertisement to be inserted in English in one English language daily newspaper and in Chinese in one Chinese language daily newspaper (provided that the aforesaid daily newspapers shall be included in the list of newspapers issued and published in the Hong Kong Government Gazette for the purpose of section 71A of the Ordinance) advertising its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and
 - (iv) the Company has notified the stock exchange in the relevant territory of its intention to effect such sale.

For the purpose of the foregoing, “**relevant period**” means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (iii) of this Article and ending at the expiry of the period referred to in that paragraph.

The manner, timing and terms of any sale of shares pursuant to this Article (including but not limited to the price or prices at which the same is made) shall be such as the Board determines, based upon advice from such bankers, brokers or other persons as the Board considers appropriate consulted by it for the purposes, to be reasonably practicable having regard to all the circumstances including the number of shares to be disposed of and the requirement that the disposal be made without delay and the Board shall not be liable to any person for any of the consequences of reliance on such advice.



162 To give effect to any such sale pursuant to Article 161 the Board may authorise any person to transfer the said shares and the instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and, upon receipt by the Company of such proceeds, it shall become indebted to the former shareholder by carrying all moneys in respect thereof to a separate account for an amount equal to such net proceeds. No trusts shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall include any additional shares which during the relevant period or during any period ending on the date when all the requirements of sub-paragraphs (i) to (iii) of Article 161 have been satisfied have been issued in respect of those held at the beginning of such relevant period and shall be valid and effective notwithstanding that the shareholder holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.



Names, Addresses and Descriptions of Subscribers

China Telecom (Hong Kong) Group Limited
 ((中國電信(香港)集團有限公司))
 Hong Kong company no. 569288, of
 16/F, Dah Sing Financial Centre,
 108 Gloucester Road,
 Wanchai,
 Hong Kong

For and on behalf of
 CHINA TELECOM (HONG KONG) GROUP
 LIMITED
 ((中國電信(香港)集團有限公司))
(Sd.) Chen Zhaobin
 Director

CORPORATION

China Telecom Hong Kong (BVI) Limited
 BVI I.B.C. company no. 244168, of
 P.O. Box 957, Offshore Incorporations Centre,
 Road Town, Tortola,
 British Virgin Islands

For and on behalf of
 CHINA TELECOM HONG KONG (BVI)
 LIMITED
(Sd.) Chen Zhaobin

CORPORATION

Dated the 29 day of August, 1997.

WITNESS to the above signatures

Celia C. L. Lam
 Solicitor
 Hong Kong
 (Sd. Celia Lam)

Address:
 14th Floor, Alexandra House
 Chater Road
 Central
 Hong Kong



Exhibit 4.1

Dated 28 April 2004

CHINA MOBILE HONG KONG (BVI) LIMITED
CHINA MOBILE (HONG KONG) LIMITED
CHINA MOBILE COMMUNICATIONS CORPORATION
CONDITIONAL SALE AND PURCHASE AGREEMENT



TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
1 INTERPRETATION	2
2 SALE OF THE TARGET BVI SHARES AND PRICE	7
3 CONDITIONS PRECEDENT	10
4 PRE-COMPLETION UNDERTAKINGS	11
5 COMPLETION	12
6 POST-COMPLETION UNDERTAKINGS	14
7 WARRANTIES	15
8 LIMITATIONS ON CLAIMS	16
9 PURCHASER'S RIGHTS TO RESCISSION	16
10 WITHHOLDING TAX AND GROSSING UP	16
11 ENTIRE AGREEMENT	16
12 VARIATION	17
13 ASSIGNMENT	17
14 ANNOUNCEMENTS	17
15 COSTS	17
16 CONFIDENTIALITY	18
17 SEVERABILITY	18
18 COUNTERPARTS	18
19 WAIVER	18
20 FURTHER ASSURANCE	19
21 NOTICES	19
22 GOVERNING LAW AND JURISDICTION	20
SCHEDULE 1 PART A Details of the Target BVI Companies	21



PART B Details of the Target Companies	33
SCHEDULE 2 THE WARRANTIES Part A: General	45
Part B: Tax and Property Warranties	58
APPENDIX 1 Connected Transactions	60
APPENDIX 2 The Restructuring Agreements	63
APPENDIX 3 Form of Tax Indemnity	66
SIGNATURE PAGE	72



THIS AGREEMENT is made on 28 April 2004

BETWEEN:

- (1) **CHINA MOBILE HONG KONG (BVI) LIMITED** a company incorporated under the laws of the British Virgin Islands whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Vendor**”);
- (2) **CHINA MOBILE (HONG KONG) LIMITED** a company incorporated under the laws of Hong Kong whose registered office is at 60th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong, PRC (the “**Purchaser**”); and
- (3) **CHINA MOBILE COMMUNICATIONS CORPORATION** a company incorporated under the laws of the PRC whose registered office is at No.29 Jinrong Avenue, Xicheng District, Beijing, PRC (the “**Warrantor**”).

WHEREAS:

- (A) Each of Neimenggu Mobile BVI, Jilin Mobile BVI, Heilongjiang Mobile BVI, Guizhou Mobile BVI, Yunnan Mobile BVI, Xizang Mobile BVI, Gansu Mobile BVI, Qinghai Mobile BVI, Ningxia Mobile BVI, Xinjiang Mobile BVI, Zhongjing Design Institute BVI and CMC BVI (each, as defined below and, together, the “**Target BVI Companies**”) is a private company limited by shares incorporated on 4 March 2004 in the British Virgin Islands. Neimenggu Mobile BVI, Jilin Mobile BVI, Heilongjiang Mobile BVI, Guizhou Mobile BVI, Yunnan Mobile BVI, Xizang Mobile BVI, Gansu Mobile BVI, Qinghai Mobile BVI, Ningxia Mobile BVI, Xinjiang Mobile BVI, Zhongjing Design Institute BVI and CMC BVI (each as defined below) are the sole beneficial owners of Neimenggu Mobile, Jilin Mobile, Heilongjiang Mobile, Guizhou Mobile, Yunnan Mobile, Xizang Mobile, Gansu Mobile, Qinghai Mobile, Ningxia Mobile, Xinjiang Mobile, Jingyi Design Institute and CMC (each as defined below), respectively.
- (B) The Vendor is the sole legal and beneficial owner of the entire issued share capital of each of the Target BVI Companies.
- (C) The Warrantor has effected certain reorganisations in relation to the mobile communications assets and businesses in each of Neimenggu, Jilin, Heilongjiang, Guizhou, Yunnan, Xizang, Gansu, Qinghai, Ningxia, Xinjiang and in relation to related assets and businesses in its headquarters. Each of the Target Companies (as defined below) became a wholly-owned subsidiary of Neimenggu Mobile BVI, Jilin Mobile BVI, Heilongjiang Mobile BVI, Guizhou Mobile BVI, Yunnan Mobile BVI, Xizang Mobile BVI, Gansu Mobile BVI, Qinghai Mobile BVI, Ningxia Mobile BVI, Xinjiang Mobile BVI, Zhongjing Design Institute BVI and CMC BVI, respectively, through a series of transfers pursuant to a Transfer of Interests Agreement dated 21 April 2004 (the “**Reorganisation**”).
- (D) The Vendor has agreed to sell the entire issued share capital of each of the Target BVI Companies to the Purchaser for the consideration and upon the terms and conditions set out in this Agreement.
- (E) The Vendor and the Warrantor have agreed to make certain representations, warranties and undertakings in relation to the Target Companies Group (as defined below).



IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this Agreement, the following expressions shall have the following meanings:

“**Accounts**” means in relation to the Target Companies:

- (a) the combined audited balance sheets of the Target Companies as of the relevant Accounts Date in respect of that financial period; and
- (b) the combined statements of income, owner’s equity and cash flows of the Target Companies for the financial period ended on the relevant Accounts Date,

together with any notes, reports or statements included in or annexed to them;

“**Accounts Date**” means 31 December 2001, 2002 or 2003 as the case may be;

“**Appraisal Report**” means the appraisal report prepared by PRC appraisers in respect of the Target Companies;

“**Business Day**” means a day (excluding Saturdays) on which banks generally are open in Hong Kong and the PRC for the transaction of normal banking business;

“**Circular**” means the shareholders’ circular to be issued by the Company to its shareholders and containing, among other things, the details of the acquisition contemplated under this Agreement;

“**Claim**” means any claim for breach of a Warranty;

“**CMC**” means 中國移動通信有限公司 (China Mobile Communication Company Limited), a company established on 27 February 2004 under the laws of the PRC;

“**CMC BVI**” means China Mobile Communication (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Companies Ordinance**” means the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;

“**Completion**” means completion of the sale and purchase of the Target BVI Shares under this Agreement pursuant to clause 5;

“**Conditions Precedent**” means the conditions specified in clause 3.1;

“**Connected Transactions**” means those transactions effected pursuant to the operating agreements as listed in Appendix 1;

“**Convertible Notes**” means the US\$690 million convertible notes due 2005 issued by the Purchaser in November 2000;

“**Costs**” means liabilities, losses, damages, costs (including legal costs) and expenses (including taxation), in each case of any nature whatsoever;

“**Deferred Consideration**” means US\$1,650 million, being the balance of the Total Price after payment of the Initial Consideration, which is calculated in accordance with clause 2.2.2;



“**Encumbrance**” means any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind;

“**Financial Statements**” means the combined audited balance sheets of the Target Companies as of 31 December 2001, 2002 and 2003, and the related combined statements of income, owner’s equity and cash flows for each of the years in the three-year period ended 31 December 2003;

“**Gansu Mobile**” means 甘肅移動通信有限責任公司 (Gansu Mobile Communication Company Limited), a company established on 29 January 2004 under the laws of the PRC;

“**Gansu Mobile BVI**” means Gansu Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Guizhou Mobile**” means 貴州移動通信有限責任公司 (Guizhou Mobile Communication Company Limited), a company established on 19 January 2004 under the laws of the PRC;

“**Guizhou Mobile BVI**” means Guizhou Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Heilongjiang Mobile**” means 黑龍江移動通信有限責任公司 (Heilongjiang Mobile Communication Company Limited), a company established on 2 February 2004 under the laws of the PRC;

“**Heilongjiang Mobile BVI**” means Heilongjiang Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**holding company**” shall be construed in accordance with section 2 of the Companies Ordinance;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC;

“**HK\$**” or “**HK dollars**” means Hong Kong dollars, the lawful currency of Hong Kong;

“**Indebtedness**” means any indebtedness in respect of all obligations to repay borrowed money, all indebtedness evidenced by notes, bonds, loan stock, debentures or similar obligations, acceptances or documentary credit facilities, all rental obligations under finance leases, and hire purchase contracts, any other transaction having the commercial effect of a borrowing or raising of money, the net amount of any liability under any swap, hedging or other similar treasury instrument, and all guarantees, sureties, indemnities, counter-indemnities or letters of comfort of obligations of others of the foregoing types;

“**Independent Shareholders**” means the holders of shares in the Purchaser other than the Vendor and its Associates (as defined in the Listing Rules);

“**Initial Consideration**” means such part of the Total Price to be paid by the Purchaser to the Vendor on Completion in accordance with Clause 2.2.1;

“**Intellectual Property Rights**” means patents, trade marks, service marks, trade names, design rights, copyright (including rights in computer software), rights in



know-how and other intellectual property rights, in each case whether registered or unregistered and including applications for the grant of any such rights and all rights or forms of protection having equivalent or similar effect anywhere in the world;

“**Intra-Group Guarantees**” means all guarantees, indemnities, counter-indemnities and letters of comfort of any nature whatsoever (a) given to any third party by any member of the Target Companies Group in respect of a liability of any Vendor Group Company, and/or (as the context may require) (b) given to any third party by any Vendor Group Company in respect of a liability of any member of the Target Companies Group;

“**Intra-Group Loans**” means all debts outstanding between any member of the Target Companies Group and any Vendor Group Company;

“**Jilin Mobile**” means 吉林移動通信有限責任公司 (Jilin Mobile Communication Company Limited), a company established on 18 January 2004 under the laws of the PRC;

“**Jilin Mobile BVI**” means Jilin Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Jingyi Design Institute**” means 京移通信設計院有限公司 (Beijing P&T Consulting & Design Institute Company Limited), a company established on 15 March 2004 under the laws of the PRC;

“**Last Accounts**” means the Accounts of the Target Companies in respect of the financial period ended on the Last Accounts Date;

“**Last Accounts Date**” means 31 December 2003;

“**Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“**Neimenggu Mobile**” means 內蒙古移動通信有限責任公司 (Neimenggu Mobile Communication Company Limited), a company established on 16 January 2004 under the laws of the PRC;

“**Neimenggu Mobile BVI**” means Neimenggu Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Ningxia Mobile**” means 寧夏移動通信有限責任公司 (Ningxia Mobile Communication Company Limited), a company established on 30 January 2004 under the laws of the PRC;

“**Ningxia Mobile BVI**” means Ningxia Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Notes**” means the US\$600 million 7⁷/₈% notes due 2004 issued by the Purchaser in November 1999;

“**PRC**” means the People’s Republic of China;

“**PRC Relevant Governmental Approvals**” means the approvals, consents, registrations and authorisations from all relevant regulatory authorities in the PRC



including, but not limited to, the State Council, the National Development and Reform Commission, the Ministry of Information Industry, the Ministry of Commerce, the Ministry of Finance, the Ministry of Land and Resources and the China Securities Regulatory Commission, which are necessary to effect the transactions contemplated by the Restructuring Agreements and this Agreement;

“**Properties**” means the properties and land use rights stated in the Property Legal Opinions that are owned by the Target Companies;

“**Property Legal Opinions**” means the legal opinions to be issued by Haiwen & Partners, PRC counsel for the purposes of the acquisition contemplated hereunder in relation to the properties and land use rights owned by the Target Companies;

“**Qinghai Mobile**” means 青海移動通信有限責任公司 (Qinghai Mobile Communication Company Limited), a company established on 2 February 2004 under the laws of the PRC;

“**Qinghai Mobile BVI**” means Qinghai Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Restructuring Agreements**” means the agreements listed in Appendix 2 pursuant to which the Warrantor transferred its business, assets and liabilities related to mobile communication services in Neimenggu, Jilin, Heilongjiang, Guizhou, Yunnan, Xizang, Gansu, Qinghai, Ningxia, Xinjiang and related business, assets and liabilities in its headquarters to the respective Target Companies;

“**RMB**” means Renminbi, the lawful currency of the PRC;

“**Schedules**” means Schedules 1 and 2 to this Agreement and Schedule shall be construed accordingly; “**Shares**” means ordinary shares of par value HK\$0.10 each in the share capital of the Purchaser;

“**subsidiary**” and “**subsidiaries**” shall be construed in accordance with section 2 of the Companies Ordinance;

“**Target BVI Companies**” means Neimenggu Mobile BVI, Jilin Mobile BVI, Heilongjiang Mobile BVI, Guizhou Mobile BVI, Yunnan Mobile BVI, Xizang Mobile BVI, Gansu Mobile BVI, Qinghai Mobile BVI, Ningxia Mobile BVI, Xinjiang Mobile BVI, Zhongjing Design Institute BVI and CMC BVI, details of each of which are set out in Part A of Schedule 1;

“**Target BVI Shares**” means all the issued shares in the capital of each of the Target BVI Companies;

“**Target Companies**” means Neimenggu Mobile, Jilin Mobile, Heilongjiang Mobile, Guizhou Mobile, Yunnan Mobile, Xizang Mobile, Gansu Mobile, Qinghai Mobile, Ningxia Mobile, Xinjiang Mobile, Jingyi Design Institute and CMC, details of each of which are set out in Part B of Schedule 1, and shall, in each case if the context so requires, include any predecessor entity or person carrying on the business of such Target Company, whether before or after the Reorganisation;

“**Target Companies Group**” means the Target BVI Companies and the Target Companies;



“**Tax Indemnity**” means the Tax Indemnity to be entered into by the Vendor and the Warrantor in favour of the Purchaser on Completion, in the agreed form set out in Appendix 3;

“**Tax Warranties**” means the warranties set out in paragraphs 1.1 to 1.9 in Part B of Schedule 2;

“**Total Price**” means US\$3,650 million, being the total price payable by the Purchaser to the Vendor for the Target BVI Shares;

“**Transfer of Interests Agreement**” means the transfer of interests agreement referred to in paragraph 24 of Appendix 2;

“**US\$**” or “**US dollars**” means United States dollars, the lawful currency of the United States of America;

“**Vendor Group Company**” means the Vendor, the Warrantor, any holding company from time to time of the Vendor (including the Warrantor) and any subsidiary from time to time of the Vendor or any of its holding company (but excluding the Purchaser, any of the Purchaser’s subsidiaries, the Target BVI Companies and the Target Companies);

“**Warranties**” means the representations and warranties set out in Schedule 2;

“**Xinjiang Mobile**” means 新疆移動通信有限責任公司 (Xinjiang Mobile Communication Company Limited), a company established on 3 February 2004 under the laws of the PRC;

“**Xinjiang Mobile BVI**” means Xinjiang Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Xizang Mobile**” means 西藏移動通信有限責任公司 (Xizang Mobile Communication Company Limited), a company established on 9 February 2004 under the laws of the PRC;

“**Xizang Mobile BVI**” means Xizang Mobile (BVI) Limited, a company incorporated in the British Virgin Islands;

“**Yunnan Mobile**” means 雲南移動通信有限責任公司 (Yunnan Mobile Communication Company Limited), a company established on 19 January 2004 under the laws of the PRC;

“**Yunnan Mobile BVI**” means Yunnan Mobile (BVI) Limited, a company incorporated in the British Virgin Islands; and

“**Zhongjing Design Institute BVI**” means Beijing P&T Consulting & Design Institute (BVI) Limited, a company incorporated in the British Virgin Islands.

1.2 In this Agreement, unless the context otherwise requires:

- (a) references to persons shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;
- (b) the headings are inserted for convenience only and shall not affect the construction of this Agreement;



- (c) references to one gender include all genders;
- (d) any reference to an enactment or statutory provision is a reference to it as it may have been, or may from time to time be, amended, modified, consolidated or re-enacted;
- (e) any statement qualified by the expression “to the best knowledge of the Vendor and the Warrantor” or “so far as the Vendor and the Warrantor are aware” or any similar expression shall be deemed to include an additional statement that it has been made after due and careful enquiry and shall be deemed also to include the best of the knowledge of each Vendor Group Company;
- (f) any reference to a document in the agreed form is to the form of the relevant document agreed between the parties and for the purpose of identification initialled by each of them or on their behalf (in each case with such amendments as may be agreed by or on behalf of the Vendor and the Purchaser); and
- (g) references to any Hong Kong legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any other legal concept shall, in respect of any jurisdiction other than Hong Kong, be deemed to include the legal concept which most nearly approximates in that jurisdiction to the Hong Kong legal term.

1.3 The Schedules and Appendices comprise schedules and appendices to this Agreement and form part of this Agreement.

2 SALE OF THE TARGET BVI SHARES AND PRICE

2.1 The Vendor agrees to sell as legal and beneficial owner, and the Purchaser agrees to purchase, the Target BVI Shares. The Target BVI Shares shall be sold free from all Encumbrances, together with all rights attaching to them.

2.2 The consideration for the purchase of the Target BVI Shares shall be the Total Price of US\$3,650 million, which shall be satisfied by the payment of the Initial Consideration and the Deferred Consideration by the Purchaser in accordance with clauses 2.2.1 and 2.2.2 respectively.

2.2.1 On Completion, the Purchaser shall pay to the Vendor the Initial Consideration of US\$2,000 million in cash, in Hong Kong dollars, Renminbi or US dollars or a combination of the above currencies as the Purchaser may in its absolute discretion determine (where payment is made in Hong Kong dollars, the amount paid shall be determined using the exchange rate of US\$1.00 to HK\$7.7995 (being the exchange rate prevailing at 12:00 noon (New York City time) on the day which is two Business Days immediately prior to the date of this Agreement (the “**US\$/HK\$ Exchange Rate**”)); where payment is made in Renminbi, the amount paid shall be determined using the exchange rate of US\$1.00 to RMB8.2768 (being the exchange rate prevailing at 12:00 noon (New York City time) on the day which is two Business Days immediately prior to the date of this Agreement (the “**US\$/RMB Exchange Rate**”)).



- 2.2.2 The Deferred Consideration shall be US\$1,650 million, which is equivalent to the Total Price after deduction of US\$2,000 million as stated in clause 2.2.1.
- 2.3 The Vendor hereby agrees with the Purchaser that the obligation of the Purchaser to pay the Deferred Consideration shall be subordinated to all payment obligations of the Purchaser under the Senior Debts as referred to in clause 2.6, including but not limited to the payment obligations of the Purchaser under the Notes and the Convertible Notes.
- 2.4 Without prejudice to the provisions in clause 2.5, the Vendor and the Purchaser agree that the Deferred Consideration or the unpaid portion of the Deferred Consideration, together with unpaid accrued interest thereon, shall be paid in full by the date falling fifteen (15) years after the date of Completion, or if that date falls on a non-Business Day, then on the next Business Day.
- 2.5
- 2.5.1 The Purchaser may determine to make early payment of all or part of the Deferred Consideration if the early payment of the Deferred Consideration will not have any significant impact on the Purchaser's ability to repay the principal and interest of any Senior Debts to which the Deferred Consideration is subordinated.
- 2.5.2 Subject to clause 2.5.1, the Purchaser may make early payment of all or part of the Deferred Consideration after Completion and in any amount in Hong Kong dollars, Renminbi or US dollars (or other currencies as may be agreed between the Vendor and the Purchaser ("**Other Currencies**")). Where payments are made in Hong Kong dollars, Renminbi or Other Currencies, the amounts of Deferred Consideration paid shall be determined using the US\$/HK\$ Exchange Rate or the US\$/RMB Exchange Rate as referred to in clause 2.2.1 or the Reference Exchange Rate as referred to in clause 2.6, respectively.
- 2.6 For the purposes of clauses 2.3, 2.5, 2.6, 2.7 and 2.8, the following expressions shall have the following meanings:
- "**Deferred Consideration Interest Rate**" means, for the period of the first two years commencing on the date of the Completion, 2.595 per cent. per annum (being the two-year US\$-ISDA LIBOR Swap Rate in respect of the Interest Determination Date that falls on a day which is two Business Days prior to the date of this Agreement), and for each subsequent two-year period the US\$-ISDA LIBOR Swap Rate in respect of the relevant Interest Determination Date. For the avoidance of doubt, if any part of the Deferred Consideration is unpaid after the fourteenth anniversary of the date of the Completion, the Deferred Consideration Interest Rate for such unpaid portion shall be that in respect of the Interest Determination Date that falls on 26 April 2018 (or if that date falls on a non-Business Day, then on the next Business Day) irrespective of the remaining period within which the Deferred Consideration must be paid in full in accordance with clause 2.4;
- "**Interest Determination Date**" means each of the following dates (or if that date falls on a non-Business Day, then on the next Business Day): two Business Days prior to the date of this Agreement being 26 April 2004, 26 April 2006, 26 April 2008, 26 April 2010, 26 April 2012, 26 April 2014 and 26 April 2016 and 26 April 2018;



“**Interest Payment Date**” means, before the payment of the Deferred Consideration and any unpaid accrued interest thereon in full, each of the following dates (or if that date falls on a non-Business Day, then on the next Business Day): 28 October 2004, 28 April 2005, 28 October 2005, 28 April 2006, 28 October 2006, 28 April 2007, 28 October 2007, 28 April 2008, 28 October 2008, 28 April 2009, 28 October 2009, 28 April 2010, 28 October 2010, 28 April 2011, 28 October 2011, 28 April 2012, 28 October 2012, 28 April 2013, 28 October 2013, 28 April 2014, 28 October 2014, 28 April 2015, 28 October 2015, 28 April 2016, 28 October 2016, 28 April 2017, 28 October 2017, 28 April 2018, 28 October 2018 and 28 April 2019;

“**Reference Exchange Rate**” means the Federal Reserve noon-buying rate between US dollars and the relevant Other Currency which is quoted as of 12:00 noon (New York City time) on the day which is two Business Days immediately prior to the date of this Agreement on the relevant page on the website of the Federal Reserve Bank of New York (www.ny.frb.org) which displays the exchange rate between US dollars and the relevant Other Currency, but if no such exchange rate appears, the exchange rate shall be the selling rate between US dollars and the relevant Other Currency as quoted by The Hong Kong and Shanghai Banking Corporation at or about 12:00 noon (Hong Kong time) on the Business Day immediately prior to the date of this Agreement;

“**Senior Debts**” means debts owed or owing by the Purchaser from time to time which are not subordinated to other debts owed by the Purchaser; and

“**US\$-ISDA LIBOR Swap Rate**” means, in respect of an Interest Determination Date, the rate which is quoted as of 11:00 a.m. (New York City time) on that Interest Determination Date on the Reuters Screen ISDAFIX1 Page as being the rate for US dollar swaps with a maturity of two years, expressed as a percentage, but if for any reason such rate does not so appear, or if such page is unavailable, the rate shall be the arithmetic mean (rounded, if necessary upwards, to the next 1/16 per cent. per annum) of the respective two-year mid-market semi-annual swap rates (as quoted to the Vendor at its request) of Goldman Sachs International, Morgan Stanley Dean Witter and The Hong Kong and Shanghai Banking Corporation Limited at or about 11:00 a.m. on that Interest Determination Date.

- 2.7 The Purchaser shall pay interest to the Vendor on the Deferred Consideration. Interest shall accrue at the Deferred Consideration Interest Rate as referred to in clause 2.6 on the unpaid portion of the Deferred Consideration from the date of Completion until full payment of the Deferred Consideration, and shall be calculated on the basis of the actual number of days elapsed. Interest shall be paid on each of the Interest Payment Date and on the day on which the Deferred Consideration is paid in full. The Purchaser may pay the interest in Hong Kong dollars, Renminbi or US dollars as the Purchaser may in its absolute discretion determine or in other currencies as may be agreed between the Vendor and the Purchaser (“**Other Currencies**”). Where payments are made in Hong Kong dollars, Renminbi or Other Currencies, the amount of interest payable shall be determined using the US\$/HK\$ Exchange Rate or the US\$/RMB Exchange Rate as referred to in clause 2.2.1 or the Reference Exchange Rate as referred to in clause 2.6, respectively. No penalty or additional interest shall be payable by the Purchaser to the Vendor for early payment of the Deferred Consideration at any time after Completion.



- 2.8 If the Purchaser does not pay the Deferred Consideration or any accrued interest payable when due under clauses 2.4 and 2.7, it shall pay interest on the overdue amount for the period beginning on its due date and ending on the date of its receipt by the Vendor (the “**Relevant Period**”). Interest under this clause 2.8 shall accrue daily at the rate of the Deferred Consideration Interest Rates applicable during the Relevant Period plus one percentage point, per annum and calculated on the basis of a year of 360 days. For the avoidance of doubt, the Purchaser’s obligation to pay interest on the Deferred Consideration under and in accordance with clause 2.7 is not affected by this clause 2.8.
- 2.9 The transfer of the Target BVI Shares shall take effect immediately upon Completion and the Purchaser shall be entitled to enjoy all rights attached to the Target BVI Shares on Completion free from all Encumbrances irrespective of the Deferred Consideration payable by the Purchaser to the Vendor. The Vendor hereby irrevocably waives all rights, liens or other securities interest over the Target BVI Shares which the Vendor may have under law arising from the Deferred Consideration or otherwise with effect from Completion.

3 CONDITIONS PRECEDENT

- 3.1 Completion of the sale and purchase of the Target BVI Shares shall be conditional upon the fulfilment of the following conditions:
- (a) the passing of a resolution by the Independent Shareholders approving the transactions contemplated by this Agreement;
 - (b) there having been no material adverse change to the financial conditions, business operations or prospects of any of the Target Companies Group;
 - (c) the receipt of the PRC Relevant Governmental Approvals; and
 - (d) the completion of the transactions contemplated in the respective Restructuring Agreements.
- 3.2 Each of the Vendor and the Warrantor undertakes to use all reasonable endeavours to ensure that the Conditions Precedent set out in clauses 3.1(b), 3.1(c) and (d) are fulfilled as soon as reasonably practicable and in any event by 30 September 2004.
- 3.3 The Purchaser undertakes to use all reasonable endeavours to ensure that the Condition Precedent set out in clause 3.1(a) is fulfilled as soon as reasonably practicable and in any event by 30 September 2004.
- 3.4 The Purchaser shall be entitled in its absolute discretion, by written notice to the Vendor, to waive the Condition Precedent set out in clause 3.1(b) either in whole or in part.
- 3.5 If any of the Conditions Precedent has not been fulfilled (or waived) on or before the date specified in clauses 3.2 and 3.3 or such other date as the parties to this Agreement may agree in writing, this Agreement (other than clauses 14, 16 and 22) shall automatically terminate and no party shall have any claim of any nature whatsoever against the other parties under this Agreement (save in respect of its accrued rights arising from any prior breach of this Agreement).



4 PRE-COMPLETION UNDERTAKINGS

4.1 Pending Completion, each of the Vendor and the Warrantor shall ensure that:

- (a) each member of the Target Companies Group shall carry on its business in the ordinary and usual course and shall not make (or agree to make) any payment other than routine payments in the ordinary and usual course of trading;
- (b) each member of the Target Companies Group shall take all reasonable steps to preserve and protect its assets;
- (c) the Purchaser's representatives shall be allowed, upon reasonable notice and during normal business hours, access to the books and records of each member of the Target Companies Group (including, without limitation, all statutory books, minute books, leases, contracts, supplier lists and customer lists) together with the right to take copies;
- (d) no member of the Target Companies Group shall do, allow or procure any act or omission which would constitute or give rise to a breach of any Warranty if the Warranties were to be repeated on or at any time before Completion by reference to the facts and circumstances then existing;
- (e) prompt disclosure is made to the Purchaser of all relevant information which comes to the notice of the Vendor or the Warrantor in relation to any fact or matter (whether existing on or before the date of this Agreement or arising afterwards) which may constitute a breach of any Warranty if the Warranties were to be repeated on or at any time before Completion by reference to the facts and circumstances then existing;
- (f) no dividend or other distribution shall be declared, paid or made by any member of the Target Companies Group;
- (g) no share capital shall be allotted or issued or agreed to be allotted or issued by any member of the Target Companies Group;
- (h) all transactions between each member of the Target Companies Group and each Vendor Group Company shall be on arm's length commercial terms and in their respective ordinary and usual course of business;
- (i) otherwise than in the ordinary course of business, the amount of any Indebtedness owed by each member of the Target Companies Group or existing as at the date of this Agreement shall not be increased or extended and no new Indebtedness shall be entered into or assumed by any such company; and
- (j) no action is taken by any member of the Target Companies Group or any Vendor Group Company which is inconsistent with the provisions of this Agreement or the consummation of the transactions contemplated by this Agreement.



4.2 Pending Completion, each of the Vendor and the Warrantor shall ensure that the Target Companies Group consults fully with the Purchaser in relation to any matters which may have a material effect upon the Target Companies Group. Without the prior written consent of the Purchaser, the Target Companies Group shall not, and each of the Vendor and the Warrantor shall ensure that the Target Companies Group does not:

- (a) enter into any contract or commitment (or make a bid or offer which may lead to a contract or commitment) having a material value or involving material expenditure or which is of a long term or unusual nature or which could involve an obligation of a material nature or which may result in any material change in the nature or scope of the operations of such member of the Target Companies Group;
- (b) agree to any variation or termination of any existing contract to which that member of the Target Companies Group is a party and which may have a material effect upon the nature or scope of the operations of such member of the Target Companies Group;
- (c) (whether in the ordinary and usual course of business or otherwise) acquire or dispose of, or agree to acquire or dispose of, any material business or any material asset; or
- (d) enter into any agreement, contract, arrangement or transaction (whether or not legally binding) other than in the ordinary and usual course of business.

5 COMPLETION

5.1 The sale and purchase of the Target BVI Shares shall be completed at 60th Floor, The Center, 99 Queen's Road Central, Hong Kong (or such other place as the Vendor, the Purchaser and the Warrantor may agree upon) on:

- (a) 1 July 2004, or
- (b) such other date as may be agreed between the Vendor and the Purchaser,

whichever is later, following notification by the Purchaser to the Vendor of the fulfilment (or waiver) of all the Conditions Precedent.

5.2 On Completion, the Vendor shall deliver (or cause to be delivered) to the Purchaser:

- (a) duly executed transfers into the name of the Purchaser or such wholly-owned subsidiary of the Purchaser as notified by the Purchaser to the Vendor two days before Completion or their respective nominee in respect of all of the Target BVI Shares, together with the related share certificates evidencing the title and ownership of such shares;
- (b) the certificates of incorporation, common seal, share register, share certificate book (with any unissued share certificates), business licence, the documents evidencing the PRC Relevant Governmental Approvals (as the case may be) and all minute books and other statutory books (which shall be written up to but not including Completion) of each member of the Target Companies Group;



- (c) all such other documents (including any necessary waivers of pre-emption rights or other consents) as may be required to enable the Purchaser and/or such wholly-owned subsidiary of the Purchaser as notified by the Purchaser to the Vendor two days before Completion and/or their respective nominee to be vested with the full beneficial ownership of the Target BVI Shares and to enable the Purchaser and/or such wholly-owned subsidiary and/or their respective nominee to be registered as the holder(s) of the Target BVI Shares;
- (d) a counterpart of the Tax Indemnity duly executed by the Vendor;
- (e) a copy of a resolution of the board of directors (certified by an officer of the Vendor duly appointed by the Vendor as true and correct) of the Vendor, authorising the execution of and the performance by the Vendor of its obligations under this Agreement and each of the other documents to be executed by the Vendor;
- (f) a certified copy of the Transfer of Interests Agreement pursuant to which the equity interest of each of the Target Companies is transferred from the Warrantor and the Vendor to each of the Target BVI Companies, respectively, through a series of transfers, duly executed by each of the parties thereto; and
- (g) a legal opinion from Haiwen & Partners, PRC counsel, in form and substance acceptable to the Purchaser.

5.3 On Completion, the Warrantor shall deliver (or cause to be delivered) to the Purchaser:

- (a) a counterpart of the Tax Indemnity duly executed by the Warrantor; and
- (b) all such other documents (including any necessary waivers of pre-emption rights or other consents) as may be required to enable the Purchaser and/or such wholly-owned subsidiary of the Purchaser as notified by the Purchaser to the Vendor two days before Completion and/or their respective nominee to be vested with the full beneficial ownership of the Target BVI Shares and to enable the Purchaser and/or such wholly-owned subsidiary and/or their respective nominee to be registered as the holder(s) of the Target BVI Shares.

5.4 On Completion, the Vendor shall procure that resolutions of the board of directors of each Target BVI Company are passed to approve the registration of the transfers in respect of the Target BVI Shares referred to in clause 5.2.

5.5 Against compliance by the Vendor and the Warrantor of their respective obligations under clauses 5.2, 5.3 and 5.4, the Purchaser shall:

- (a) in satisfaction of its obligations under clause 2.2.1, cause the amounts set out in clause 2.2.1 to be paid on Completion or such later date as may be agreed between the Vendor and the Purchaser by electronic funds transfer (or such other modes of payment as may be agreed between the Vendor and the Purchaser) to the bank account(s) of the Vendor or such other party as the Vendor may direct, details of which shall be notified in writing to the Purchaser at least two Business Days prior to Completion; and



(b) deliver to the Vendor a copy of the board minutes (certified by a duly appointed officer as true and correct) of the Purchaser authorising the execution and performance by the Purchaser of its obligations under this Agreement.

5.6 If the Vendor or the Warrantor fails or is unable to perform any material obligations (including the transfer of all Target BVI Shares to the Purchaser or its nominees simultaneously upon Completion) required to be performed by the Vendor or the Warrantor (as the case may be) pursuant to clause 3.2, clause 5.2 and clause 5.3, respectively, by the last date on which Completion is required to occur, the Purchaser shall not be obliged to complete the sale and purchase of the Target BVI Shares and may, in its absolute discretion, by written notice to the Vendor and the Warrantor:

- (a) rescind this Agreement without liability on the part of the Purchaser; or
- (b) elect to complete this Agreement on that date, to the extent that the Vendor and the Warrantor are ready, able and willing to do so, and specify a later date on which the Vendor and the Warrantor shall be obliged to complete the outstanding obligations of the Vendor and the Warrantor; or
- (c) elect to defer the completion of this Agreement by not more than 90 days to such other date as it may specify in such notice, in which event the provisions of this clause 5.6 shall apply, *mutatis mutandis*, if the Vendor and/or the Warrantor fails or is unable to perform any such obligations on such other date,

provided that clause 5.6(b) will not apply where the Vendor is unable or fails to effect transfer of all Target BVI Shares to the Purchaser or its nominee simultaneously upon Completion.

5.7 Each of the Vendor and the Warrantor jointly and severally undertakes that it shall pay in cash to the Purchaser by way of indemnity all Costs which the Purchaser may suffer or incur and all Costs which the Purchaser has incurred in relation to the preparation and execution of this Agreement if the Vendor or the Warrantor breaches any of its obligations under this Agreement (including to effect the transfer of all Target BVI Shares to the Purchaser or its nominee simultaneously upon Completion).

6 POST-COMPLETION UNDERTAKINGS

6.1 Within 60 Business Days following Completion or such other date to be agreed upon between the Vendor, the Purchaser and the Warrantor, each of the Vendor and the Warrantor undertakes to the Purchaser to use all reasonable endeavours to obtain the release of each member of the Target Companies Group from any Intra-Group Guarantees to which it is a party and, pending such release, to indemnify the relevant member of the Target Companies Group against all amounts paid by it to any third party pursuant to any such Intra-Group Guarantee in respect of any liability of any Vendor Group Company (and all Costs incurred in connection with such liability) included in the Last Accounts or arising after the Last Accounts Date.



6.2 Within 60 Business Days following Completion or such other date to be agreed upon between the Vendor, the Purchaser and the Warrantor, the Purchaser undertakes to the Vendor to use all reasonable endeavours to obtain the release of each Vendor Group Company from any Intra-Group Guarantees to which it is a party and, pending such release, to indemnify the relevant Vendor Group Company against all amounts paid by it to any third party pursuant to any Intra-Group Guarantees in respect of any liability of any member of the Target Companies Group (and all Costs incurred in connection with such liability) included in the Last Accounts or arising after the Last Accounts Date.

7 WARRANTIES

- 7.1 Each of the Vendor and the Warrantor jointly and severally represents, warrants and undertakes to the Purchaser in the terms of the Warranties (save that the Warranties set out in paragraphs 2.5 to 2.10 of Part A, Schedule 2 are given by each of the Vendor and the Warrantor in respect of itself only) and that such Warranties are true and accurate. Each of the Vendor and the Warrantor acknowledges that the Purchaser has entered into this Agreement in reliance upon the Warranties.
- 7.2 Each of the Vendor and the Warrantor jointly and severally undertakes (without limiting any other rights of the Purchaser in any way including its rights to damages in respect of a claim for breach of any Warranty on any other basis) that it shall pay in cash to the Purchaser (or, if so directed by the Purchaser, to the member of the Target Companies Group in question) (each an “**Indemnified Person**”) by way of indemnity on demand a sum equal to the aggregate of (a) the amount which, if received by the Indemnified Person, would be necessary to put that Indemnified Person into the financial position which would have existed had there been no breach of the Warranty in question; and (b) all Costs suffered or incurred by the Indemnified Person, directly or indirectly, as a result of or in connection with such breach of Warranty.
- 7.3 Each of the Vendor and the Warrantor agrees to waive the benefit of all rights (if any) which the Vendor or the Warrantor may have against any member of the Target Companies Group, or any present or former officer or employee of any such company, on whom the Vendor or the Warrantor may have relied in agreeing to any term of this Agreement and the Tax Indemnity and each of the Vendor and the Warrantor undertakes not to make any claim in respect of such reliance.
- 7.4 Each of the Warranties shall be construed as a separate Warranty and (save as expressly provided to the contrary) shall not be limited or restricted by reference to or inference from the terms of any other Warranty or any other term of this Agreement.
- 7.5 The Warranties shall be deemed to be repeated on Completion with reference to the facts and circumstances then existing.
- 7.6 Each of the Vendor and the Warrantor undertakes to notify the Purchaser in writing promptly if it becomes aware of any circumstance arising after the date of this Agreement which would cause any Warranty (if the Warranties were repeated with



reference to the facts and circumstances then existing) to become untrue or inaccurate or misleading in any respect which is material to the financial or trading position of any member of the Target Companies Group.

8 LIMITATIONS ON CLAIMS

- 8.1** Subject to clause 8.2, the aggregate amount of the liability of each of the Vendor and the Warrantor for all Claims shall not exceed the Total Price.
- 8.2** The limitation contained in clause 8.1 shall not apply to any breach of any Warranty which (or the delay in discovery of which) is the consequence of dishonest, deliberate or reckless mis-statement, concealment or other conduct by any Vendor Group Company or any officer or employee, or former officer or employee, of any Vendor Group Company.

9 PURCHASER'S RIGHTS TO RESCISSION

The Purchaser may by written notice given to the Vendor and the Warrantor at any time prior to Completion rescind this Agreement without liability on the part of the Purchaser if any fact, matter or event (whether existing or occurring on or before the date of this Agreement or arising or occurring afterwards) comes to the notice of the Purchaser at any time prior to Completion which:

- (a) constitutes a breach by the Vendor or the Warrantor of this Agreement (including, without limitation, any breach of the pre-Completion undertakings in clause 4); or
- (b) would constitute a breach of any Warranty if the Warranties were repeated on or at any time before Completion by reference to the facts and circumstances then existing; or
- (c) affects or is likely to affect in a materially adverse manner the business, financial position or prospects of the Target Companies Group taken as a whole.

10 WITHHOLDING TAX AND GROSSING UP

- 10.1** Each of the Vendor and the Warrantor shall pay all sums payable by it under this Agreement free and clear of all deductions or withholdings unless the law requires a deduction or withholding. If a deduction or withholding is so required the Vendor or the Warrantor shall pay such additional amount as will ensure that the net amount the payee receives equals the full amount which it would have received had the deduction or withholding not been required.
- 10.2** If any tax authority charges taxation on any sum paid by the Vendor or the Warrantor under or pursuant to this Agreement, then the Vendor or the Warrantor shall pay such additional amount as will ensure that the total amount paid, less the tax chargeable on such amount, is equal to the amount that would otherwise be payable under this Agreement.

11 ENTIRE AGREEMENT

This Agreement and the Tax Indemnity constitute the entire agreement and understanding between the parties in connection with the sale and purchase of the Target BVI Shares. This



Agreement and the Tax Indemnity supersede all prior agreements or understandings in connection with the subject matter hereof which shall cease to have any further force or effect. No party has entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set out or referred to in this Agreement and the Tax Indemnity.

12 VARIATION

12.1 No variation of this Agreement (or of any of the legally binding agreements referred to in this Agreement) shall be valid unless it is in writing and signed by or on behalf of each of the parties to it. The expression “**variation**” shall include any variation, supplement, deletion or replacement however effected.

12.2 Unless expressly agreed, no variation shall constitute a general waiver of any provisions of this Agreement, nor shall it affect any rights, obligations or liabilities under or pursuant to this Agreement which have already accrued up to the date of variation, and the rights and obligations of the parties under or pursuant to this Agreement shall remain in full force and effect, except and only to the extent that they are so varied.

13 ASSIGNMENT

No party shall be entitled to assign the benefit of any provision of this Agreement without the prior written approval of the other parties.

14 ANNOUNCEMENTS

14.1 Except as required by law or by any stock exchange or governmental or other regulatory or supervisory body or authority of competent jurisdiction to whose rules the party making the announcement or disclosure is subject, whether or not having the force of law, no announcement or circular or disclosure in connection with the existence or subject matter of this Agreement shall be made or issued by or on behalf of any of the Vendor Group Companies or any member of the Target Companies Group or any of them without the prior written approval of the Purchaser (such approval not to be unreasonably withheld or delayed), or by or on behalf of the Purchaser without the prior written approval of the Vendor and the Warrantor (such approval not to be unreasonably withheld or delayed).

14.2 Where any announcement or disclosure is made in reliance on the exception in clause 14.1, the party making the announcement or disclosure will so far as practicable consult with the other parties in advance as to the form, content and timing of the announcement or disclosure.

15 COSTS

Each of the parties shall bear its own Costs incurred in connection with the negotiation, preparation and completion of this Agreement and the Tax Indemnity.



16 CONFIDENTIALITY

Each of the Vendor and the Warrantor undertakes with the Purchaser that it shall keep confidential (and to ensure that its directors, officers, employees, agents and professional and other advisers keep confidential) any information in its possession (whether before or after the date of this Agreement):

- (a) in relation to the subscribers, business, assets or affairs of the Target Companies Group (including any data held by the Target Companies Group); or
- (b) which relates to the contents of this Agreement (or any agreement or arrangement entered into pursuant to this Agreement), provided that the undertakings contained in this clause 16 shall not apply to any information which is in or has entered the public domain (which shall include any public filing or disclosure requirements of the United States Securities and Exchange Commission or under applicable laws) otherwise than as a result of publication or disclosure by the Vendor or the Warrantor or their respective directors, officers, employees, agents and professional and other advisers without the prior written consent of the Purchaser.

Each of the Vendor and the Warrantor shall not use for its own business purposes or disclose to any third party any such information (collectively, "**Confidential Information**") without the consent of the Purchaser.

17 SEVERABILITY

If any provision of this Agreement is held to be invalid or unenforceable, then such provision shall (so far as it is invalid or unenforceable) be given no effect and shall be deemed not to be included in this Agreement but without invalidating any of the remaining provisions of this Agreement. The parties shall then use all reasonable endeavours to replace the invalid or unenforceable provisions by a valid and enforceable substitute provision the effect of which is as close as possible to the intended effect of the invalid or unenforceable provision.

18 COUNTERPARTS

This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which is an original but all of which together constitute one and the same instrument.

19 WAIVER

- 19.1 No failure or delay by any parties hereto in exercising any right or remedy provided by law under or pursuant to this Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy.
- 19.2 The rights and remedies of the parties hereto under or pursuant to this Agreement are cumulative, may be exercised as often as such party considers appropriate and are in addition to its rights and remedies under general law.

**20 FURTHER ASSURANCE**

Each of the Vendor and the Warrantor agrees to perform (or procure the performance of) all further acts and things, and execute and deliver (or procure the execution and delivery of) such further documents, as may be required by law or as the Purchaser may reasonably require, whether on or after Completion, to implement and/or give effect to this Agreement and the transaction contemplated by it and for the purpose of vesting in the Purchaser the full benefit of the assets, rights and benefits to be transferred to the Purchaser under this Agreement.

21 NOTICES

21.1 Any notice or other communication to be given by one party to any other party under, or in connection with, this Agreement shall be in writing and signed by or on behalf of the party giving it. It shall be served by sending it by fax to the number set out in clause 21.2, or delivering it by hand, or sending it by pre-paid recorded delivery or registered post, to the address set out in clause 21.2 and in each case marked for the attention of the relevant party set out in clause 21.2 (or as otherwise notified from time to time in accordance with the provisions of this clause 21). Any notice so served by hand, fax or post shall be deemed to have been duly given:

- (a) in the case of delivery by hand, when delivered;
- (b) in the case of fax, upon confirmation of transmission;
- (c) in the case of prepaid recorded delivery or registered post, at 10:00 a.m. on the fifth Business Day following the date of posting,

provided that in each case where delivery by hand or by fax occurs after 6:00 p.m. on a Business Day or on a day which is not a Business Day, service shall be deemed to occur at 9:00 a.m. on the next following Business Day.

References to time in this clause are to local time in the country of the addressee.

21.2 The addresses and fax numbers of the parties for the purpose of clause 21.1 are as follows:

The Vendor:

Address: 60th Floor
The Center
99 Queen's Road Central
Hong Kong

Fax: (852) 2511 9092

For the attention of: The Directors

The Purchaser:

Address: 60th Floor
The Center
99 Queen's Road Central
Hong Kong

Fax: (852) 2511 9092

For the attention of: Legal Counsel



The Warrantor:

Address: No. 29 Jinrong Avenue
Xicheng District Beijing
PRC

Fax: (8610) 6600 6111

For the attention of: The Authorised Representative

21.3 A party may notify any other party to this Agreement of a change to its name, relevant addressee, address or fax number for the purposes of this clause 21, provided that, such notice shall only be effective on:

- (a) the date specified in the notice as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date following five Business Days after notice of any change has been given.

21.4 All notices under or in connection with this Agreement shall be in the English language.

22 GOVERNING LAW AND JURISDICTION

22.1 This Agreement and the relationship between the parties shall be governed by, and interpreted in accordance with, the laws of Hong Kong.

22.2 Any dispute arising out of or in connection with this Agreement shall be resolved by arbitration in Hong Kong International Arbitration Centre by a single arbitrator in accordance with the UNCITRAL Arbitration Rules in force from time to time. The parties agree that the arbitral award will be final and binding.

AS WITNESS this Agreement has been signed on behalf of the parties the day and year first before written.



SCHEDULE 1
PART A
Details of the Target BVI Companies

(1) NEIMENGGU MOBILE BVI

- 1 Name:** Neimenggu Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584605
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholder:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(2) **JILIN MOBILE BVI**

- 1 **Name:** Jilin Mobile (BVI) Limited
- 2 **Date of Incorporation:** 4 March 2004
- 3 **Place of Incorporation:** British Virgin Islands
- 4 **Class of Company:** International Business Company
- 5 **Registered Number:** 584613
- 6 **Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 **Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 **Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 **Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 **Issued Capital:** One share of HK\$1.00 each
- 11 **Mortgages and Charges:** None



(3) HEILONGJIANG MOBILE BVI

- 1 Name:** Heilongjiang Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584615
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(4) GUIZHOU MOBILE BVI

- 1 Name:** Guizhou Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584621
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(5) YUNNAN MOBILE BVI

- 1 **Name:** Yunnan Mobile (BVI) Limited
- 2 **Date of Incorporation:** 4 March 2004
- 3 **Place of Incorporation:** British Virgin Islands
- 4 **Class of Company:** International Business Company
- 5 **Registered Number:** 584604
- 6 **Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 **Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 **Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 **Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 **Issued Capital:** One share of HK\$1.00 each
- 11 **Mortgages and Charges:** None



(6) XIZANG MOBILE BVI

- 1 Name:** Xizang Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584620
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(7) GANSU MOBILE BVI

- 1 **Name:** Gansu Mobile (BVI) Limited
- 2 **Date of Incorporation:** 4 March 2004
- 3 **Place of Incorporation:** British Virgin Islands
- 4 **Class of Company:** International Business Company
- 5 **Registered Number:** 584618
- 6 **Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 **Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 **Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 **Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 **Issued Capital:** One share of HK\$1.00 each
- 11 **Mortgages and Charges:** None



(8) QINGHAI MOBILE BVI

- 1 Name:** Qinghai Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584619
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(9) NINGXIA MOBILE BVI

- 1 Name:** Ningxia Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584614
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(10) XINJIANG MOBILE BVI

- 1 Name:** Xinjiang Mobile (BVI) Limited
- 2 Date of Incorporation:** 4 March 2004
- 3 Place of Incorporation:** British Virgin Islands
- 4 Class of Company:** International Business Company
- 5 Registered Number:** 584612
- 6 Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 Issued Capital:** One share of HK\$1.00 each
- 11 Mortgages and Charges:** None



(11) ZHONGJING DESIGN INSTITUTE BVI

- 1 **Name:** Beijing P&T Consulting & Design Institute (BVI) Limited
- 2 **Date of Incorporation:** 4 March 2004
- 3 **Place of Incorporation:** British Virgin Islands
- 4 **Class of Company:** International Business Company
- 5 **Registered Number:** 584617
- 6 **Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 **Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 **Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 **Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 **Issued Capital:** One share of HK\$1.00 each
- 11 **Mortgages and Charges:** None



(12) CMC BVI

- 1 **Name:** China Mobile Communication (BVI) Limited
- 2 **Date of Incorporation:** 4 March 2004
- 3 **Place of Incorporation:** British Virgin Islands
- 4 **Class of Company:** International Business Company
- 5 **Registered Number:** 584616
- 6 **Registered Office:** P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands
- 7 **Directors:** Wang Xiaochu
Xue Taohai
He Ning
- 8 **Registered Shareholders:** China Mobile Hong Kong (BVI) Limited
- 9 **Authorised Capital:** HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each
- 10 **Issued Capital:** One share of HK\$1.00 each
- 11 **Mortgages and Charges:** None



PART B

Details of the Target Companies

(1) NEIMENGGU MOBILE

- 1 Name:** Neimenggu Mobile Communication Company Limited
- 2 Place of Incorporation:** Neimenggu, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business (including voice, data and multimedia); engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration and settlement and calculation of roaming charges relating to mobile telecommunication business; telecommunication technological development and service, maintenance, installation and construction of telecommunication equipment; engaging in sale or lease of mobile communication terminal equipment and their accessories and spare parts; providing after-sale services.
- 5 Registered Office:** No. 61 Hulunnan Road, Huhehaote
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Neimenggu Autonomous Region, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(2) **JILIN MOBILE**

- 1 **Name:** Jilin Mobile Communication Company Limited
- 2 **Place of Incorporation:** Jilin, PRC
- 3 **Nature:** Limited liability company
- 4 **Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business; engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration relating to mobile telecommunications business; settlement and calculation of roaming charges; telecommunication technological development and technological service; maintenance, installation and construction of telecommunication equipment (possess qualification certificates); engaging in sale or lease of mobile telecommunication terminal equipment ; engaging in the design, production and agent service of various advertising businesses, using mobile telecommunication facilities to broadcast advertisements.
- 5 **Registered Office:** No. 2899 Jiefangda Road, Changchun
- 6 **Registered Capital:** RMB10,000,000
- 7 **Tax Residence:** Jilin Province, PRC
- 8 **Subsidiaries:** None
- 9 **Mortgages and Charges:** None



(3) HEILONGJIANG MOBILE

- 1 Name:** Heilongjiang Mobile Communication Company Limited
- 2 Place of Incorporation:** Heilongjiang, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business (including voice, data and multimedia); engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, maintenance, installation and construction of equipment in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts; engaging in after sales services; operating other businesses as approval by the State.
- 5 Registered Office:** No. 70 Wenchang Street, Nangang District, Harbin
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Heilongjiang Province, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(4) GUIZHOU MOBILE

- 1 Name:** Guizhou Mobile Communication Company Limited
- 2 Place of Incorporation:** Guizhou, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; operating mobile telecommunication business (including voice, data and multimedia); operating IP phone; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, advertising business, maintenance, installation and construction of equipment in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts; engaging in after sales services.
- 5 Registered Office:** No. 12 Beijing Road, Guiyang
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Guizhou Province, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(5) **YUNNAN MOBILE**

- 1 **Name:** Yunnan Mobile Communication Company Limited
- 2 **Place of Incorporation:** Yunnan, PRC
- 3 **Nature:** Limited liability company
- 4 **Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; operating mobile telecommunication business (including voice, data and multimedia); engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, maintenance and installation of equipment and projects construction in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts and providing after-sale services; operating other businesses as approved by the State in accordance with market development and demand (possess qualification approval certificates for the business that requires special approval).
- 5 **Registered Office:** No. 39 Huanchengnan Road, Kunming
- 6 **Registered Capital:** RMB10,000,000
- 7 **Tax Residence:** Yunnan Province, PRC
- 8 **Subsidiaries:** None
- 9 **Mortgages and Charges:** None



(6) XIZANG MOBILE

- 1 Name:** Xizang Mobile Communication Company Limited
- 2 Place of Incorporation:** Xizang, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business (including voice, data and multimedia); engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, advertising business, maintenance, installation and construction of equipment in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts and providing after-sale services (possess qualification approval certificates for the business that requires special approval).
- 5 Registered Office:** No. 84 Jinzhuzhong Road, Lasa
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Xizang Autonomous Region, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(7) GANSU MOBILE

- 1 **Name:** Gansu Mobile Communication Company Limited
- 2 **Place of Incorporation:** Gansu, PRC
- 3 **Nature:** Limited liability company
- 4 **Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business; engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, and maintenance, installation and construction of equipment (possess qualification certificates) in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts and providing after-sale services; other business as approved by the State.
- 5 **Registered Office:** No. 201 Minzhudong Road, Chengguan District, Lanzhou
- 6 **Registered Capital:** RMB10,000,000
- 7 **Tax Residence:** Gansu Province, PRC
- 8 **Subsidiaries:** None
- 9 **Mortgages and Charges:** None



(8) QINGHAI MOBILE

- 1 Name:** Qinghai Mobile Communication Company Limited
- 2 Place of Incorporation:** Qinghai, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business (including voice, data and multimedia); engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, maintenance, installation and construction of equipment in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts and providing after-sale services.
- 5 Registered Office:** No. 56 Xiguanda Street, Xining
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Qinghai Province, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(9) NINGXIA MOBILE

- 1 Name:** Ningxia Mobile Communication Company Limited
- 2 Place of Incorporation:** Ningxia, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business; engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service, maintenance, installation and construction of equipment in relation to mobile telecommunication business; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts and providing after-sale services of the above businesses; operating other businesses as approved by the State in accordance with market development and demand (possess qualification certificates).
- 5 Registered Office:** No. 2 Jiaoyu Lane, Jiefanxi Street, Yinchuan
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Ningxia Autonomous Region, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(10) XINJIANG MOBILE

- 1 Name:** Xinjiang Mobile Communication Company Limited
- 2 Place of Incorporation:** Xinjiang, PRC
- 3 Nature:** Limited liability company
- 4 Scope of Business:** engaging in the construction and investment of mobile telecommunication networks; engaging in the operation of mobile telecommunication business (including voice, data and multimedia); engaging in IP phone business; operating computer networks and international internet and engaging in value-added business relating to mobile telecommunication business; engaging in system integration, settlement and calculation of roaming charges, technological development, technological service in relation to mobile telecommunication business; advertising business, maintenance and installation of equipment; engaging in sale or lease of mobile telecommunication terminal equipment and their accessories and spare parts and providing after-sale services.
- 5 Registered Office:** No. 78 Nanhunan Road, Wulumuqi
- 6 Registered Capital:** RMB10,000,000
- 7 Tax Residence:** Xinjiang Autonomous Region, PRC
- 8 Subsidiaries:** None
- 9 Mortgages and Charges:** None



(11) JINGYI DESIGN INSTITUTE

- 1 **Name:** Beijing P&T Consulting & Design Institute Company Limited
- 2 **Place of Incorporation:** Beijing, PRC
- 3 **Nature:** Limited liability company
- 4 **Scope of Business:** engaging in telecommunication lines and telecommunication optic fibre lines projects (including underground, underwater and local), telecommunication pipeline projects, wireline telecommunication transmission systems, microwave telecommunication systems, mobile telecommunication systems, mobile data telecommunication systems, telecommunication short wave transmission platform and antenna, telecommunication satellite base stations, long distance and local switching systems, user small switches, plant and mine telephone systems, power supply for telecommunication, postal communication, supervisory and design of construction projects for postal and telecommunication uses, telecommunication property construction, design of civil use construction projects; technological consulting and technological services of the above.
- 5 **Registered Office:** No. 126 Xizhimenneida Street, Xicheng District, Beijing
- 6 **Registered Capital:** RMB10,000,000
- 7 **Tax Residence:** Beijing, PRC
- 8 **Subsidiaries:** 80% interest in Beijing Yujinqiao Telecommunications Construction Supervisory Consulting Company Limited
- 9 **Mortgages and Charges:** None



(12) CMC

- 1 **Name:** China Mobile Communication Company Limited
- 2 **Place of Incorporation:** Beijing, PRC
- 3 **Nature:** Limited liability company
- 4 **Scope of Business:** engaging in system integration, technological development, technological services, personnel training; conference facilities.
- 5 **Registered Office:** No. 29 Jinrong Avenue, Xicheng District, Beijing
- 6 **Registered Capital:** RMB10,000,000
- 7 **Tax Residence:** Beijing, PRC
- 8 **Subsidiaries:** None
- 9 **Mortgages and Charges:** None



SCHEDULE 2
THE WARRANTIES
Part A: General

1 INFORMATION

- 1.1** All information relating to the Target Companies Group provided to the Purchaser or its representatives and advisers for the purposes of inclusion in the Circular or preparation of the Financial Statements and the Appraisal Report is true, accurate and not misleading and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.
- 1.2** Save as already disclosed in writing to the Purchaser, there are no other facts or matters which might reasonably be expected to have a material adverse effect on the financial or trading position or prospects of any member of the Target Companies Group.

2 CORPORATE MATTERS

The Target Companies Group

- 2.1** (a) All of the Target BVI Shares are fully-paid or properly credited as fully-paid and the Vendor is the sole legal and beneficial owner of them free from all Encumbrances. The Target BVI Shares constitute the entire issued share capital of each of the Target BVI Companies.
- (b) The information in respect of each of the Target BVI Companies set out in Part A of Schedule 1 is true and accurate and not misleading.
- (c) Each of the Target BVI Companies has been duly incorporated and is validly existing under the laws of the British Virgin Islands, with legal right, power and authority (corporate and other) to own, use, lease and operate its properties and conduct its business in the manner presently conducted and as described in the Circular, and is duly qualified to transact business in any jurisdiction in which it owns or leases properties or conducts any business and such qualification is required, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; the Memorandum of Association and Articles of Association of each Target BVI Company comply with the requirements of applicable laws of the British Virgin Islands and are in full force and effect.
- 2.2** (a) The Target BVI Companies are, or will by Completion be, the sole legal and beneficial owner of the whole of the registered capital of each of the Target Companies, respectively, free from all Encumbrances.
- (b) The information in respect of each of the Target Companies set out in Part B of Schedule 1 is true and accurate and not misleading.
- (c) Each of the Target Companies is (or a valid application has been made for it to be registered as) a wholly-foreign owned enterprise with limited liability and has been duly organised and is validly existing under the laws of the



PRC, and its business licence is in full force and effect; the Articles of Association of each Target Company comply with the requirements of applicable PRC law and are in full force and effect; each Target Company has all consents, approvals, authorizations, orders, registrations, clearances and qualifications of or with any court, governmental agency or body having jurisdiction over each Target Company or any of its properties in each jurisdiction in which the ownership or lease of property by it or the conduct of its business (as described in the Circular) requires such qualification, except for such consents, approvals, authorizations, orders, registrations, clearances and qualifications the absence of which is disclosed in the Circular or which is not material to such Target Company, and has the legal right and authority to own, use, lease and operate its assets and to conduct its business in the manner presently conducted and as described in the Circular.

- 2.3 Save for the unlisted equity securities in the PRC as disclosed in the Accounts and the interest of the Target BVI Companies in the Target Companies at Completion, no member of the Target Companies Group (that is, the Target BVI Companies and the Target Companies) owns or has any interest of any nature whatsoever in any shares, debentures or other securities issued by any undertaking.
- 2.4 No Target BVI Company carries on any business other than holding the respective Target Companies, or owns any asset other than the shares of the respective Target Companies at Completion or has any liabilities.

The Vendor and the Warrantor

- 2.5 Each of the Vendor and the Warrantor is duly incorporated or established and is validly existing under the laws of its jurisdiction of incorporation, with full power and authority to own, lease and operate its properties and assets and to execute and perform its obligations under this Agreement and the Tax Indemnity.
- 2.6 The execution, delivery and performance by each of the Vendor and the Warrantor of this Agreement and the Tax Indemnity has been duly authorised by it and this Agreement and the Tax Indemnity constitute a legal, valid and binding obligation of the Vendor or the Warrantor enforceable in accordance with its terms, subject to the laws of bankruptcy and other similar laws affecting the rights of creditors generally.
- 2.7 All regulatory, corporate and other approvals (including shareholder approvals) and authorisations required by the Vendor and the Warrantor for the execution and delivery of this Agreement and the Tax Indemnity and any agreement or instrument contemplated hereby, the performance of the terms hereof and thereof and the sale of the Target BVI Shares have been obtained, are unconditional and are in full force and effect.
- 2.8 All consents, approvals and authorisations of any court, government department or other regulatory body required with respect to the Vendor and the Warrantor for the execution of this Agreement and the Tax Indemnity and the performance of its terms have been obtained and are unconditional and in full force and effect.
- 2.9 The execution and delivery by the Vendor and the Warrantor of this Agreement and the Tax Indemnity, and the performance and completion of the transactions herein



contemplated: (a) will not infringe any applicable laws or regulations; (b) will not result in any breach of the terms of, or constitute a default under, its constitutional documents and business licence (as applicable) or any instrument, agreement or governmental, regulatory or other judgement, decree or order to which the Vendor or the Warrantor is a party or by which it or its property is bound; and (c) will not conflict with any of the certificates, licences or permits of the Vendor or the Warrantor that enable it to carry on the business or operations now operated by it.

2.10 Each of the Vendor and the Warrantor is not: (a) in breach of the terms of, or in default under, any instrument, agreement or order to which it is a party or by which it or its property is bound to an extent which is material in the context of the transactions herein contemplated; (b) involved in or the subject of any current or pending investigation or proceedings (whether administrative, regulatory or otherwise), whether in the PRC or elsewhere.

3 FINANCIAL MATTERS

Financial Statements

- 3.1** (a) The Financial Statements give a true and fair view of the state of affairs and financial results of the Target Companies for the periods and as at the dates stated therein.
- (b) Without limiting the generality of paragraph (a):
- (i) the Accounts of the Target Companies either make full provision for or disclose all liabilities (whether actual, contingent or disputed and including financial lease commitments and pension liabilities), all outstanding capital commitments and all bad or doubtful debts of the Target Companies as at the Accounts Dates, in each case in accordance with applicable accounting principles;
 - (ii) the Accounts of the Target Companies for each of the periods ended on the Accounts Dates were prepared under the historical convention, complied with the requirements of all relevant laws and regulations then in force and with all statements of standard accounting practice (or financial reporting standards) and applicable accounting principles then in force;
 - (iii) the rate of depreciation adopted by the Target Companies in its Accounts for each of the periods ended on the Accounts Dates was sufficient for each of the fixed assets of the Target Companies to be written down to its residual value by the end of its useful life;
 - (iv) except as stated in its Accounts, no changes in the accounting policies were made by any of the Target Companies in any of the periods ended on the Accounts Dates; and
 - (v) the results shown by the Accounts of the Target Companies for each of the periods ended on the Accounts Dates were not (except as therein disclosed) affected by any extraordinary or exceptional item or by any other factor rendering such results for all or any of such periods unusually high or low.



3.2 None of the financial information provided to the Purchaser or its representatives and advisers is misleading in any material respect nor materially over-state the value of the assets nor materially under-state the liabilities of any Target Company as at the dates to which they were drawn up and do not materially over-state the profits of any Target Company in respect of the periods to which they relate.

Position since Last Accounts Date

- 3.3 (a) Since the Last Accounts Date and compared to the Last Accounts, there has been no material adverse change in the financial or trading position or in the prospects of any Target Company and no event, fact or matter has occurred which is likely to give rise to any such change.
- (b) Since the Last Accounts Date and compared to the Last Accounts:
- (i) the business of each Target Company has been carried on in the ordinary and usual course and no Target Company has made or agreed to make any payment other than routine payments in the ordinary and usual course of trading;
 - (ii) no dividend or other distribution has been declared, paid or made by any Target Company;
 - (iii) there has been no material change in the level of borrowing or in the working capital requirements of any Target Company;
 - (iv) all transactions between each Target Company and any Vendor Group Company have been on an arm's length basis and commercial terms;
 - (v) save for the Restructuring Agreements, the Connected Transactions and contracts entered into in the usual and ordinary course of business of the Target Companies, no contract, liability or commitment has been entered into by any Target Company which is of an unusual nature or which involved or could involve an obligation of a material nature or magnitude;
 - (vi) save as provided in the Restructuring Agreements or in the usual and ordinary course of business of the Target Companies, no Target Company has acquired or disposed of, or agreed to acquire or dispose of any material business or any material asset having a value in excess of RMB50,000,000;
 - (vii) no debtor has been released by any Target Company on terms that it pays less than the book value of its debt and no material debt owing to any Target Company has been deferred, subordinated or written off or has proved to any extent irrecoverable;
 - (viii) no change has been made in terms of employment and any benefits in kind payable to employees and other employment related matters by any Target Company or any Vendor Group Company (other than those required by law) which could materially increase the total costs attributable to employment and employee benefits of the Target Companies;



- (ix) there has been no material increase or decrease in the levels of debtors or creditors or in the average collection or payment periods for the debtors and creditors respectively;
- (x) no Target Company has repaid any borrowing or indebtedness in advance of its stated maturity;
- (xi) there has been no material reduction in the cash balances of any Target Company;
- (xii) save for any resolution in connection with the Restructuring Agreements, no resolution of the members of any Target Company has been passed whether in general meeting or otherwise (other than resolutions relating to the routine business of annual general meetings);
- (xiii) the business of each Target Company has not been affected by any abnormal factor not affecting to a similar extent generally all companies carrying on similar businesses; and
- (xiv) no Target Company has agreed to any variation or termination of any existing contract to which that Target Company is a party and which may have a material effect upon the nature or scope of the operations of such Target Company.

Working Capital

3.4 Having regard to existing bank and other financial facilities, each Target Company has sufficient working capital available to it as at the date of this Agreement to enable it to continue to carry on its business in its present form and at its present level of turnover and for the purpose of performing in accordance with their terms all orders, projects and other obligations and discharging all liabilities which ought properly to be discharged during the period of 12 months after Completion.

Accounting and other Records

- 3.5** (a) The books of account and other records of each Target Company:
- (i) are up-to-date and have been maintained in accordance with all applicable laws and generally accepted accounting practices on a proper and consistent basis;
 - (ii) comprise complete and accurate records of all information required to be recorded therein;
 - (iii) are in its possession or under its control together with all documents of title and executed copies of all existing agreements to which the relevant Target Company is a party.



- (b) All accounts, documents and returns required by law to be delivered or made by any Target Company to any government authority or regulatory body or any other authority have been duly and correctly delivered or made.

4 DEBT POSITION

Debts owed to the Target Companies

- 4.1 There are no debts owing to any Target Company other than trade debts incurred in the ordinary and usual course of business which do not exceed 120% of the trade debts as set out in the Last Accounts.

Debts owed by the Target Companies

- 4.2 (a) No Target Company has outstanding any borrowing or indebtedness in the nature of borrowing (including, without limitation, any indebtedness for moneys borrowed or raised under any acceptance credit, bond, note, bill of exchange or commercial paper, finance lease, hire purchase agreement, trade bills (other than those on terms normally obtained), forward sale or purchase agreement or conditional sale agreement or other transaction having the commercial effect of a borrowing) other than:
 - (i) the Intra-Group Loans; and
 - (ii) moneys borrowed from or otherwise owed to third parties which do not exceed 120% of the money borrowed from or otherwise owed to third parties as set out in the Last Accounts.
- (b) No Target Company has received any notice to repay under any agreement relating to any borrowing or indebtedness in the nature of borrowing which is repayable on demand.
- (c) There has not occurred any event of default or any other event or circumstance which would entitle any person to call for early repayment under any agreement relating to any borrowing or indebtedness of any Target Company or to enforce any security given by any Target Company (or, in either case, any event or circumstance which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute such an event or circumstance).

5 REGULATORY MATTERS

- 5.1 (a) Each Target Company has, or will by Completion have, obtained all licences, permissions, authorisations and consents required for carrying on its business effectively in the places and in the manner in which such business is now carried on.
- (b) The licences, permissions, authorisations and consents referred to in paragraph 5.1(a) are (or will by Completion be) in full force and effect, not limited in duration or subject to any unusual or onerous conditions, have been (or will by Completion have been) complied with in all respects.



(c) To the best knowledge of the Vendor and the Warrantor, there are no circumstances which indicate that any of the licences, permissions, authorisations or consents referred to in paragraph 5.1(a) will or are likely to be revoked or not renewed, in whole or in part, in the ordinary course of events (whether as a result of the acquisition of the Target BVI Shares by the Purchaser or otherwise).

5.2 (a) Each Target Company has conducted its business and corporate affairs in accordance with its business licence and with all applicable laws and regulations (whether of the PRC or any other jurisdiction).

(b) No Target Company is in default of any order, decree or judgment of any court or any governmental or regulatory authority (whether of the PRC or any other jurisdiction).

6 THE REORGANISATION AND THE ASSETS

The Reorganisation

6.1 The property and other assets transferred into the Target Companies pursuant to the Reorganisation comprise all the assets necessary for the carrying on of the business carried on or to be carried on by the Target Companies in the manner it is presently conducted and as described in the Circular and the liabilities assumed by the Target Companies pursuant to the Reorganisation represent the only liabilities of the Target Companies and are fully, fairly and accurately provided for in, the Financial Statements.

6.2 The events and transactions contemplated by the Reorganisation do not contravene any provision of applicable law, rule or regulation and do not contravene the Articles of Association, other constitutional documents or the business licence of the Target Companies or contravene the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument binding upon the Target Companies that, singly or in the aggregate, is material to the Target Companies, or any judgement, rule or regulation, order or decree of any governmental body, agency or court having jurisdiction over the Target Companies and will not result in the creation or imposition of any Encumbrance or other restriction upon any assets of the Target Companies.

6.3 All consents, approvals, authorisations, orders, registrations and qualifications required in the PRC in connection with the events and transactions contemplated by the Reorganisation have been (or will by Completion have been) made or unconditionally obtained in writing (including, without limitation, all PRC Relevant Governmental Approvals), and no such consent, approval, authorisation, order, registration or qualification has been withdrawn or is subject to any condition precedent which has not been fulfilled or performed.

6.4 There are no legal or government proceedings pending against any of the Target Companies in the PRC challenging the effectiveness or validity of the events and transactions contemplated by the Reorganisation and, to the best knowledge of the Vendor and the Warrantor, no such proceedings are threatened or contemplated by any governmental agencies in the PRC or elsewhere.



Ownership

- 6.5 (a) For the purpose of this paragraph 6.5, assets shall not include the Properties, to which the provisions of Part B of this Schedule shall apply.
- (b) Each of the assets included in the Last Accounts of each Target Company or acquired by it since the Last Accounts Date (other than assets disposed of in the ordinary course of business and pursuant to the Reorganisation) is the absolute property of that Target Company. Save as disclosed in the Last Accounts, those assets are not the subject of any security interest or any assignment, equity, option, right of pre-emption, royalty, factoring arrangement, leasing or hiring agreement, hire purchase agreement, conditional sale or credit sale agreement, agreement for payment on deferred terms or any similar agreement or arrangement (or any agreement or obligation, including a conditional obligation, to create or enter into any of the foregoing).

Possession and Third Party Facilities

- 6.6 (a) All of the assets owned by each Target Company, or in respect of which any Target Company has a right of use, are in the possession or under the control of that Target Company.
- (b) Where any assets are used but not owned by any Target Company or any facilities or services are provided to any Target Company by any third party, there has not occurred any event of default or any other event or circumstance which may entitle any third party to terminate any agreement or licence in respect of the provision of such facilities or services (or any event or circumstance which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute such an event or circumstance).

Adequacy of Assets

- 6.7 (a) The assets of each Target Company and the facilities and services to which each Target Company has a contractual right include all rights, properties, assets, facilities and services necessary or desirable for the carrying on of the business of that Target Company in the manner in which it is currently carried on.
- (b) The assets of each Target Company and the facilities and services to which the relevant Target Company has a contractual right include all assets, facilities and services necessary to enable such Target Company to conduct its business after Completion in the same manner in all material respects as it was conducted immediately prior to the transfer of such business to the relevant Target Company pursuant to the Reorganisation.
- (c) Save as otherwise provided in the Connected Transactions, no Target Company depends in any material respect upon the use of assets owned by, or facilities or services provided by, any Vendor Group Company.



Condition

- 6.8** All the plant, machinery, systems, equipment and vehicles used by each Target Company:
- (a) are in a good state of repair and have been regularly and properly maintained in accordance with appropriate technical specifications, safety regulations and the terms and conditions of any applicable agreement;
 - (b) are capable of being efficiently and properly used for the purposes for which they were acquired or are retained;
 - (c) are not dangerous, inefficient, obsolete or in need of renewal or replacement.

Insurances

- 6.9**
- (a) The insurances for the business, undertakings, properties and other assets of each Target Company are in full force and effect and there are no circumstances which could render any of such insurances void or voidable and all due premiums in respect thereof have (if due) been paid.
 - (b) No claim is outstanding by any Target Company under any such policy of insurance and, to the best knowledge of the Vendor and the Warrantor, there are no circumstances likely to give rise to such a claim.

7 INTELLECTUAL PROPERTY RIGHTS

Registered Rights

- 7.1**
- (a) Each of the Target Companies is the sole legal owner of all Intellectual Property Rights registered or sought to be registered in any jurisdiction which are held or beneficially owned by such Target Company.
 - (b) No act has been done or omitted to be done and no event has occurred or is likely to occur which may render any of such Intellectual Property Rights subject to revocation, compulsory licence, cancellation or amendment or may prevent the grant or registration of a valid Intellectual Property Right pursuant to a pending application.

Infringement

- 7.2**
- (a) None of the operations of any Target Company infringe, or are likely to infringe, any rights held by any third party or involve the unauthorised use of confidential information disclosed to any Target Company (or any Vendor Group Company) in circumstances which might entitle a third party to make a claim against a Target Company.
 - (b) No claim has been made by any third party which alleges any infringing act or process which would fall within paragraph 7.2(a) above or which otherwise disputes the right of any Target Company to use any Intellectual Property Rights relating to its business and the Vendor and the Warrantor are not aware of any circumstances (including any act or omission to act) likely to give rise to such a claim.



- (c) There exists no actual or threatened infringement by any third party of any intellectual Property Rights held or used by a Target Company (including misuse of confidential information) or any event likely to constitute such an infringement nor has a Target Company (or any Vendor Group Company) acquiesced in the unauthorised use by any third party of any such Intellectual Property Rights.

Intellectual Property Licences

- 7.3 No Target Company is in default under any licence, sub-licence or assignment granted to it in respect of any Intellectual Property Rights used by any Target Company.

Loss of Rights

- 7.4 No Intellectual Property Rights owned or used by a Target Company and no licence of Intellectual Property Rights of which a Target Company has the benefit will be lost, or rendered liable to any right of termination or cessation by any third party, by virtue of the acquisition by the Purchaser of the Target BVI Shares.

Records and Software

- 7.5 (a) All the accounting records and systems (including but not limited to computerised accounting systems) of the Target Companies are recorded, stored, maintained or operated or otherwise held by a Target Company and are not wholly or partly dependent on any facilities or systems which are not under the exclusive ownership or control of a Target Company.
- (b) Each Target Company is licensed to use all software necessary to enable it to continue to use its computerised records for the foreseeable future in the same manner in which they have been used prior to the date of this Agreement and does not share any user rights in respect of such software with any other person.

8 CONTRACTUAL MATTERS

Material Contracts

- 8.1 Save for the Restructuring Agreements and the Connected Transactions, there is not outstanding any agreement or arrangement to which any Target Company is a party:
 - (a) which, by virtue of the acquisition of the Target BVI Shares by the Purchaser or other performance of the terms of this Agreement, will result in:
 - (i) any other party being relieved of any obligation or becoming entitled to exercise any right (including any right of termination or any right of pre-emption or other option); or



- (ii) any Target Company being in default under any such agreement or arrangement or losing any benefit, right or licence which it currently enjoys or in a liability or obligation of any Target Company being created or increased;
- (b) to which any Vendor Group Company is a party or in which any Vendor Group Company or any connected person (as defined under the Listing Rules) is interested or from which any such person takes benefit, whether directly or indirectly;
- (c) entered into otherwise than by way of a bargain at arm's length and on commercial terms;
- (d) which establishes any guarantee, indemnity, suretyship, form of comfort or support (whether or not legally binding) given by any Target Company in respect of the obligations or solvency of any third party;
- (e) pursuant to which any Target Company has sold or otherwise disposed of any company or business in circumstances such that it remains subject to any liability (whether contingent or otherwise) which is not fully provided for in its Last Accounts;
- (f) which, upon completion by a Target Company of its work or the performance of its other obligations under it, is likely to result in a loss for that Target Company which is not fully provided for in its Last Accounts or which either is not expected to make a normal profit margin or involves an abnormal degree of risk;
- (g) which establishes any joint venture, consortium, partnership or profit (or loss) sharing agreement or arrangement to which any Target Company is a party;
- (h) any power of attorney given by any Target Company or any other authority which would enable any person not employed by any Target Company to enter into any contract or commitment on behalf of any Target Company;
- (i) which involves or is likely to involve (i) material expenditure by any Target Company or (ii) material obligations or restrictions of any Target Company of an unusual or exceptional nature or magnitude and not in the ordinary and usual course of business;
- (j) which establishes any material agency, distributorship, marketing, purchasing, manufacturing or licensing agreement or arrangement to which any Target Company is a party;
- (k) which is a currency and/or interest rate swap agreement, asset swap, future rate or forward rate agreement, interest cap, collar and/or floor agreement or other exchange or rate protection transaction or combination thereof or any option with respect to any such transaction or any other similar transaction to which any target Company is a party;
- (l) which is any other agreement or arrangement having or likely to have a material effect on the financial or trading position or prospects of any Target Company;



- (m) which is a bid, tender, proposal or offer which, if accepted, would result in any Target Company becoming a party to any agreement or arrangement of a kind described in paragraphs 8.1(a) to (l) above.

Defaults

- 8.2 (a) No Target Company is in default under any agreement to which it is a party and there are no circumstances likely to give rise to any such default.
- (b) No party with whom any Target Company has entered into any agreement or arrangement is in default under such agreement or arrangement and there are no circumstances likely to give rise to any such default.

9 LITIGATION AND INVESTIGATIONS

Litigation

- 9.1 (a) Except as plaintiff in the collection of debts arising in the ordinary course of business, no Target Company is a plaintiff or defendant in or otherwise a party to any material litigation, arbitration or administrative proceedings which are in progress or threatened or pending by or against or concerning any Target Company or any of its assets.
- (b) No governmental or official investigation or inquiry concerning any Target Company is in progress or pending.
- (c) The Vendor and the Warrantor are not aware of any circumstances which are likely to give rise to any such proceeding, investigation or inquiry as is referred to in paragraph 9.1(a) or paragraph 9.1(b).

10 DIRECTORS AND EMPLOYEES

Employees

- 10.1 No Target Company has entered into any arrangements regarding any future variation in any contract of employment in respect of any of its directors and employees or any agreement imposing an obligation on the Target Company to increase the basis and/or rates of remuneration and/or the provision of other benefits in kind to or on behalf of any of its directors or employees at any future date.

Compliance

- 10.2 Each Target Company has in relation to each of its employees (and so far as relevant to each of its former employees) complied in all material respects with all statutes, regulations, codes of conduct, collective agreements, terms and conditions of employment, orders and awards relevant to their conditions of service or to the relations between it and its employees (or former employees, as the case may be) or any recognised trade union.



Incentive Schemes

10.3 No Target Company has in existence any share incentive scheme, share option scheme or profit sharing scheme for all or any of its directors or employees.

Payments on Termination

10.4 Except to the extent (if any) to which provision or allowance has been made in the Last Accounts of each Target Company:

- (a) no outstanding liability has been incurred by any Target Company for breach of any contract of employment or for services or for long service or redundancy payments, protective awards, compensation for dismissal or for any other liability accruing from the termination of any contract of employment or for services, and no such liability will be incurred by any Target Company as a result of the Reorganisation or the acquisition of the Target BVI Shares by the Purchaser or other performance of the terms of this Agreement and the Restructuring Agreements;
- (b) no gratuitous payment has been made or benefit given (or promised to be made or given) by any Target Company in connection with the actual or proposed termination or suspension of employment, or variation of any contract of employment, of any present or former director or employee of any Target Company.

11 INSOLVENCY ETC.

- 11.1** No order has been made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of any member of the Target Companies Group or for the appointment of any provisional liquidator. No petition has been presented for an administration order to be made in relation to any member of the Target Companies Group, and no receiver (including any administrative receiver) has been appointed in respect of the whole or any part of any of the property, assets and/or undertaking of any member of the Target Companies Group.
- 11.2** No composition in satisfaction of the debts of any member of the Target Companies Group, or scheme of arrangement of its affairs, or compromise or arrangement between it and its creditors and/or members or any class of its creditors and/or members, has been proposed, sanctioned or approved.
- 11.3** No distress, distraint, charging order, garnishee order, execution or other process has been levied or applied for in respect of the whole or any part of any of the property, assets and/or undertaking of any member of the Target Companies Group.
- 11.4** No events or circumstances analogous to any of those referred to in paragraphs 11.1 to 11.3 have occurred in any jurisdiction outside the PRC.
- 11.5** No circumstances exist which are likely to give rise to the occurrence of any events or circumstances described in paragraphs 11.1 to 11.4 if the Warranties were to be repeated at any time on or before Completion.



Part B: Tax and Property Warranties

1 TAX

- 1.1 Each of the Target Companies has all necessary tax registration certificates which are in full force and effect and no Target Company has established any place of business or carried on any business and has not made any filing with any tax authority in any part of the world other than the PRC.
- 1.2 Each of the Target Companies has complied in all material respects with all statutory provisions, rules, regulations, orders and directions concerning profits or enterprise income tax, foreign invested enterprise income tax, value-added tax, business tax and stamp duty (and any similar applicable tax or taxation in the PRC).
- 1.3 No tax authority has agreed to operate any special arrangement (being an arrangement which is not based on a uniform application of the relevant legislation whether expressly provided for in the relevant legislation or operated by way of extra statutory concession or otherwise) in relation to any of the Target Companies.
- 1.4 Each of the Target Companies has duly, within all appropriate time limits, made all returns, given all notices and supplied all information required to be supplied to all relevant tax authorities. All such information was when provided and remain complete and accurate and all such returns and notices were when provided and remain complete and accurate and were made on a proper basis.
- 1.5 No Target Company has received any notice or allegation from any tax authorities that it has not complied with any relevant legal requirement relating to registration or notification for taxation purposes and no Target Company is involved in any dispute or investigation with any tax authority and there are no facts or matters which it reasonably believes will cause any such dispute or investigation or any liability for taxation (present or future).
- 1.6 Each of the Target Companies:
 - (a) has paid or accounted for all taxation (if any) due to be paid or accounted for by it before the date of this Agreement;
 - (b) is not under any liability to pay any penalty or interest in connection with any taxation referred to in paragraph 1.6 (a);
 - (c) has made all deductions and withholdings in respect or on account of taxation which it is required or entitled by any relevant legislation to make from any payments made by it including, without limitation, interest annuities or other annual payments, royalties, rent, remuneration payable to employees or sub-contractors or payments to a non-resident and where appropriate each Target Company has accounted in full to the relevant fiscal authority for any taxation so deducted or withheld; and
 - (d) has taken all necessary steps to obtain any repayment of or relief from taxation available to it.



- 1.7 All sums due and payable to any taxation authority in respect of emoluments paid and benefits provided to the employees of the Target Companies at the date of this Agreement have been paid and all such deductions and retentions as are required under the laws of the PRC have been made.
- 1.8 All remuneration, compensation payments, payments on retirement or removal from an office or employment and other sums paid or payable to employees or officers or former employees or officers of each Target Company and all interest, annuities, royalties, rent and other annual payments paid or payable by each Target Company (whether before or after the date hereof) pursuant to any obligation in existence at the date hereof are and will (on the basis of the taxation legislation in force at the date hereof) be deductible for incomes tax purposes either in computing the profits of each Target Company or as a charge on the income of such Target Company.
- 1.9 Each of the Target Companies has made or caused to be made the returns which ought to be made by or in respect of each Target Company for any taxation purposes and no returns are the subject of any dispute with any tax authority.

2 PROPERTY

- 2.1 The Target Companies have valid title to all of the Properties and valid title to all material personal property owned by them, in each case free and clear of all Encumbrances, defects or any other restrictions except such as are described in the Property Legal Opinions or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Target Companies.
- 2.2 The Target Companies do not own, operate, manage or have any other right or interest, directly or indirectly, in any other material real property of any kind save for those described in the Property Legal Opinions and the telecommunications services agreements referred to in paragraphs 9 to 18 of Appendix 1.



APPENDIX 1
Connected Transactions

- 1 Telecommunications Services Agreement between Neimenggu Mobile Communication Company Limited and Neimenggu Communication Services Company.
- 2 Telecommunications Services Agreement between Jilin Mobile Communication Company Limited and Jilin Communication Services Company.
- 3 Telecommunications Services Agreement between Heilongjiang Mobile Communication Company Limited and Heilongjiang Communication Services Company.
- 4 Telecommunications Services Agreement between Guizhou Mobile Communication Company Limited and Guizhou Communication Services Company.
- 5 Telecommunications Services Agreement between Yunnan Mobile Communication Company Limited and Yunnan Communication Services Company.
- 6 Telecommunications Services Agreement between Xizang Mobile Communication Company Limited and Xizang Communication Services Company.
- 7 Telecommunications Services Agreement between Gansu Mobile Communication Company Limited and Gansu Communication Services Company.
- 8 Telecommunications Services Agreement between Qinghai Mobile Communication Company Limited and Qinghai Communication Services Company.
- 9 Telecommunications Services Agreement between Ningxia Mobile Communication Company Limited and Ningxia Communication Services Company.
- 10 Telecommunications Services Agreement between Xinjiang Mobile Communication Company Limited and Xinjiang Communication Services Company.
- 11 Use of Premises and Management Agreement between Neimenggu Mobile Communication Company Limited and Neimenggu Communication Services Company.
- 12 Use of Premises and Management Agreement between Jilin Mobile Communication Company Limited and Jilin Communication Services Company.
- 13 Use of Premises and Management Agreement between Heilongjiang Mobile Communication Company Limited and Heilongjiang Communication Services Company.
- 14 Use of Premises and Management Agreement between Guizhou Mobile Communication Company Limited and Guizhou Communication Services Company.
- 15 Use of Premises and Management Agreement between Yunnan Mobile Communication Company Limited and Yunnan Communication Services Company.
- 16 Use of Premises and Management Agreement between Xizang Mobile Communication Company Limited and Xizang Communication Services Company.
- 17 Use of Premises and Management Agreement between Gansu Mobile Communication Company Limited and Gansu Communication Services Company.
- 18 Use of Premises and Management Agreement between Qinghai Mobile Communication Company Limited and Qinghai Communication Services Company.



- 19 Use of Premises and Management Agreement between Ningxia Mobile Communication Company Limited and Ningxia Communication Services Company.
- 20 Use of Premises and Management Agreement between Xinjiang Mobile Communication Company Limited and Xinjiang Communication Services Company.
- 21 Use of Premises and Management Agreement between Jingyi Design Institute and Beijing Consulting and Design Institute of P&T.
- 22 Use of Premises and Management Agreement between China Mobile Communication Company Limited and China Mobile Communications Corporation (two agreements in total).
- 23 Letters of Consent between China Mobile Communications Corporation, Neimenggu Mobile Communication Company Limited, Neimenggu Communication Services Company and the relevant banks regarding the assignment of loans from Neimenggu Communication Services Company to Neimenggu Mobile Communication Company Limited.
- 24 Letters of Consent between China Mobile Communications Corporation, Jilin Mobile Communication Company Limited, Jilin Communication Services Company and the relevant banks regarding the assignment of loans from Jilin Communication Services Company to Jilin Mobile Communication Company Limited.
- 25 Letters of Consent between China Mobile Communications Corporation, Heilongjiang Mobile Communication Company Limited, Heilongjiang Communication Services Company and the relevant banks regarding the assignment of loans from Heilongjiang Communication Services Company to Heilongjiang Mobile Communication Company Limited.
- 26 Letters of Consent between China Mobile Communications Corporation, Guizhou Mobile Communication Company Limited, Guizhou Communication Services Company and the relevant banks regarding the assignment of loans from Guizhou Communication Services Company to Guizhou Mobile Communication Company Limited.
- 27 Letters of Consent between China Mobile Communications Corporation, Gansu Mobile Communication Company Limited, Gansu Communication Services Company and the relevant banks regarding the assignment of loans from Gansu Communication Services Company to Gansu Mobile Communication Company Limited.
- 28 Letters of Consent between China Mobile Communications Corporation, Qinghai Mobile Communication Company Limited, Qinghai Communication Services Company and the relevant banks regarding the assignment of loans from Qinghai Communication Services Company to Qinghai Mobile Communication Company Limited.
- 29 Letters of Consent between China Mobile Communications Corporation, Ningxia Mobile Communication Company Limited, Ningxia Communication Services Company and the relevant banks regarding the assignment of loans from Ningxia Communication Services Company to Ningxia Mobile Communication Company Limited.
- 30 Letters of Consent between China Mobile Communications Corporation, Xinjiang Mobile Communication Company Limited, Xinjiang Communication Services Company and the relevant banks regarding the assignment of loans from Xinjiang Communication Services Company to Xinjiang Mobile Communication Company Limited.



- 31 Agreement on the arrangement for Interconnection and Roaming Settlement, Transmission Lines Leasing and Use of Spectrum/Numbers between the Company and China Mobile Communications Corporation.
- 32 Sharing of Administrative Services and Administrative Costs Agreement between China Mobile Communication Company Limited and China Mobile Communications Corporation.
- 33 Trademark Licensing Agreement between China Mobile Communications Corporation and China Mobile Communication Company Limited.



APPENDIX 2
The Restructuring Agreements

- 1 Investment Agreement dated 9 April 2004 between the Warrantor, Neimenggu Mobile and Neimenggu Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Neimenggu into Neimenggu Mobile.
- 2 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Neimenggu Mobile, Neimenggu Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 3 Investment Agreement dated 9 April 2004 between the Warrantor, Jilin Mobile and Jilin Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Jilin into Jilin Mobile.
- 4 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Jilin Mobile, Jilin Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 5 Investment Agreement dated 9 April 2004 between the Warrantor, Heilongjiang Mobile and Heilongjiang Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Heilongjiang into Heilongjiang Mobile.
- 6 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Heilongjiang Mobile, Heilongjiang Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 7 Investment Agreement dated 9 April 2004 between the Warrantor, Guizhou Mobile and Guizhou Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Guizhou into Guizhou Mobile.
- 8 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Guizhou Mobile, Guizhou Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 9 Investment Agreement dated 9 April 2004 between the Warrantor, Yunnan Mobile and Yunnan Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Yunnan into Yunnan Mobile.
- 10 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Yunnan Mobile, Yunnan Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.



- 11 Investment Agreement dated 9 April 2004 between the Warrantor, Xizang Mobile and Xizang Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Xizang into Xizang Mobile.
- 12 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Xizang Mobile, Xizang Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 13 Investment Agreement dated 9 April 2004 between the Warrantor, Gansu Mobile and Gansu Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Gansu into Gansu Mobile.
- 14 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Gansu Mobile, Gansu Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 15 Investment Agreement dated 9 April 2004 between the Warrantor, Qinghai Mobile and Qinghai Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Qinghai into Qinghai Mobile.
- 16 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Qinghai Mobile, Qinghai Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 17 Investment Agreement dated 9 April 2004 between the Warrantor, Ningxia Mobile and Ningxia Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Ningxia into Ningxia Mobile.
- 18 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Ningxia Mobile, Ningxia Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 19 Investment Agreement dated 9 April 2004 between the Warrantor, Xinjiang Mobile and Xinjiang Communication Services Company, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses in relation to the mobile telecommunications services in Xinjiang into Xinjiang Mobile.
- 20 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Xinjiang Mobile, Xinjiang Communication Services Company and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 21 Investment Agreement dated 9 April 2004 between the Warrantor, Jingyi Design Institute and Beijing Consulting & Design Institute of P&T, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses into Jingyi Design Institute.



- 22 Confirmation of Rights and Obligations Agreement dated 9 April 2004 between Beijing Consulting & Design Institute of P&T, Jingyi Design Institute and the Warrantor to confirm the rights and obligations in respect of the interests, assets, liabilities, personnel and businesses transferred under the Investment Agreement.
- 23 Investment Agreement dated 9 April 2004 between the Warrantor and CMC, pursuant to which the Warrantor injected all interests, assets, liabilities, personnel and businesses into CMC.
- 24 Transfer of Interests Agreement between the Warrantor, China Mobile (Hong Kong) Group Company Limited, the Vendor, Neimenggu Mobile BVI, Jilin Mobile BVI, Heilongjiang Mobile BVI, Guizhou Mobile BVI, Yunnan Mobile BVI, Xizang Mobile BVI, Gansu Mobile BVI, Qinghai Mobile BVI, Ningxia Mobile BVI, Xinjiang Mobile BVI, Zhongjing Design Institute BVI and CMC BVI.



APPENDIX 3
Form of Tax Indemnity

Dated 2004

CHINA MOBILE HONG KONG (BVI) LIMITED

CHINA MOBILE (HONG KONG) LIMITED

CHINA MOBILE COMMUNICATIONS CORPORATION

TAX INDEMNITY



THIS DEED OF TAX INDEMNITY is made on 2004

BETWEEN:

- (1) **CHINA MOBILE HONG KONG (BVI) LIMITED** a company incorporated under the laws of the British Virgin Islands whose registered office is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “Vendor”);
- (2) **CHINA MOBILE (HONG KONG) LIMITED** a company incorporated under the laws of Hong Kong whose registered office is at 60th Floor, The Center, 99 Queen’s Road Central, Hong Kong (the “Purchaser”); and
- (3) **CHINA MOBILE COMMUNICATIONS CORPORATION** a company incorporated under the laws of the PRC whose registered office is at 53A Xibianmennei Dajie, Xuanwuqu, Beijing, PRC (the “Warrantor”).

WHEREAS:

- (A) By a Conditional Sale and Purchase Agreement dated 28 April 2004 (the “**Agreement**”) made between the Vendor, the Warrantor and the Purchaser, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Target BVI Shares (as defined in the Agreement) on the terms and conditions therein contained.
- (B) It is a term of the Agreement that the Vendor and the Warrantor deliver to the Purchaser this Deed of Tax Indemnity on Completion (as defined in the Agreement).

NOW THIS DEED WITNESSES as follows:

1 INTERPRETATION

1.1 In this Deed, unless the context requires otherwise:

- (a) words and expressions and other rules of interpretation defined, used or set out in the Agreement have the same meanings and application in this Deed;
- (b) “**taxation**” means and includes all forms of tax, levy, duty, charge, impost, fee, deduction or withholding of any nature now or hereafter imposed, levied, collected, withheld or assessed by any taxing or other authority in any part of the world and includes any interest, additional tax, penalty or other charge payable or claimed in respect thereof;
- (c) “**Claim**” means any assessment, notice, demand, letter or other document issued or action taken by or on behalf of any person, authority or body whatsoever and of whatever country from which it appears that any member of the Target Companies Group is liable or is sought to be made liable to make any payment or is deprived or is sought to be deprived of any relief or allowance or credit or right to repayment of taxation;
- (d) “**event**” includes (without limitation) the death of any person, any action, omission or transaction whether or not any member of the Target Companies Group is a party thereto and includes completion of the sale of the Target BVI Shares to the Purchaser and references to the result of events on or before the date hereof shall include the combined result of two or more events one or more of which shall have taken place before the date hereof;



- (e) references to income or profits or gains earned, accrued or received shall include income or profits or gains deemed to have been or treated as or regarded as earned, accrued or received for the purposes of any legislation;
- (f) references to a Claim shall include any Claim whether made before or after the date hereof and whether satisfied or unsatisfied at the date hereof and shall also include:
 - (i) the loss of any relief, allowance or credit granted by or pursuant to any legislation or otherwise for taxation purposes which could but for the Claim in question have been available to the Purchaser or any member of the Target Companies Group whether or not the said loss results in any taxation being payable at the time of such loss; and
 - (ii) the nullifying or cancellation of a right to repayment of taxation which would have been so available or is at the date hereof assumed by the Vendor, the Warrantor or the Purchaser to be available;
and in such a case the amount of taxation which could otherwise have been relieved, allowed or credited by the relief, allowance or credit so lost or the amount of repayment which would otherwise have been obtained shall be treated as an amount of taxation for which a liability has arisen;
- (g) references to the Agreement shall be construed as references to the Agreement as amended or supplemented from time to time.

1.2 The expressions the **Vendor**, the **Warrantor**, the **Target Companies Group** and the **Purchaser** shall, where the context permits, include their respective successors and assigns.

2 INDEMNITY

Subject as hereinafter provided, each of the Vendor and the Warrantor hereby jointly and severally undertakes to indemnify and keep indemnified the Purchaser (for itself and as trustee for the Target Companies Group) against any loss or liability suffered by the Purchaser or any member of the Target Companies Group including, but not limited to, any diminution in the value of the assets of or shares in any member of the Target Companies Group, any payment made or required to be made by the Purchaser or any member of the Target Companies Group and any costs and expenses incurred as a result of or in connection with any Claim falling on any member of the Target Companies Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date hereof or any event on or before the date hereof whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

3 EXCEPTIONS

The indemnities given by this Deed do not cover any Claim to the extent that provision or reserve in respect thereof has been made in the Last Accounts or to the extent that payment or discharge of such Claim has been taken into account therein.



4 COSTS AND EXPENSES

The indemnities given by this Deed shall cover all costs and expenses incurred by the Purchaser or any member of the Target Companies Group in connection with any Claim, and any penalties, fines or interest payable by the Purchaser or any member of the Target Companies Group relating to any Claim for which the Vendor or the Warrantor is liable under this Deed.

5 REIMBURSEMENT

In the event that any Claim which is the subject of an indemnity hereunder is or has been discharged (whether by payment or by the loss of any relief, allowance, credit or right to repayment of taxation) or suffered by any member of the Target Companies Group, the indemnity given hereunder shall take effect as a covenant by the Vendor and the Warrantor forthwith to reimburse the relevant member of the Target Companies Group (through the Purchaser) for any amount so paid or to compensate the relevant member of Target Companies Group for any loss of relief, allowance, credit or right to repayment so suffered.

6 CONDUCT OF CLAIMS

If the Purchaser becomes aware of a Claim relevant for the purposes of this Deed, it shall as soon as reasonably practicable give notice thereof to the Vendor and the Warrantor and shall (subject to the Purchaser and the Target Companies Group being indemnified to the Purchaser's satisfaction against any liability, costs, damages or expenses which may be incurred thereby) take such action and procure that the Target Companies Group shall take such action as the Vendor and the Warrantor may reasonably request to avoid, resist, dispute, defend, compromise or appeal against the Claim, provided that neither the Purchaser nor any member of the Target Companies Group shall be required to take any steps which would require any admission of guilt or liability relating to matters connected with the Claim in question or which would affect the future conduct of the business of the Purchaser or any member of the Target Companies Group or affect the rights or reputations of any of them nor shall they be required to take any such action unless the Vendor and the Warrantor shall have produced to them a leading barrister's opinion that such action is reasonable.

7 SET-OFF AND DEDUCTIONS

All payments to be made by the Vendor and the Warrantor under this Deed shall be made in full without set-off or counterclaim or any restriction or condition and free and clear of any present or future taxes, duties, charges or other deductions or withholdings of any nature. If any deduction or withholding is required to be made from any such payment the Vendor and the Warrantor shall, together with such payment, pay such additional amount as is necessary to ensure that the recipient receives the full amount due hereunder.

8 WAIVER AND SEVERABILITY

No failure or delay by the Purchaser or any member of the Target Companies Group in exercising any right, power or remedy under this Deed shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. If at any time any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions of this Deed shall not be affected or impaired thereby.



9 ASSIGNMENT

The Purchaser and any member of the Target Companies Group may assign its respective rights and benefits under this Deed.

10 NOTICES

Each notice, demand or other communication given or made hereunder shall be in writing and delivered or sent to the relevant party at its address or telex number or fax number set out in the Agreement. The provisions of clause 21 of the Agreement shall apply to this Deed as though they have been fully set out herein.

11 GOVERNING LAW AND JURISDICTION

- 1.1 This Deed shall be governed by and construed in accordance with the laws of Hong Kong.
- 1.2 Any dispute arising out of or in connection with this Deed shall be resolved by arbitration in Hong Kong International Arbitration Centre by a single arbitrator in accordance with the UNCITRAL Arbitration Rules in force from time to time. The parties agree that the arbitral award will be final and binding.

IN WITNESS WHEREOF this Deed has been executed on the day and year first above written.

THE COMMON SEAL OF)
CHINA MOBILE HONG KONG (BVI) LIMITED)
 was affixed hereto in the presence of:)

[Name of Director]
 Director

[Name of Director]
 Director

THE COMMON SEAL OF)
CHINA MOBILE (HONG KONG) LIMITED)
 was affixed hereto in the presence of:)

[Name of Director]
 Director

[Name of Director]
 Director



SIGNED, SEALED AND DELIVERED)

BY)

a duly authorised representative on behalf of)

CHINA MOBILE COMMUNICATIONS CORPORATION)



SIGNATURE PAGE

SIGNED by WANG XIAOCHU)
 for and on behalf of) /s/ WANG Xiaochu

CHINA MOBILE HONG KONG (BVI) LIMITED)
 in the presence of:)

SIGNED by WANG XIAOCHU)
 for and on behalf of) /s/ WANG Xiaochu

CHINA MOBILE (HONG KONG) LIMITED)
 in the presence of:)

SIGNED by ZHANG LIGUI)
 for and on behalf of) /s/ ZHANG Ligui

CHINA MOBILE COMMUNICATIONS CORPORATION)
 in the presence of:)



Exhibit 4.2

[English Translation]

ASSET INJECTION AGREEMENT

This Asset Injection Agreement (the “Agreement”) is executed by the following three parties on April 9, 2004 in Hohhot, the People’s Republic of China (“China”):

- (1) CHINA MOBILE COMMUNICATIONS CORPORATION, a wholly state-owned limited liability company duly established and in valid existence under the laws of China, with its legal address at 29 JinRong Dajie, XiCheng District, Beijing, China (“CMCC”);
- (2) NEIMENGGU COMMUNICATION SERVICE COMPANY, a wholly state-owned enterprise duly established and in valid existence under the laws of China, with its legal address at 61 HuLun Nan Lu, Hohhot, Neimenggu Autonomous Region, China (the “Service Company”); and
- (3) NEIMENGGU MOBILE COMMUNICATION COMPANY LIMITED, a limited liability company duly established and in valid existence under the laws of China, with its legal address at 61 HuLun Nan Lu, Hohhot, Neimenggu Autonomous Region, China (“Neimenggu Mobile”).

WHEREAS:

1. Both Neimenggu Mobile and the Service Company are legal persons wholly-owned by CMCC;
2. Pursuant to the relevant laws and regulations, the “Articles of Incorporation of CMCC” agreed in principle by the State Council and published by the Ministry of Information Industry and the former State Economy & Trade Commission, and approval of relevant government authorities, CMCC has decided to, in the name of CMCC, inject and contribute the mobile telecommunication businesses operated and managed by the Service Company in Neimenggu Autonomous Region and Related Assets and Related Liabilities into Neimenggu Mobile, which will be operated and managed by Neimenggu Mobile.

NOW, THEREFORE, the three Parties, namely CMCC, the Service Company and Neimenggu Mobile, have reached the following agreement:

ARTICLE ONE DEFINITIONS

- 1.1 Unless the context indicates otherwise, the following terms shall have the meanings as defined below:

“ASSET APPRAISAL REPORT” shall mean the asset appraisal report, with the Base Date being December 31, 2003, prepared by Zhongqihua Asset Appraisal Company Limited and approved by the Commission of the State-owned Assets Supervision and Administration of the State Council with regard to the assets and liabilities of the mobile telecommunication businesses in Neimenggu Autonomous Region (see Appendix A of the Agreement).



“RELATED ASSETS” shall mean all assets set out in the Asset Appraisal Report and the contracts, agreements, certificates, business and operational data, documents and files and all rights and interests in relation to the said assets.

“RELATED LIABILITIES” shall mean all liabilities set out in the Asset Appraisal Report and the contracts, agreements, certificates, business and operational data, documents and files in relation to the said liabilities.

“RELATED PERSONNEL” shall mean the 2,055 employees engaged in mobile telecommunication services and employed by Neimenggu Mobile Communication Company (the predecessor of the Service Company) of CMCC.

“RELATED SERVICES” shall mean the mobile telecommunication businesses (and other telecommunication businesses) operated by Neimenggu Mobile Communication Company (the predecessor of the Service Company) of CMCC in Neimenggu and all the telecommunication business licenses, spectrum use permits, telecommunication networks number resources use approvals, mobile telecommunication base station licenses and all other related authorizations held by it.

“EFFECTIVE DATE” shall mean the date when the Agreement is executed.

- 1.2 Unless the Agreement specifies otherwise, the articles and appendixes mentioned herein shall mean the articles and appendixes of the Agreement. All appendixes constitute an integral part of the Agreement.

ARTICLE TWO INJECTION OF ASSETS AND SERVICES

- 2.1 CMCC shall, on the Effective Date, inject all the Related Assets, the Related Liabilities and the Related Services into Neimenggu Mobile.
- 2.2 Upon the Effective Date, Neimenggu Mobile shall beneficially own the Related Assets and the Related Services, clear and free of any encumbrance, pledge or any other third-party interests, and shall assume the Related Liabilities.
- 2.3 Pursuant to the Asset Appraisal Report, the total value of such Related Assets and Related Liabilities is RMB2,852,621,800.
- 2.4 During the period from the Base Date (i.e. December 31, 2003) to the Effective Date, Neimenggu Mobile shall enjoy and assume any and all assets, interests, rights and liabilities arising from the Related Assets, the Related Liabilities and Related Services.



2.5 The Service Company shall, pursuant to the terms of this Agreement, notify the other party to any relevant contract regarding the transfer of the Related Assets, the Related Liabilities and the Related Services to Neimenggu Mobile, and obtain such party's consent to such transfer.

ARTICLE THREE REGISTERED CAPITAL AND EQUITY INTERESTS
AFTER ASSETS INJECTION

- 3.1 After the Effective Date, Neimenggu Mobile shall handle the relevant registered capital assets injection formalities in a timely fashion.
- 3.2 After the assets injection in accordance with the above article, CMCC will still hold 100% of the equity interests in Neimenggu Mobile.

ARTICLE FOUR RELATED PERSONNEL

4.1 From the Effective Date, the Related Personnel shall be employed by Neimenggu Mobile. To avoid any dispute, during the period from the Base Date to the Effective Date, any and all changes of the Related Assets or the Related Liabilities arising from the employment of the Related Personnel shall be handled pursuant to the Agreement Article 2.4.

ARTICLE FIVE REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- 5.1 Each Party hereto represents, warrants and undertakes to the other Parties that:
 - (1) it is an independent legal person duly established and in valid existence under the laws of China;
 - (2) it has all requisite authority, power and authorization to execute the Agreement and perform the responsibilities and obligations under the Agreement;
 - (3) any and all terms and conditions under the Agreement comply with its Articles of Incorporation, laws and regulations of China, and any agreement entered into with any third party;
 - (4) the representative to sign the Agreement has been duly authorized. The Agreement, upon execution, will constitute legal, valid, binding and enforceable obligations of each of CMCC, the Service Company and Neimenggu Mobile.
- 5.2 Each of CMCC and the Service Company hereby represents and warrants to Neimenggu Mobile that, as of the Effective Date, Neimenggu Mobile will own the Related Assets and the Related Services, clear and free of any encumbrance, pledge or any other third-party interests.



5.3 Neimenggu Mobile hereby represents and warrants to CMCC and the Service Company that, as of the Effective Date, Neimenggu Mobile will undertake the Related Liabilities, including payment of construction in progress due after the Effective Date, among which, as for the construction payments pursuant to the stripping principle stipulated by CMCC that has been paid by the Service Company, Neimenggu Mobile shall pay in full to the Service Company before December 31, 2004.

ARTICLE SIX LIABILITIES ARISING FROM BREACH OF CONTRACT

6.1 In case of any breach of the provisions or representations, warranties and undertakings under the Agreement, the Party that breaches the Agreement shall compensate the other parties to the Agreement or undertake any and all losses, expenses and liabilities arising from the breach of contract of the other parties, including, but not limited to, the relevant litigation or arbitration costs and attorney fees.

ARTICLE SEVEN CONFIDENTIALITY

7.1 Unless stipulated or required by the law or relevant regulatory body, any party to the Agreement shall not provide or disclose any information in relation to the business and finance of the other parties to any institution or individual without the prior written consent of the other parties.

ARTICLE EIGHT FORCE MAJEURE

8.1 In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to work out fair and reasonable remedies and endeavour to solve the matter.

ARTICLE NINE SETTLEMENT OF DISPUTES

9.1 Any dispute arising from or in connection with the interpretation or performance of this Agreement shall be settled by the Parties through friendly negotiations conducted among representatives appointed by the Parties for this purpose. In the case that no resolution is reached through consultations within 60 days after the occurrence of such dispute, any Party may bring an action to a competent People's Court in China for its judgment.

ARTICLE TEN GOVERNING LAW

10.1 The Agreement shall be governed by and interpreted in accordance with the laws of China.



ARTICLE ELEVEN NO WAIVER

11.1 Unless the law states otherwise, any failure to exercise or delay in exercising its rights or powers by one party hereunder shall not be construed as a waiver of such rights or powers. Any one time or partial exercise of such rights or powers by one party shall not affect any further or complete exercise of such rights or powers.

ARTICLE TWELVE NOTICES

- 12.1 Any notice to be given under the Agreement shall be made in writing and sent by hand delivery or mail or facsimile to the other Party's address set out in the front page of the Agreement or to any other address as such Party may designate in writing from time to time.
- 12.2 Any notice shall be deemed as having been received at the time of delivery if delivered in person; if delivered by mail, on the second working day following the mailing date as indicated by the postal chop; if transmitted by facsimile, upon delivery.

ARTICLE THIRTEEN EFFECTIVENESS AND MISCELLANEOUS

- 13.1 The Agreement shall come into effect upon the date when it is executed by the legal persons or authorized representatives of the Parties.
- 13.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 13.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable by a court of competent jurisdiction, then the validity and enforceability of the remaining provisions herein shall remain intact. Under such circumstances, the Parties hereto shall, on the principle of honesty and trust, consult each other to conclude a replacement provision, so as to reach the target of the severed provision.
- 13.4 The Agreement is executed in Chinese in four (4) original counterparts, three of which shall be retained by each party hereto, one shall be filed with the government authority administering in industry and commerce. Each counterpart is equally effective.



PARTY A: CHINA MOBILE COMMUNICATIONS CORPORATION

By: /s/ ZHANG Ligui

Legal Person

PARTY B: NEIMENGGU COMMUNICATION SERVICE COMPANY

By: /s/ YANG Quangui

Authorized Representative

PARTY C: NEIMENGGU MOBILE COMMUNICATION COMPANY LIMITED

By: /s/ LIU Xuefeng

Authorized Representative



Schedule to Exhibit 4.2

Pursuant to Instruction 2 to Item 601 of Regulation S-K under the Securities Act of 1933, as amended, the following is a schedule of documents substantially identical in all material respects except as to the parties thereto, the independent valuer, the region of the mobile telecommunication business, the value of the related assets and related liabilities to be injected by the relevant party from the document filed as Exhibit 4.2.

Exhibit 4.2 Filed

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Neimenggu Communication Service Company
Party C: Neimenggu Mobile Communication Company Limited
Terms: The total value of the related assets and related liabilities to be injected by Party A into Party C is RMB2,852,621,800.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Neimenggu

Agreements Substantially Identical to Exhibit 4.2 and Omitted

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Jilin Communication Service Company
Party C: Jilin Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB3,267,579,300.
Independent valuer: China United Assets Appraisal Co., Ltd.
Region: Jilin

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Heilongjiang Communication Service Company
Party C: Heilongjiang Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB4,490,508,100.
Independent valuer: China United Assets Appraisal Co., Ltd.
Region: Heilongjiang

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Guizhou Communication Service Company
Party C: Guizhou Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB2,531,981,600.
Independent valuer: China United Assets Appraisal Co., Ltd.
Region: Guizhou



Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Yunnan Communication Service Company
Party C: Yunnan Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB4,127,130,700.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Yunnan

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Xizang Communication Service Company
Party C: Xizang Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB838,643,700.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Xizang

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Gansu Communication Service Company
Party C: Gansu Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB1,692,599,700.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Gansu

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Qinghai Communication Service Company
Party C: Qinghai Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB892,565,000.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Qinghai



Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Ningxia Communication Service Company
Party C: Ningxia Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB730,447,300.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Ningxia

Agreement: Asset Injection Agreement
Date: April 9, 2004
Party A: China Mobile Communications Corporation
Party B: Xinjiang Communication Service Company
Party C: Xinjiang Mobile Communication Company Limited
Terms: The total value of the related assets and liabilities to be injected by Party A into Party C is RMB2,571,599,600.
Independent valuer: Zhongqihua Asset Appraisal Company Limited
Region: Xinjiang



Exhibit 4.3

[English Translation]

ASSET INJECTION AGREEMENT

This Asset Injection Agreement (the “Agreement”) is executed by the following three parties on April 9, 2004 in Beijing, the People’s Republic of China (“China”):

- (1) CHINA MOBILE COMMUNICATIONS CORPORATION, a wholly state-owned limited liability company duly established and in valid existence under the laws of China, with its legal address at 29 JinRong Dajie, XiCheng District, Beijing, China (“CMCC”);
- (2) BEIJING P&T CONSULTING & DESIGN INSTITUTE, a wholly state-owned enterprise duly established and in valid existence under the laws of China, with its legal address at 126 XiZhiMengNei Dajie, XiCheng District, Beijing, China (the “Zhongjing”); and
- (3) BEIJING P&T CONSULTING & DESIGN INSTITUTE COMPANY LIMITED, a limited liability company duly established and in valid existence under the laws of China, with its legal address at 126 XiZhiMengNei Dajie, XiCheng District, Beijing, China (“Jingyi”).

WHEREAS:

1. Both Jingyi and Zhongjing are legal persons wholly owned by CMCC;
2. Pursuant to the relevant laws and regulations, the “Articles of Incorporation of CMCC” agreed in principle by the State Council and published by the Ministry of Information Industry and the former State Economy & Trade Commission, and approval of relevant government authorities, CMCC has decided to, in the name of CMCC, inject and contribute the inspection, design, consulting, service businesses of post and telecommunication (and other relevant businesses), operated and managed by Zhongjing, and Related Assets and Related Liabilities into Jingyi, which will be operated and managed by Jingyi.

NOW, THEREFORE, the three Parties, namely CMCC, Zhongjing and Jingyi, have reached the following agreement:

ARTICLE ONE DEFINITIONS

1.1 Unless the context indicates otherwise, the following terms shall have the meanings as defined below:

“ASSET APPRAISAL REPORT” shall mean the asset appraisal report, with the Base Date being December 31, 2003, prepared by Zhongqihua Asset Appraisal Company Limited and approved by the Commission of the State-owned Assets Supervision and Administration of the State Council with regard to the assets (including its 80% of equity interests in Beijing Bright Golden Bridge Posts & Telecommunications Project-Management Co. Ltd.) and liabilities of the inspection, design, consulting, service businesses of post and telecommunication (and other relevant businesses), operated and managed by Zhongjing (see Appendix A of the Agreement).



“RELATED ASSETS” shall mean all assets (including its 80% of equity interests in Beijing Bright Golden Bridge Posts & Telecommunications Project-Management Co. Ltd.) set out in the Asset Appraisal Report and the contracts, agreements, certificates, business and operational data, documents and files and all rights and interests in relation to the said assets.

“RELATED LIABILITIES” shall mean all liabilities set out in the Asset Appraisal Report and the contracts, agreements, certificates, business and operational data, documents and files in relation to the said liabilities.

“RELATED PERSONNEL” shall mean the 452 employees engaged in its core businesses and employed by Zhongjing.

“RELATED SERVICES” shall mean the inspection, design, consulting, service businesses of post and telecommunication (and other relevant businesses), operated and managed by Zhongjing, and all of its relevant qualifications or licenses or permits held by it.

“EFFECTIVE DATE” shall mean the date when the Agreement is executed.

- 1.2 Unless the Agreement specifies otherwise, the articles and appendixes mentioned herein shall mean the articles and appendixes of the Agreement. All appendixes constitute an integral part of the Agreement.

ARTICLE TWO INJECTION OF ASSETS AND SERVICES

- 2.1 CMCC shall, on the Effective Date, inject all the Related Assets, the Related Liabilities and the Related Services into Jingyi.
- 2.2 Upon the Effective Date, Jingyi shall beneficially own the Related Assets and the Related Services, clear and free of any encumbrance, pledge or any other third-party interests, and shall assume the Related Liabilities.
- 2.3 Pursuant to the Asset Appraisal Report, the total value of such Related Assets and Related Liabilities is RMB150,232,500.
- 2.4 During the period from the Base Date (i.e. December 31, 2003) to the Effective Date, Jingyi shall enjoy and assume any and all assets, interests, rights and liabilities arising from the Related Assets, the Related Liabilities and Related Services.
- 2.5 Zhongjing shall, pursuant to the terms of this Agreement, notify the other party to any relevant contract regarding the transfer of the Related Assets, the Related Liabilities and the Related Services to Jingyi, and obtain such party’s consent to such transfer.



ARTICLE THREE REGISTERED CAPITAL AND EQUITY INTERESTS AFTER ASSETS INJECTION

- 3.1 After the Effective Date, Jingyi shall handle the relevant registered capital assets injection formalities in a timely fashion.
- 3.2 After the assets injection in accordance with the above article, CMCC will still hold 100% of the equity interests in Jingyi.

ARTICLE FOUR RELATED PERSONNEL

- 4.1 From the Effective Date, the Related Personnel shall be employed by Jingyi. To avoid any dispute, during the period from the Base Date to the Effective Date, any and all changes of the Related Assets or the Related Liabilities arising from the employment of the Related Personnel shall be handled pursuant to the Agreement Article 2.4.

ARTICLE FIVE REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- 5.1 Each Party hereto represents, warrants and undertakes to the other Parties that:
 - (1) it is an independent legal person duly established and in valid existence under the laws of China;
 - (2) it has all requisite authority, power and authorization to execute the Agreement and perform the responsibilities and obligations under the Agreement;
 - (3) any and all terms and conditions under the Agreement comply with its Articles of Incorporation, laws and regulations of China, and any agreement entered into with any third party;
 - (4) the representative to sign the Agreement has been duly authorized. The Agreement, upon execution, will constitute legal, valid, binding and enforceable obligations of each of CMCC, Zhongjing and Jingyi.
- 5.2 Each of CMCC and Zhongjing hereby represents and warrants to Jingyi that, as of the Effective Date, Jingyi will own the Related Assets and the Related Services, clear and free of any encumbrance, pledge or any other third-party interests.
- 5.3 Jingyi hereby represents and warrants to CMCC and Zhongjing that, as of the Effective Date, Jingyi will undertake the Related Liabilities.



ARTICLE SIX LIABILITIES ARISING FROM BREACH OF CONTRACT

- 6.1 In case of any breach of the provisions or representations, warranties and undertakings under the Agreement, the Party that breaches the Agreement shall compensate the other parties to the Agreement or undertake any and all losses, expenses and liabilities arising from the breach of contract of the other parties, including, but not limited to, the relevant litigation or arbitration costs and attorney fees.

ARTICLE SEVEN CONFIDENTIALITY

- 7.1 Unless stipulated or required by the law or relevant regulatory body, any party to the Agreement shall not provide or disclose any information in relation to the business and finance of the other parties to any institution or individual without the prior written consent of the other parties.

ARTICLE EIGHT FORCE MAJEURE

- 8.1 In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to work out fair and reasonable remedies and endeavour to solve the matter.

ARTICLE NINE SETTLEMENT OF DISPUTES

- 9.1 Any dispute arising from or in connection with the interpretation or performance of this Agreement shall be settled by the Parties through friendly negotiations conducted among representatives appointed by the Parties for this purpose. In the case that no resolution is reached through consultations within 60 days after the occurrence of such dispute, any Party may bring an action to a competent people's court for its judgment.

ARTICLE TEN GOVERNING LAW

- 10.1 The Agreement shall be governed by and interpreted in accordance with Chinese law.

ARTICLE ELEVEN NO WAIVER

- 11.1 Unless the law states otherwise, any failure to exercise or delay in exercising its rights or powers by one party hereunder shall not be construed as a waiver of such rights or powers. Any one time or partial exercise of such rights or powers by one party shall not affect any further or complete exercise of such rights or powers.



ARTICLE TWELVE NOTICES

- 12.1 Any notice to be given under the Agreement shall be made in writing and sent by hand delivery or mail or facsimile to the other Party's address set out in the front page of the Agreement or to any other address as such Party may designate in writing from time to time.
- 12.2 Any notice shall be deemed as having been received at the time of delivery if delivered in person; if delivered by mail, on the second working day of the mailing date as indicated by the postal chop; if transmitted by facsimile, upon delivery.

ARTICLE THIRTEEN EFFECTIVENESS AND MISCELLANEOUS

- 13.1 The Agreement shall come into effect upon the date when it is executed by the legal persons or authorized representatives of the Parties.
- 13.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 13.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable by a court of competent jurisdiction, then the validity and enforceability of the remaining provisions herein shall remain intact. Under such circumstances, the Parties hereto shall, on the principle of honesty and trust, consult each other to conclude a replacement provision, so as to reach the target of the severed provision.
- 13.4 The Agreement is executed in Chinese in four (4) original counterparts, three of which shall be retained by each party hereto, one shall be filed with the government authority administering in industry and commerce. Each counterpart is equally effective.

PARTY A: CHINA MOBILE COMMUNICATIONS CORPORATION

By: /s/ ZHANG Ligui

 Legal Person

PARTY B: BEIJING P&T CONSULTING & DESIGN INSTITUTE

By: /s/ ZHANG Xiangli

 Authorized Representative

PARTY C: BEIJING P&T CONSULTING & DESIGN INSTITUTE COMPANY LIMITED

By: /s/ ZHANG Xiangli

 Authorized Representative



Exhibit 4.4

[English Translation]

ASSET INJECTION AGREEMENT

This Asset Injection Agreement (the “Agreement”) is executed by the following two parties on April 9, 2004 in Beijing, the People’s Republic of China (“China”):

- (1) CHINA MOBILE COMMUNICATIONS CORPORATION, a wholly state-owned limited liability company duly established and in valid existence under the laws of China, with its legal address at 29 JinRong Dajie, XiCheng District, Beijing, China (“CMCC”);
- (2) CHINA MOBILE COMMUNICATION COMPANY LIMITED, a limited liability company duly established and in valid existence under the laws of China, with its legal address at 29 JinRong Dajie, XiCheng District, Beijing, China (“CMC”).

WHEREAS:

1. CMCC is a state-authorized investment organization and state-owned experimental enterprise, and holds 100% of equity interests in CMC.
2. Pursuant to the approval of relevant government authorities, CMCC has decided to, in the name of CMCC, inject and contribute the Related Assets, interests and Related Liabilities in relation to part of the assets of the CMCC headquarters and Beijing training center, operated and managed by CMCC, into CMC after the appraisal and approval of the Commission of the State-owned Assets Supervision and Administration of the State Council.
3. In accordance with the following terms and conditions of this Agreement, the Parties hereto intend to make relevant arrangements with respect to the above-mentioned assets injection matter.

NOW, THEREFORE, the Parties hereto have reached the following agreements upon consultation:

ARTICLE ONE DEFINITIONS

1.1 Unless the context indicates otherwise, the following terms shall have the meanings as defined below:

“ASSET APPRAISAL REPORT” shall mean the asset appraisal report, with the Base Date being December 31, 2003, prepared by Zhongqihua Asset Appraisal Company Limited and approved by the Commission of the State-owned Assets Supervision and Administration of the State Council with regard to the assets and liabilities of part of the assets of the CMCC headquarters and Beijing training center operated and managed by CMCC (see Appendix A of the Agreement).



“RELATED ASSETS” shall mean all assets set out in the Asset Appraisal Report and the contracts, agreements, certificates, business and operational data, documents and files and all rights and interests in relation to the said assets.

“RELATED LIABILITIES” shall mean all liabilities set out in the Asset Appraisal Report and the contracts, agreements, certificates, business and operational data, documents and files in relation to the said liabilities.

“RELATED PERSONNEL” shall mean the 517 employees engaged in the relevant businesses of the related assets and employed by the CMCC headquarters and Beijing Training Center.

“RELATED SERVICES” shall mean the core businesses of communications and relevant coordination of network operation, technology development, technical services, training, convention services, etc., operated and managed by the CMCC headquarters and Beijing training center, and its relevant telecommunications business licenses, permits for use of telecommunications resources and any other relevant authorizations held by it.

“EFFECTIVE DATE” shall mean the date when the Agreement is executed.

- 1.2 Unless the Agreement specifies otherwise, the articles and appendixes mentioned herein shall mean the articles and appendixes of the Agreement. All appendixes constitute an integral part of the Agreement.

ARTICLE TWO INJECTION OF ASSETS AND SERVICES

- 2.1 CMCC shall, on the Effective Date, inject all the Related Assets, the Related Liabilities and the Related Services into CMC.
- 2.2 Upon the Effective Date, CMC shall beneficially own the Related Assets and the Related Services, clear and free of any encumbrance, pledge or any other third-party interests, and shall assume the Related Liabilities.
- 2.3 Pursuant to the Asset Appraisal Report, the total value of such Related Assets and Related Liabilities is RMB1,631,848,300.
- 2.4 During the period from the Base Date (i.e. December 31, 2003) to the Effective Date, CMC shall enjoy and assume any and all assets, interests, rights and liabilities arising from the Related Assets, the Related Liabilities and Related Services.
- 2.5 CMCC shall, pursuant to the terms of this Agreement, notify the other party to any relevant contract regarding the transfer of the Related Assets, the Related Liabilities and the Related Services to CMC, and obtain such party’s consent to such transfer.



ARTICLE THREE REGISTERED CAPITAL AND EQUITY INTERESTS AFTER ASSETS INJECTION

- 3.1 After the Effective Date, CMC shall handle the relevant registered capital assets injection formalities in a timely fashion.
- 3.2 After the assets injection in accordance with the above article, CMCC will still hold 100% of the equity interests in CMC.

ARTICLE FOUR RELATED PERSONNEL

- 4.1 From the Effective Date, the Related Personnel shall be employed by CMC. To avoid any dispute, during the period from the Base Date to the Effective Date, any and all changes of the Related Assets or the Related Liabilities arising from the employment of the Related Personnel shall be handled pursuant to the Agreement Article 2.4.

ARTICLE FIVE CONFIRMATIONS AND UNDERTAKINGS OF THE PARTIES

- 5.1 Each Party hereby confirms to the other Party that, as of the Effective Date, all the Related Assets, Related Liabilities and Related Services and any and all assets, interests, rights and liabilities arising from the Related Assets, the Related Liabilities and Related Services during the period from the Base Date to the Effective Date shall be enjoyed and assumed by CMC; all the Related Personnel shall be employed by CMC; accordingly, CMCC shall cease to enjoy any rights, undertake any liabilities or bear any expense with regard to the same (unless otherwise agreed upon in this Agreement).
- 5.2 Each Party hereby confirms to the other Party that, except the Related Assets, Related Liabilities, Related Personnel and Related Services stated in above Article 5.1, all the other services, assets, interests, liabilities and personnel, including but not limited to assets in relation to particular communications, international gateways (inclusive of international cable assets) and other assets involving national securities and restrained by state policies, assets and personnel, long-term investment and liabilities of non-core communications businesses, formerly operated and managed by CMCC, shall still be owned or assumed by CMCC; and accordingly, CMC enjoys no rights, undertakes no liabilities and shall bear no expense with regard to the same.
- 5.3 Each Party hereby confirms to the other Party that all contracts in relation to the Related Assets, the Related Liabilities, the Related Personnel and the Related Services stated in above Article 5.1 shall be transferred to CMC. However, due to time limitations and the enormous quantity involved, the official transfer of certain contracts to CMC may not have been approved by the other party/parties thereto (the "Non-Transferred Contracts"). For such Non-Transferred Contracts, the Parties hereby agree and confirm as follows:
 - (1) As of the Effective Date, the rights and liabilities, as well as the gains and losses of CMCC generated from the Non-Transferred Contracts shall belong to CMC (unless otherwise



stipulated in this Agreement), notwithstanding the fact that such Non-Transferred Contracts are still held by and performed in the name of CMCC. CMCC agrees to act as the trustee of CMC to receive or hold any interests generated from the Non-Transferred Contracts (including but not limited to certain goods and loans) on behalf of CMC, and that such interests are owned by CMC. CMCC shall deliver such interests to CMC;

- (2) CMCC shall exercise or perform the rights and liabilities under the Non-Transferred Contracts strictly in accordance with the instructions given by CMC from time to time, and shall not amend any terms of the Non-Transferred Contracts or terminate the same without CMC's prior written consent thereto;
- (3) The reasonable expenses incurred by CMCC for the purpose of performing the obligations under the paragraph 5.3(1) above shall be reimbursed by CMC, except expenses incurred as a result of negligence or fault on the part of, or other reasons caused by, CMCC;
- (4) If, as a result of CMCC's negligence, fault or other reasons caused by CMCC in connection with its holding or performing the Non-Transferred Contracts in its name and on behalf of CMC under this Agreement, CMC sustains any losses therefrom (including but not limited to legal action expenses and damages), CMCC shall sufficiently compensate CMC for such losses in a timely manner; and
- (5) If there arises such a need that the rights of CMC under the Non-Transferred Contracts (including the rights to initiate legal proceedings or arbitration, or to take other necessary actions) be exercised by CMCC in its name, CMCC shall assist CMC by exercising such rights in CMCC's name.

5.4 The Parties hereto agrees that, with respect to the contracts made and entered into between CMCC and relevant foreign telecommunications operators and other domestic basic telecommunications operators in relation to interconnection and settlement and/or roaming arrangements, and other contracts that related to the Related Services but found inconvenient for the time being to substitute the contract subject into CMC, CMCC shall enter into other agreements with CMC and make specific arrangements as to the rights and obligations under such contracts as well as the performance of such contracts in the interim period before the above said contracts are transferred to CMC.

5.5 CMCC undertakes to CMC that:

- (1) as to the land use rights that CMCC contributed into CMC by means of its purchasing price contribution, CMCC shall assist CMC to apply to the relevant land authorities for issuance of land use right certificates with CMC as the user within six (6) months from the Effective Date.
- (2) as to the buildings and constructions in progress that CMCC contributed into CMC by means of its purchasing price contribution, CMCC shall assist CMC to apply to the relevant property authorities for issuance of property title certificates with CMC as the owner within six (6) months from the Effective Date (as to the buildings or constructions



in progress with only the property ownership certificates or construction licenses, such application should be made within the valid period of the relevant property ownership certificates or within six (6) months after the date of completion of the construction).

ARTICLE SIX REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- 6.1 Each Party hereto represents, warrants and undertakes to the other Party that:
- (1) it is an independent legal person duly established and in valid existence under the laws of China;
 - (2) it has all requisite authority, power and ability to execute this Agreement and perform the responsibilities and obligations under this Agreement;
 - (3) any and all terms and conditions under this Agreement comply with its Articles of Incorporation, laws and regulations of China, and any agreement entered into with any third party;
 - (4) the representative to sign this Agreement has been dully authorized. This Agreement, upon execution, will constitute legal, valid, binding and enforceable obligations of each of CMCC and CMC.
- 6.2 CMCC hereby represents, warrants and undertakes to CMC that, as of the Effective Date, CMC will own the Related Assets and the Related Services, and undertake the Related Liabilities. The Related Assets injected by CMCC into CMC are clear and free of any encumbrance, pledge or any other third-party interests.

ARTICLE SEVEN LIABILITIES ARISING FROM BREACH OF CONTRACT

- 7.1 In case of any breach of the provisions or representations, warranties and undertakings under the Agreement, the Party that breaches the Agreement shall compensate the other party to the Agreement or undertake any and all losses, expenses and liabilities arising from the breach of contract of the other party, including, but not limited to, the relevant litigation or arbitration costs and attorney fees.

ARTICLE EIGHT CONFIDENTIALITY

- 8.1 Unless stipulated or required by the law or relevant regulatory body, any party to the Agreement shall not provide or disclose any information in relation to the business, finance and personnel of the other party to any institution or individual without the prior written consent of the other party.



ARTICLE NINE FORCE MAJEURE

9.1 In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Party of such event, and provide the other Party within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to work out fair and reasonable remedies and endeavour to solve the matter.

ARTICLE TEN SETTLEMENT OF DISPUTES

10.1 Any dispute arising from or in connection with the interpretation or performance of this Agreement shall be settled by the Parties through friendly negotiations conducted among representatives appointed by the Parties for this purpose. In the case that no resolution is reached through consultations within 60 days after the occurrence of such dispute, any Party may bring an action to a competent People's Court in China for its judgment.

ARTICLE ELEVEN GOVERNING LAW

11.1 The Agreement shall be governed by and interpreted in accordance with the laws of China.

ARTICLE TWELVE NO WAIVER

12.1 Unless the law states otherwise, any failure to exercise or delay in exercising its rights or powers by one party hereunder shall not be construed as a waiver of such rights or powers. Any one time or partial exercise of such rights or powers by one party shall not affect any further or complete exercise of such rights or powers.

ARTICLE THIRTEEN NOTICES

13.1 Any notice to be given under the Agreement shall be made in writing and sent by hand delivery or mail or facsimile to the other Party's address set out in the front page of the Agreement or to any other address as such Party may designate in writing from time to time.
13.2 Any notice shall be deemed as having been received at the time of delivery if delivered in person; if delivered by mail, on the second working day of the mailing date as indicated by the postal chop; if transmitted by facsimile, upon delivery.

ARTICLE FOURTEEN EFFECTIVENESS AND MISCELLANEOUS

14.1 The Agreement shall come into effect upon the date when it is executed by the legal persons or authorized representatives of the Parties.



- 14.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 14.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable by a court of competent jurisdiction, then the validity and enforceability of the remaining provisions herein shall remain intact. Under such circumstances, the Parties hereto shall, on the principle of honesty and trust, consult each other to conclude a replacement provision, so as to reach the target of the severed provision.
- 14.4 The Agreement is executed in Chinese in three (3) original counterparts, one of which shall be retained by each party hereto, one shall be filed with the government authority administering in industry and commerce. Each counterpart is equally effective.

PARTY A: CHINA MOBILE COMMUNICATIONS CORPORATION

By: /s/ ZHANG Ligui

Legal Representative

PARTY B: CHINA MOBILE COMMUNICATION COMPANY LIMITED

By: /s/ WANG Xiaochu

Authorized Representative



Exhibit 4.5

[English Translation]

AGREEMENT ON THE CONFIRMATION OF RIGHTS AND OBLIGATIONS

This Agreement on the Confirmation of Rights and Obligations (the "Agreement") is entered into by and between the following two parties on April 9, 2004 in Hohhot, the People's Republic of China ("China"):

1. NEIMENGGU MOBILE COMMUNICATION COMPANY LIMITED, a limited liability company duly established and existing under the laws of China, with its legal address at 61 HuLun Nan Lu, Hohhot, Neimenggu Autonomous Region, China ("Neimenggu Mobile"); and
2. NEIMENGGU COMMUNICATION SERVICE COMPANY, a state-owned enterprise duly established and existing under the laws of China, with its legal address at 61 HuLun Nan Lu, Hohhot, Neimenggu Autonomous Region, China ("the Service Company");
3. CHINA MOBILE COMMUNICATIONS CORPORATION, a wholly state-owned limited liability company duly established and in valid existence under the laws of China, with its legal address at 29 JinRong Dajie, XiCheng District, Beijing, China ("CMCC");

WHEREAS:

1. CMCC, Neimenggu Mobile and the Service Company entered into the Asset Injection Agreement ("Agreement One") on April 9, 2004.
2. In accordance with the Agreement One, CMCC will, in the name of CMCC, inject the mobile telecommunication business in Neimenggu Autonomous Region formerly operated and managed by the Service Company and Related Assets and Related Liabilities into Neimenggu Mobile.

THEREFORE, in order to confirm the ownership of the interests, assets, liabilities, personnel and services under Agreement One, the Parties have reached the following agreement:

Article One Confirmation of Rights and Obligations related to the Asset Injection

- 1.1 Each Party hereby confirms to the other Party that, as of the Effective Date (the same as defined in Agreement One, hereunder as the same), all the Related Assets, Related Liabilities and Related Services (the same as defined in Agreement One, hereunder as the same) under Agreement One and any and all assets, interests, rights and liabilities arising from the Related Assets, the Related Liabilities and Related Services during the period from the Base Date (i.e. December 31, 2003) to the Effective Date shall be enjoyed and assumed by Neimenggu Mobile; all the Related Personnel (the same as defined in Agreement One, hereunder as the same) shall be employed by Neimenggu Mobile; accordingly, the Service Company shall cease to enjoy any rights, undertake any liabilities or bear any expense with regard to the same (unless otherwise agreed upon in this Agreement).



- 1.2 Each Party hereby confirms to the other Party that, except the Related Assets, Related Liabilities, Related Personnel and Related Services under Agreement One, all the other services, assets, interests, liabilities and personnel (including, but not limited to, all the real estate, non-mobile assets and personnel, non-mobile long-term investments and non-mobile liabilities) formerly operated and managed by the Service Company shall still be owned or assumed by the Service Company; and accordingly, Neimenggu Mobile enjoys no rights, undertakes no liabilities and shall bear no expense with regard to the same.

Article Two Confirmation of Rights and Obligations related to Contracts

Each Party hereby confirms to the other Party that all contracts in relation to the Related Assets, the Related Liabilities, the Related Personnel and the Related Services under Agreement One shall be transferred to Neimenggu Mobile. However, due to time limitations and the enormous quantity involved, the official transfer of certain contracts to Neimenggu Mobile may not have been approved by the other party/parties thereto (the "Non-Transferred Contracts"). For such Non-Transferred Contracts, the Parties hereby agree and confirm as follows:

- 2.1 As of the Effective Date, the rights and liabilities, as well as the gains and losses of the Service Company generated from the Non-Transferred Contracts shall belong to Neimenggu Mobile (unless otherwise stipulated in this Agreement), notwithstanding the fact that such Non-Transferred Contracts are still held by and performed in the name of the Service Company. The Service Company agrees to act as the trustee of Neimenggu Mobile to receive or hold any interests generated from the Non-Transferred Contracts (including but not limited to certain goods and loans) on behalf of Neimenggu Mobile, and that such interests are owned by Neimenggu Mobile. Upon demand, the Service Company shall deliver such interests to Neimenggu Mobile;
- 2.2 The Service Company shall exercise or perform the rights and liabilities under the Non-Transferred Contracts strictly in accordance with the instructions given by Neimenggu Mobile from time to time, and shall not amend any terms of the Non-Transferred Contracts or terminate the same without Neimenggu Mobile's prior written consent thereto;
- 2.3 The reasonable expenses incurred by the Service Company for the purpose of performing the obligations under the paragraph 2.1 above shall be reimbursed by Neimenggu Mobile, except expenses incurred as a result of negligence or fault on the part of, or other reasons caused by, the Service Company;
- 2.4 If, as a result of the Service Company's negligence, fault or other reasons caused by the Service Company in connection with its holding or performing the Non-Transferred Contracts in its name and on behalf of Neimenggu Mobile under this Agreement, Neimenggu Mobile sustains any losses therefrom (including but not limited to legal action expenses and damages), the Service Company shall sufficiently compensate Neimenggu Mobile for such losses in a timely manner; and



- 2.5 If there arises such a need that the rights of Neimenggu Mobile under the Non-Transferred Contracts (including the rights to initiate legal proceedings or arbitration, or to take other necessary actions) be exercised by the Service Company in its name, the Service Company shall assist Neimenggu Mobile by exercising such rights in the Service Company's name.
- 2.6 Despite of the above agreements in this Article, the Service Company shall endeavour to perform its obligations under Agreement One Article 2.5. Neimenggu Mobile undertakes to provide any and all reasonable and necessary assistance and cooperation.

Article Three Undertakings related to Ownership of Properties

- 3.1 CMCC and the Service Company undertake to Neimenggu Mobile that, as to the land use rights that CMCC contributed into Neimenggu Mobile by means of its purchasing price contribution, CMCC and/or the Service Company shall assist Neimenggu Mobile to apply to the relevant land authorities for issuance of land use right certificates with Neimenggu Mobile as the user within six (6) months from the Effective Date (as to the land with land ownership certificates only, it's should be within the valid period of the relevant ownership certificates).
- 3.2 CMCC and the Service Company undertake to Neimenggu Mobile that, as to the buildings and constructions in progress that CMCC contributed into Neimenggu Mobile by means of its purchasing price contribution, CMCC and/or the Service Company shall assist Neimenggu Mobile to apply to the relevant property authorities for issuance of property title certificates with Neimenggu Mobile as the owner within six (6) months from the Effective Date (as to the buildings or constructions in progress with only the property ownership certificates or construction licenses, it's should be within the valid period of the relevant property ownership certificates or within six (6) months after the date of completion of the construction).

Article Four representations, warranties and undertakings

- 4.1 Each Party hereto represents, warrants and undertakes to the other Party that:
- (1) it is an independent legal person duly established and in valid existence under the laws of China;
 - (2) it has all requisite authority, power and ability to execute this Agreement and perform the responsibilities and obligations under this Agreement;
 - (3) any and all terms and conditions under this Agreement comply with its Articles of Incorporation, laws and regulations of China, and any agreement entered into with any third party;
 - (4) the representative to sign this Agreement has been dully authorized. This Agreement, upon execution, will constitute legal, valid, binding and enforceable obligations of each of CMCC, the Service Company and Neimenggu Mobile.



Article Five Liabilities Arising From Breach Of Contract

- 5.1 In case of any breach of the provisions or representations, warranties and undertakings under this Agreement, the Party that breaches this Agreement shall compensate the other party hereto or undertake any and all losses, expenses and liabilities arising from the breach of contract of the other party, including, but not limited to, the relevant legal proceedings or arbitration fees and attorney fees.

Article Six Confidentiality

- 6.1 Unless stipulated or required by the law or relevant regulatory body, any party hereto shall not provide or disclose any information in relation to the business and finance of the other party to any institution or individual without the prior written consent of the other party.

Article Seven Force Majeure

- 7.1 In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Party of such event, and provide the other Party within fifteen (15) days with valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under this Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to work out fair and reasonable remedies and endeavour to solve the problem.

Article Eight Assignment

- 8.1 Unless agreed otherwise by the Parties, any Party shall not assign all or part of its rights and obligations hereunder without the prior written consent of the other party.

Article Nine No Waiver

- 9.1 Unless the law states otherwise, any failure to exercise or delay in exercising its rights or powers by one party hereunder shall not be construed as a waiver of such rights or powers. Any one time or partial exercise of such rights or powers by one party shall not affect any further or complete exercise of such rights or powers.

Article Ten Settlement of Dispute

- 10.1 Any dispute arising from or in connection with the interpretation or performance of this Agreement shall be settled by the Parties through friendly negotiations conducted among representatives appointed by the Parties for this purpose. In the case that no resolution is reached through consultations within 60 days after the occurrence of such dispute, any Party may bring an action to a competent People's Court in China for its judgment.



Article Eleven Governing Law

11.1 This Agreement shall be governed by and interpreted in accordance with the laws of China.

Article Twelve Notices

- 12.1 Any notice to be given under this Agreement shall be made in writing and sent by hand delivery or mail or facsimile to the other Party's address set out in the front page of this Agreement or to any other address as such Party may designate in writing from time to time.
- 12.2 Any notice shall be deemed as having been received at the time of delivery if delivered in person; on the second working day of the mailing date as indicated by postal chop if delivered by mail; upon delivery if transmitted by facsimile.

Article Thirteen Effectiveness And Miscellaneous

- 13.1 This Agreement shall come into effect upon the date when it is executed and chopped by the legal persons or authorized representatives of the Parties.
- 13.2 Upon the unanimous agreement of the Parties hereto, this Agreement may be amended or supplemented and any of such amendment or supplementary to this Agreement shall be effective only if they are in writing and executed and chopped by the legal persons or authorized representatives of the Parties.
- 13.3 This Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable by a court of competent jurisdiction, then the validity and enforceability of the remaining provisions herein shall remain intact. Under such circumstances, the Parties hereto shall, on the principle of honesty and trust, consult each other to conclude a replacement provision, so as to reach the target of the severed provision.
- 13.4 This Agreement is executed in Chinese in three (3) original counterparts, each of which shall be retained by each party hereto. Each counterpart is equally effective.

NEIMENGGU MOBILE COMMUNICATION COMPANY LIMITED

By: /s/ LIU Xuefeng

 Authorized Representative

NEIMENGGU COMMUNICATION SERVICE COMPANY

By: /s/ YANG Quangui

 Authorized Representative



CHINA MOBILE 20-F
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PARTY C: CHINA MOBILE COMMUNICATIONS CORPORATION

By: /s/ ZHANG Ligui

Legal Person



Schedule to Exhibit 4.5

Pursuant to Instruction 2 to Item 601 of Regulation S-K under the Securities Act of 1933, as amended, the following is a schedule of documents substantially identical in all material respects except as to the parties thereto and the region of the mobile telecommunication business from the document filed as Exhibit 4.5.

Exhibit 4.5 Filed

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Neimenggu Mobile Communication Company Limited
Party B: Neimenggu Communication Service Company
Party C: China Mobile Communications Corporation
Region: Neimenggu

Agreements Substantially Identical to Exhibit 4.5 and Omitted

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Jilin Mobile Communication Company Limited
Party B: Jilin Communication Service Company
Party C: China Mobile Communications Corporation
Region: Jilin

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Heilongjiang Mobile Communication Company Limited
Party B: Heilongjiang Communication Service Company
Party C: China Mobile Communications Corporation
Region: Heilongjiang

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Guizhou Mobile Communication Company Limited
Party B: Guizhou Communication Service Company
Party C: China Mobile Communications Corporation
Region: Guizhou

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Yunnan Mobile Communication Company Limited
Party B: Yunnan Communication Service Company
Party C: China Mobile Communications Corporation
Region: Yunnan



Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Xizang Mobile Communication Company Limited
Party B: Xizang Communication Service Company
Party C: China Mobile Communications Corporation
Region: Xizang

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Gansu Mobile Communication Company Limited
Party B: Gansu Communication Service Company
Party C: China Mobile Communications Corporation
Region: Gansu

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Qinghai Mobile Communication Company Limited
Party B: Qinghai Communication Service Company
Party C: China Mobile Communications Corporation
Region: Qinghai

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Ningxia Mobile Communication Company Limited
Party B: Ningxia Communication Service Company
Party C: China Mobile Communications Corporation
Region: Ningxia

Agreement: Agreement on the Confirmation of Rights and Obligations
Date: April 9, 2004
Party A: Xinjiang Mobile Communication Company Limited
Party B: Xinjiang Communication Service Company
Party C: China Mobile Communications Corporation
Region: Xinjiang



Exhibit 4.6

[English Translation]

AGREEMENT ON THE CONFIRMATION OF RIGHTS AND OBLIGATIONS

This Agreement on the Confirmation of Rights and Obligations (the “Agreement”) is entered into by and between the following parties on April 9, 2004 in Beijing, People’s Republic of China (“China”):

1. BEIJING P&T CONSULTING & DESIGN INSTITUTE COMPANY LIMITED, a limited liability company duly established and in valid existence under the laws of China, with its legal address at 126 XiZhiMengNei Dajie, XiCheng District, Beijing, China (“Jingyi”);
2. BEIJING P&T CONSULTING & DESIGN INSTITUTE, a wholly state-owned enterprise duly established and in valid existence under the laws of China, with its legal address at 126 XiZhiMengNei Dajie, XiCheng District, Beijing, China (the “Zhongjing”); and
3. CHINA MOBILE COMMUNICATIONS CORPORATION, a wholly state-owned limited liability company duly established and in valid existence under the laws of China, with its legal address at 29 JinRong Dajie, XiCheng District, Beijing, China (“CMCC”).

WHEREAS:

1. CMCC, Jingyi and Zhongjing entered into the Asset Injection Agreement (“Agreement One”) on April 9, 2004.
2. In accordance with the Agreement One, CMCC will, in the name of CMCC, inject the inspection, design, consulting, service businesses of post and telecommunication (and other relevant businesses), formerly operated and managed by Zhongjing, and Related Assets and Related Liabilities into Jingyi.

THEREFORE, in order to confirm the ownership of the interests, assets, liabilities, personnel and services under Agreement One, the Parties have reached the following agreement:

Article One Confirmation of Rights and Obligations related to the Asset Injection

- 1.1 Each Party hereby confirms to the other Party that, as of the Effective Date (the same as defined in Agreement One, hereunder as the same), all the Related Assets, Related Liabilities and Related Services (the same as defined in Agreement One, hereunder as the same) under Agreement One and any and all assets, interests, rights and liabilities arising from the Related Assets, the Related Liabilities and Related Services during the period from the Base Date (i.e. December 31, 2003) to the Effective Date shall be enjoyed and assumed by Jingyi; all the Related Personnel (the same as defined in Agreement One, hereunder as the same) shall be



employed by Jingyi; accordingly, Zhongjing shall cease to enjoy any rights, undertake any liabilities or bear any expense with regard to the same (unless otherwise agreed upon in this Agreement).

- 1.2 Each Party hereby confirms to the other Party that, except the Related Assets, Related Liabilities, Related Personnel and Related Services under Agreement One, all the other services, assets, interests, liabilities and personnel (including, but not limited to, all the real estate and assets, personnel, long-term investment and liabilities of non core businesses of the inspection, design, consulting, service businesses of post and telecommunication) formerly operated and managed by Zhongjing shall still be owned or assumed by Zhongjing; and accordingly, Jingyi enjoys no rights, undertakes no liabilities and shall bear no expense with regard to the same.
- 1.3 Each of CMCC and Zhongjing hereby represents and warrants to Jingyi that, as of the Effective Date, CMCC and Zhongjing shall assist Jingyi to complete any and all other relevant formalities in relation to this asset injection project, including the transfer of the 80% of equity interests in Beijing Bright Golden Bridge Posts & Telecommunications Project-Management Company Limited to Jingyi.

Article Two Confirmation of Rights and Obligations related to Contracts

Each Party hereby confirms to the other Parties that all contracts in relation to the Related Assets, the Related Liabilities, the Related Personnel and the Related Services under Agreement One shall be transferred to Jingyi. However, due to time limitations and the enormous quantity involved, the official transfer of certain contracts to Jingyi may not have been approved by the other party/parties thereto (hereinafter the "Non-Transferred Contracts"). For such Non-Transferred Contracts, the Parties hereby agree and confirm as follows:

- 2.1 As of the Effective Date, the rights and liabilities, as well as the gains and losses of Zhongjing generated from the Non-Transferred Contracts shall belong to Jingyi (unless otherwise stipulated in this Agreement), notwithstanding the fact that such Non-Transferred Contracts are still held by and performed in the name of Zhongjing. Zhongjing agrees to act as the trustee of Jingyi to receive or hold any interests generated from the Non-Transferred Contracts (including but not limited to certain goods and loans) on behalf of Jingyi, and that such interests are owned by Jingyi. Upon demand, Zhongjing shall deliver such interests to Jingyi;
- 2.2 Zhongjing shall exercise or perform the rights and liabilities under the Non-Transferred Contracts strictly in accordance with the instructions given by Jingyi from time to time, and shall not amend any terms of the Non-Transferred Contracts or terminate the same without Jingyi's prior written consent thereto;
- 2.3 The reasonable expenses incurred by Zhongjing for the purpose of performing the obligations under the paragraph 2.1 above shall be reimbursed by Jingyi, except expenses incurred as a result of negligence or fault on the part of, or other reasons caused by, Zhongjing;



- 2.4 If, as a result of Zhongjing's negligence, fault or other reasons caused by Zhongjing in connection with its holding or performing the Non-Transferred Contracts in its name and on behalf of Jingyi under this Agreement, Jingyi sustains any losses therefrom (including but not limited to legal action expenses and damages), Zhongjing shall sufficiently compensate Jingyi for such losses in a timely manner; and
- 2.5 If there arises such a need that the rights of Jingyi under the Non-Transferred Contracts (including the rights to initiate legal proceedings or arbitration, or to take other necessary actions) be exercised by Zhongjing in its name, Zhongjing shall assist Jingyi by exercising such rights in Zhongjing's name.
- 2.6 Despite of the above agreements in this Article, Zhongjing shall endeavour to perform its obligations under Agreement One Article 2.5. Jingyi undertakes to provide any and all reasonable and necessary assistance and cooperation.

Article Three representations, warranties and undertakings

- 3.1 Each Party hereto represents, warrants and undertakes to the other Parties that:
- (1) it is an independent legal person duly established and in valid existence under the laws of China;
 - (2) it has all requisite authority, power and ability to execute this Agreement and perform the responsibilities and obligations under this Agreement;
 - (3) any and all terms and conditions under this Agreement comply with its Articles of Incorporation, laws and regulations of China, and any agreement entered into with any third party;
 - (4) the representative to sign this Agreement has been dully authorized. This Agreement, upon execution, will constitute legal, valid, binding and enforceable obligations of each of CMCC, Zhongjing and Jingyi.

Article Four Liabilities Arising From Breach Of Contract

- 4.1 In case of any breach of the provisions or representations, warranties and undertakings under this Agreement, the Party that breaches this Agreement shall compensate the other parties hereto or undertake any and all losses, expenses and liabilities arising from the breach of contract of the other parties, including, but not limited to, the relevant legal proceedings or arbitration fees and attorney fees.



Article Five Confidentiality

5.1 Unless stipulated or required by the law or relevant regulatory body, any party hereto shall not provide or disclose any information in relation to the business and finance of the other parties to any institution or individual without the prior written consent of the other parties.

Article Six Force Majeure

6.1 In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days with valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under this Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to work out fair and reasonable remedies and endeavour to solve the problem.

Article Seven Assignment

7.1 Unless agreed otherwise by the Parties, any Party shall not assign all or part of its rights and obligations hereunder without the prior written consent of the other parties.

Article Eight No Waiver

8.1 Unless the law states otherwise, any failure to exercise or delay in exercising its rights or powers by one party hereunder shall not be construed as a waiver of such rights or powers. Any one time or partial exercise of such rights or powers by one party shall not affect any further or complete exercise of such rights or powers.

Article Nine Settlement of Dispute

9.1 Any dispute arising from or in connection with the interpretation or performance of this Agreement shall be settled by the Parties through friendly negotiations conducted among representatives appointed by the Parties for this purpose. In the case that no resolution is reached through consultations within 60 days after the occurrence of such dispute, any Party may bring an action to a competent People's Court in China for its judgment.

Article Ten Governing Law

10.1 This Agreement shall be governed by and interpreted in accordance with Chinese law.

Article Eleven Notices

11.1 Any notice to be given under this Agreement shall be made in writing and sent by hand delivery or mail or facsimile to the other Parties' addresses set out in the front page of this Agreement or to any other address as such Party may designate in writing from time to time.



11.2 Any notice shall be deemed as having been received at the time of delivery if delivered in person; on the second working day of the mailing date as indicated by postal chop if delivered by mail; upon delivery if transmitted by facsimile.

Article Twelve Effectiveness And Miscellaneous

- 12.1 This Agreement shall come into effect upon the date when it is executed and chopped by the legal persons or authorized representatives of the Parties.
- 12.2 Upon the unanimous agreement of the Parties hereto, this Agreement may be amended or supplemented and any of such amendment or supplementary to this Agreement shall be effective only if they are in writing and executed and chopped by the legal persons or authorized representatives of the Parties.
- 12.3 This Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable by a court of competent jurisdiction, then the validity and enforceability of the remaining provisions herein shall remain intact. Under such circumstances, the Parties hereto shall, on the principle of honesty and trust, consult each other to conclude a replacement provision, so as to reach the target of the severed provision.
- 12.4 This Agreement is executed in Chinese in three (3) original counterparts, each of which shall be retained by each party hereto. Each counterpart is equally effective.

PARTY A: BEIJING P&T CONSULTING & DESIGN INSTITUTE COMPANY LIMITED

By: /s/ ZHANG Xiangli

Authorized Representative

PARTY B: BEIJING P&T CONSULTING & DESIGN INSTITUTE

By: /s/ ZHANG Xiangli

Authorized Representative

PARTY C: CHINA MOBILE COMMUNICATIONS CORPORATION

By: /s/ ZHANG Ligui

Legal Person



Exhibit 4.7

[English Translation]

April 23, 2004

Xinjiang Mobile Communication Company Limited

and

Xinjiang Communication Service Company

Agreement on Use of Premises and Related Management Services



Contents

1	PREMISES	3
2	USAGE OF PREMISES	3
3	RELATED MANAGEMENT SERVICES	3
4	PAYMENT OF UTILIZATION FEES AND RELATED SERVICE CHARGES	4
5	COMMITMENT AND GUARANTEE	5
6	IMPROVEMENTS, RENOVATION AND EXTERIOR PUBLICITY OF PARTY B'S PREMISES	6
7	TERM OF THE AGREEMENT	6
8	FORCE MAJEURE	7
9	CONFIDENTIALITY	7
10	ASSIGNMENT	7
11	NO WAIVER	7
12	NOTICE	7
13	GOVERNING LAW AND DISPUTE SETTLEMENT	8
14	EFFECTIVENESS OF THIS AGREEMENT AND MISCELLANEOUS	8
	Attachment I List of Party B's Proprietary Premises and fees	10
	Attachment II List of Third Party's Premises and fees	11



Agreement on

Use of Premises and Related Management Services

This agreement (“**Agreement**”) was entered into between the following Parties in Urumqi, People’s Republic of China (hereinafter referred to as “China”) on April 23, 2004:

BETWEEN

- (1) Xinjiang Mobile Communication Company Limited (hereafter referred to as “Party A”)
Legal representative: Bai ZhiGang
Registered address: No. 78, Nanhu South Road, Urumqi City, Xinjiang Autonomous Region
- (2) Xinjiang Communication Service Company (hereafter referred to as “Party B”)
Legal representative: Bai ZhiGang
Registered address: No. 78, Nanhu South Road, Urumqi City, Xinjiang Autonomous Region

WHEREAS:

- (A) Party A is a limited liability company incorporated and in valid existence under the laws of China and has the right to engage in mobile telecommunications services including constructing and investing in mobile telecommunications network as well as other mobile telecommunications businesses;
- (B) Party B is a company incorporated and in valid existence under the laws of China and has the valid ownership or right of use of the relevant land and premises within Party A’s operating areas;
- (C) In order for Party A to maintain normal production and operation as well as to develop mobile telecommunications, Party A needs to use some of Party B’s Proprietary Premises or premises that Party B has obtained the legal right of use from third parties. Party A also requires Party B’s related management services.
- (D) The two Parties are willing to make fair and reasonable arrangements for the related premises and management services supplied by Party B to Party A.



THEREFORE, the two Parties reach the following agreements through amicable consultation and on the basis of equality and mutual benefit:

1 Premises

1.1 The Premises Party B supplies to Party A for use shall be:

- 1.1.1 some of Party B's proprietary premises, including land and buildings, equipments and facilities affixed to and in such buildings, such as air conditioners, water, heat, light and power supplies (hereinafter referred to as "**Party B's Proprietary Premises**"); and
- 1.1.2 Premises of which Party B has already obtained the right of use from third parties, including land and buildings, equipments and facilities affixed to and in such buildings, such as air conditioners, water, heat, light and power supplies (hereinafter referred to as "**Third Party Premises**").

The above-mentioned "**Party B's Proprietary Premises**" and "**Third Party Premises**" are referred to "**Party B's Premises**".

While signing this Agreement, Party B's Proprietary Premises used by Party A is listed in Attachment I of this Agreement while the Third Party Premises used by Party A is listed in Attachment II of this Agreement.

1.2 During the term of this Agreement, Party A may, due to its operational needs, request that the amount of Party B's Premises space which is utilized be increased or decreased; in such event, Party B shall use best efforts to meet such requirements, subject to its own operational needs and requirements.

2 Usage of Premises

- 2.1 Party B's Premises will be used as offices, retail outlets, operations, warehouses and any other legitimate purposes as agreed upon by the two Parties.
- 2.2 Party A shall not transfer or assign the right of use of Party B's Premises to any third party without the consent of Party B. However, Party B hereby agrees that Party A may transfer or assign the right of use of Party B's Premises to its subsidiaries.

3 Related Management Services

3.1 Party B shall correspondingly provide Party A with related management services with respect to Party B's Premises. Such management services shall include (but not limit to):

- 3.1.1 Daily maintenance for such equipments and facilities inside Party B's Premises as air conditioners, water, electricity, heat, elevators and light supplies, etc;
- 3.1.1 Daily cleaning work of Party B's Premises and relevant garden maintenance within the scope of Party B's Premises;



3.1.2 To pay for water, electricity, gas and other expenses on behalf of Party A;

3.1.3 Daily security services for Party B's Premises.

3.2 Party B may, with written consent of Party A, entrust a third party (inclusive of Party B's subsidiaries, affiliates and other related companies) to provide Party A with related specific services provided that Party B has to make sure that the service quality provided by any such third party meets the requirements under this Agreement and conforms to the state and industry standards. Party B shall undertake the ultimate and full responsibilities for all obligations of the services provided by the third parties. Any additional charges arising from the entrustment of third parties shall be at expense of Party B.

4 Payment of Utilization Fees and Related Service Charges

4.1 Party B shall charge Party A utilization fees and related service charges at standard rates, which shall not be not be higher than the general market leasing charges and property management fees for similar premises. The specific utilization fees and related service charges decided based on this principle are set forth in Attachment I of this Agreement.

4.2 As for the Third Party Premises provided by Party B, Party A only needs to pay Party B the actual amount of utilization fees and property management fees (such utilization fees and property management fees should have been confirmed by Party A in advance. Party B shall submit to Party A, among other things, the tenancy agreements with the third parties, rental period and settlement receipts of property management fees for examination.) as well as taxes that Party B pays to the third parties. No other fees shall be charged by Party B to Party A. Under the circumstances where Party B provides to Party A the management service described in Clause 3 of this Agreement in relation to the Third Party Premises, the related service charges shall not be higher than the general market standards for management fees. The standards for utilization fees and property management fees charged by Party B to Party A in relation to the use of Third Party Premises are stated in Attachment II of this Agreement.

4.3 Party A shall bear all the actual expenses incurred for water, electricity, heat and natural gas, etc. during the term it uses Party B's Premises.

4.4 Party A shall finish checking of the quantity of Party B's Premises used before March 15 and September 15 each year and shall pay Party B the premises utilization fees and related service charges before March 25 and September 25 for the first and second half of that same year respectively.

4.5 Where Party A delays the payment of premises utilization fees and related service charges, it shall pay Party B a penalty of 0.03% of the amount of the late payment for each day of delay.



- 4.6 Where the comprehensive management services provided by Party B do not meet the national standards, industrial criterions or requirements in Clause 5.5 under this Agreement, Party A may, at its discretion, make deductions to the service charge due to Party B for the relevant month of service provided by Party B. Where Party B delays in providing such services, Party A may deduct 3% of the monthly service charge as a penalty for each day of delay.
- 4.7 Party B shall bear any and all payments of taxes in relation to Party B's Proprietary Premises used by Party A.

5 Commitment and Guarantee

- 5.1 Each Party hereto represents, warrants and undertakes to the other Party that this Agreement is valid, effective and equally binding to the two Parties.
- 5.2 Party B guarantees that it has the right to provide Party B's Premises to Party A for use. Where, in any occasion or for any reasons, Party B's property right and/or right of use to the premises is exposed to any objection, which causes Party A's failure to realize its right of use under this Agreement or any other damages, Party B shall compensate Party A for any and all direct economic losses thus incurred to Party A.
- 5.3 Party A guarantees to compensate any and all direct economic losses where Party B's Premises are damaged intentionally by Party A.
- 5.4 Party B guarantees that Party B's Premises provided and delivered to Party A for use be in good conditions as required by Party A. Party B shall conduct regular inspection and repairs to these premises. Where Party A suffers any loss during the use of Party B's Premises due to the poor management of Party B, the latter shall compensate any and all direct economic losses thus incurred to Party A.
- 5.5 Party B guarantees that the comprehensive management services provided by Party B shall be in conformity to the state standards and industrial criterion and meet the following basic requirements:

5.5.1 Equipments & facilities

To ensure normal operation of the equipments and facilities, Party B shall improve its operation system for equipments and facilities, set up a filing system on equipments and facilities, strengthen its routine inspection and patrol, and upkeep its regular maintenance.



5.5.2 Environment & sanitation

All-day cleanliness shall be kept; offices, business locations, corridors and courtyards remain tidy, sanitary and no garbage or sundries are allowed to be piled around; any problem discovered shall be solved in time.

5.5.3 Landscaping

Landscaping shall be up to the related state standards. Plants shall be trimmed, fertilized and irrigated frequently and prevented from the attack by plant diseases and insect pests.

5.5.4 Security

Security shall be up to the level of morality, professionalism and service consciousness and strong skill of defence.

5.5.5 Transportation order and car parking

Transportation and parking shall be in good order.

5.5.6 Water, electricity and gas rate shall be paid on time.

5.5.7 Other related supplementary services shall be supplied in time.

6 Improvements, renovation and exterior publicity of Party B's Premises

Party A may, with written consent of Party B, make decoration, renovation, installation, alteration and improvement inside or outside Party B's Premises at the expense of Party A. Nevertheless, Party A shall guarantee that:

6.1 The decoration, renovation, installation, alteration and improvement shall not change any characteristics of Party B's Premises in any substantial aspects;

6.2 All construction work related to the decoration, renovation, installation, alteration and improvement should be done in a proper manner so that all persons and premises can be protected and Party B's operations nearby will not be disturbed unreasonably.

7 Term of the Agreement

7.1 This Agreement shall be of validity from the day when it comes into force to March 31, 2007. The term of use of Party B's Premises by Party A is subject to Attachment I and Attachment II of this Agreement but shall not be later than March 31, 2007 or the expiry day of the extension period stipulated in Clause 7.2 of this Agreement.

7.2 Where in conformity with the laws and related regulations of China, this Agreement will automatically extend 3 years upon the expiration of this



Agreement or upon the expiration of extension period, unless any of the Parties gives a written notice to the other Party 60 days before the expiration of this Agreement or any extension period informing that it will not renew this Agreement.

8 Force Majeure

In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to terminate or partially waive or extend the performance of such obligations.

9 Confidentiality

Save as otherwise provided or required by the laws or regulatory authorities, neither party shall, without prior written consent (each Party shall not refuse or delay to give the consent without any reasons) of the other Party, offer or disclose the contents of this Agreement or any other materials or information related to the operations of the other Party to any companies, enterprises, organizations or individuals.

10 Assignment

Save as stated in Clause 2.2 and Clause 3.2 under this Agreement, neither Party shall, without the prior written consents of the other Party, transfer or assign any and all of its right(s) or obligation(s) under this Agreement.

11 No waiver

Save as otherwise stipulated by the laws, failure or delay of exercising its rights, power or privileges under this agreement by either Party shall not be construed as a waiver of these rights, power or privileges. Any one time or partial exercise of such rights or powers by one Party shall not affect any further or complete exercise of such rights or powers.

12 Notice

12.1 Any notice in connection with this Agreement shall be made in writing and delivered to the other Party by hand, by post or facsimile transmission. Any notice delivered by hand shall be deemed as received upon delivery; Any notice sent by facsimile transmission shall be deemed as received when the sender's fax shows



“sent”; Any notice delivered by post shall be deemed as received on the 5th working date (accordingly extended for legal holidays) after the mailing date. Any notice shall come into force upon receipt.

12.2 The addresses for service and recipients of the two Parties shall be as follows:

Xinjiang Mobile Communication Company Limited	Xinjiang Communication Service Company
Recipient: Malin	Recipient: Zhang Dong
Address: No. 78, Nanhu South Road, Urumqi City, Xinjiang Autonomous Region	Address: No. 78, Nanhu South Road, Urumqi City, Xinjiang Autonomous Region
Post Code: 830063	Post Code: 830063
Tel: 13909910000-811001	Tel: 13909910000-823001
Fax: 13909910000-811000	Fax: 13909910000-823000

13 Governing law and dispute settlement

- 13.1 This Agreement shall be governed by, construed and executed in accordance with Chinese law.
- 13.2 Any dispute arising from or in connection with the effectiveness, interpretation or performance of this Agreement shall be settled by the Parties through friendly negotiations. In the case that no resolution is reached through consultations within 30 days after the occurrence of such dispute, any Party may submit such disputes to the China International Economic and Trade Arbitration Committee for arbitration in Beijing in accordance with its arbitration rules then in effect. The arbitration award shall be final and binding on each Party to this Agreement. Except for the matters under dispute and submitted for arbitration, the remaining provisions of this Agreement shall remain in effect.

14 Effectiveness of this Agreement and miscellaneous

- 14.1 This Agreement shall come into force after it has been duly executed by the legal persons or representatives of the two Parties.
- 14.2 All attachments of this Agreement are components of this Agreement and equally effective as this Agreement.
- 14.3 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.



- 14.4 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable, then the validity and enforceability of the remaining provisions herein shall remain intact.
- 14.5 The Agreement is executed in Chinese in six (6) original counterparts, one of which shall be retained by each Party hereto, four shall be retained by Party A for filing with the relevant land and real estate authority. Each counterpart is equally effective.

Xinjiang Mobile Communication Company Limited

Xinjiang Communication Service Company

Legal Person or Representative (Signature)

Legal Person or Representative (Signature)

/s/ BAI Zhigang

/s/ BAI Zhigang



Attachment I - List of Party B's Proprietary Premises and fees



Attachment II – List of Third Party Premises and fees



Schedule to Exhibit 4.7

Pursuant to Instruction 2 to Item 601 of Regulation S-K under the Securities Act of 1933, as amended, the following is a schedule of documents substantially identical in all material respects except as to the parties thereto from the document filed as Exhibit 4.7.

Exhibit 4.7 Filed

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Xinjiang Mobile Communication Company Limited
Party B: Xinjiang Communication Services Company

Agreements Substantially Identical to Exhibit 4.7 and Omitted

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Neimenggu Mobile Communication Company Limited
Party B: Neimenggu Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Jilin Mobile Communication Company Limited
Party B: Jilin Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Heilongjiang Mobile Communication Company Limited
Party B: Heilongjiang Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Guizhou Mobile Communication Company Limited
Party B: Guizhou Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Yunnan Mobile Communication Company Limited
Party B: Yunnan Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Xizang Mobile Communication Company Limited
Party B: Xizang Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004
Party A: Gansu Mobile Communication Company Limited
Party B: Gansu Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services
Date: April 23, 2004



Party A: Qinghai Mobile Communication Company Limited
Party B: Qinghai Communication Service Company

Agreement: Agreement on Use of Premises and Related Management Services

Date: April 23, 2004

Party A: Ningxia Mobile Communication Company Limited

Party B: Ningxia Communication Service Company



Exhibit 4.8

[English Translation]

April 27, 2004

Beijing P&T Consulting & Design Institute Company Limited

and

Beijing P&T Consulting & Design Institute

Agreement on Use of Premises and Related Management Services



Contents

1	Premises	1
2	Usage of Premises	2
3	Related Management Services	2
4	Payment of Utilization Fees and Related Service Charges	2
5	Commitment and Guarantee	3
6	Improvements, renovation and exterior publicity of Party B's Premises	4
7	Term of the Agreement	4
8	Force Majeure	4
9	Confidentiality	5
10	Assignment	5
11	No waiver	5
12	Notice	5
13	Governing Law and dispute settlement	6
14	Effectiveness of this Agreement and miscellaneous	6



Agreement on Use of Premises and Related Management Services

This agreement (“**Agreement**”) was entered into between the following parties in Beijing, People’s Republic of China (hereinafter referred to as “**China**”) on April 27, 2004.

BETWEEN

(1) Beijing P&T Consulting & Design Institute Company Limited (hereinafter referred to as “**Party A**”)

Legal representative: Zhang Xiangli

Address of registration: No. 126, Xizhimennei Street, Xicheng District, Beijing

(2) Beijing P&T Consulting & Design Institute(hereinafter referred to as “**Party B**”)

Legal Representative: Zhang Xiangli

Address of registration: No. 126, Xizhimennei Street, Xicheng District, Beijing

WHEREAS:

- (A) Party A is a company incorporated and validly existing under the laws of China, specialized in designing and consulting services on post and telecommunications engineering.
- (B) Party B is an enterprise set up and validly existing under the laws of China;
- (C) In order for Party A to maintain normal production and operations, Party A needs to use some of Party B’s Premises. Party A also requires Party B’s related management services.
- (D) The two Parties are willing to make some fair and reasonable arrangements for the related premisses and management services supplied to by Party B Party A.

THEREFORE, the two parties reach the following agreements through amicable consultation and on the basis of equality and mutual benefit:

1 Premises

- 1.1 The premises Party B provided to Party A are its proprietary premises, including land and buildings, equipments and facilities affixed to and in such buildings, such as air conditioners, water, heat, light and power supplies (hereinafter referred to as “**Party B’s Premises**”). The list of Party B’s Premises are set forth in the Attachment to this Agreement.



1.2 During the term of this Agreement, Party A may, due to its operational needs, request that the amount of Party B's Premises space which is utilized be increased or decreased; in such event, Party B shall use best efforts to meet such requirements, subject to its own operational needs and requirements.

2 Usage of Premises

- 2.1 Party B's Premises will be used as offices, retail outlets, operations, warehouses and any other legitimate purposes as agreed upon by the two Parties.
- 2.2 Party A shall not transfer or assign the right of use of Party B's Premises to any third party without the consent of Party B. However, Party B hereby agrees that Party A may transfer or deliver the right of use of Party B's Premises to its subsidiaries.

3 Related Management Services

- 3.1 Party B shall correspondingly provide Party A with related management services with respect to Party B's Premises. Such management services shall include (but not limit to):
 - 3.1.1 Daily maintenance for such equipments and facilities inside Party B's Premises as air conditioners, water, electricity, heat, elevators and light supplies, etc;
 - 3.1.2 Daily cleaning work of Party B's Premises and relevant garden maintenance within the scope of Party B's Premises;
 - 3.1.3 To pay for water, electricity, gas and other expenses on behalf of Party A;
 - 3.1.4 Daily security services for Party B's Premises.
- 3.2 Party B may, with written consent of Party A, entrust a third party (inclusive of Party B's subsidiaries, affiliates and other related companies) to provide Party A with related specific services provided that Party B has to make sure that the service quality provided by any such third party meets the requirements under this Agreement and conforms to the state and industry standards. Party B shall undertake the ultimate and full responsibilities for all obligations of the services provided by the third parties. Any additional charges arising from the entrustment of such duties to third parties shall be at expense of Party B.

4 Payment of Utilization Fees and Related Service Charges

- 4.1 Party B shall charge Party A for utilization fees and related service charges at standard rates, which shall not be higher than the general market leasing charges and property management fees for similar premises. The specific utilization fees and related service charges decided based on this principle are set forth in the Attachment to this Agreement.
- 4.2 All expenses (including water, electric, heat and natural gas rates, etc) actually arising during the period Party A's use of Party B's Premises shall be at expense of Party A.



- 4.3 Party A shall pay Party B the premises utilization fees and related service charges before May 25 and November 25 for the first and second half of that same year respectively.
- 4.4 Where Party A delays the payment of premises utilization fees and related service charges, it shall pay Party B a penalty of 0.03% of the amount of the late payment for each day of delay.
- 4.5 Where the comprehensive management services provided by Party B do not meet the national standards, industrial criteria or requirements in Clause 5.5 under this Agreement, Party A may, at its discretion, make deductions to the service charge due to Party B for the relevant month of service provided by Party B. Where Party B delays in providing such services, Party A may deduct 3% of the monthly service charge as a penalty for each day of delay.
- 4.6 Party B shall bear any and all payments of taxes in relation to Party B's Premises used by Party A.

5 Commitment and Guarantee

- 5.1 Each Party hereto represents, warrants and undertakes to the other Party that this Agreement is valid, effective and equally binding to the two Parties.
- 5.2 Party B guarantees that it has the right to provide Party B's Premises to Party A for use. Where, in any occasion or for any reasons, Party B's property right and/or right of use to the premises is exposed to any objection, which causes Party A's failure to realize its right of use under this Agreement or any other damages, Party B shall compensate Party A for any and all direct economic losses thus incurred to Party A.
- 5.3 Party A guarantees to compensate any and all direct economic losses where Party B's Premises are damaged intentionally by Party A.
- 5.4 Party B guarantees that Party B's Premises provided and delivered to Party A for use be in good conditions as required by Party A. Party B shall conduct regular inspection and repairs to these premises. Where Party A suffers any loss during the use of Party B's Premises due to the poor management of Party B, the latter shall compensate any and all direct economic losses thus incurred to Party A.
- 5.5 Party B guarantees that the comprehensive management services provided by Party B shall be in conformity to the state standards and industrial criterion and meet the following basic requirements:

5.5.1 Equipments & facilities

To ensure normal operation of the equipments and facilities, Party B shall improve its operation system for equipments and facilities, set up a filing system on equipments and facilities, strengthen its routine inspection and patrol, and upkeep its regular maintenance.



5.5.2 Environment & sanitation

All-day cleanliness shall be kept; offices, business locations, corridors and courtyards remain tidy, sanitary and no garbage or sundries are allowed to be piled around; any problem discovered shall be solved in time.

5.5.3 Landscaping

Landscaping shall be up to the related state standards. Plants shall be trimmed, fertilized and irrigated frequently and prevented from the attack by plant diseases and insect pests.

5.5.4 Security

Security shall be up to the level of morality, professionalism and service consciousness and strong skill of defence.

5.5.5 Transportation order and car parking

Transportation and parking shall be in good order.

5.5.6 Water, electricity and gas rate shall be paid on time.

5.5.7 Other related supplementary services shall be supplied in time.

6 **Improvements, renovation and exterior publicity of Party B's Premises**

Party A may, with written consent of Party B, make decoration, renovation, installation, alteration and improvement inside or outside Party B's Premises at the expense of Party A. Nevertheless, Party A shall guarantee that:

6.1 The decoration, renovation, installation, alteration and improvement shall not change any characteristics of Party B's Premises in any substantial aspects;

6.2 All construction work related to the decoration, renovation, installation, alteration and improvement should be done in a proper manner so that all persons and premises can be protected and Party B's operations nearby will not be disturbed unreasonably.

7 **Term of the Agreement**

7.1 This Agreement shall be of validity from the day when it comes into force to March 31, 2007.

7.2 The term of use of Party B's Premises by Party A shall be 3 years from March 21, 2004 to March 21, 2007.

8 **Force Majeure**

In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of



such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to terminate or partially waive or extend the performance of such obligations.

9 Confidentiality

Save as otherwise provided or required by the laws or regulatory authorities, neither Party shall, without prior written consent (each Party shall not refuse or delay to give the consent without any reasons) of the other Party, offer or disclose the contents of this Agreement or any other materials or information related to the operations of the other Party to any companies, enterprises, organizations or individuals.

10 Assignment

Save as stated in Clause 2.2 and Clause 3.2 under this Agreement, neither Party shall, without the prior written consents of the other Party, transfer or assign any and all of its right(s) or obligation(s) under this Agreement.

11 No waiver

Save as otherwise stipulated by the laws, failure or delay of exercising its rights, power or privileges under this Agreement by either Party shall not be construed as a waiver of these rights, power or privileges. Any one time or partial exercise of such rights or powers by one Party shall not affect any further or complete exercise of such rights or powers.

12 Notice

12.1 Any notice in connection with this Agreement shall be made in writing and delivered to the other Party by hand, by post or facsimile transmission. Any notice delivered by hand shall be deemed as received upon delivery; Any notice sent by facsimile transmission shall be deemed as received when the sender's fax shows "sent"; Any notice delivered by post shall be deemed as received on the 5th working date (accordingly extended for legal holidays) after the mailing date. Any notice shall come into force upon receipt.

12.2 The addresses for service and recipients of the two Parties shall be as follows:

Beijing P&T Consulting & Design Institute
Company Limited

Beijing P&T Consulting & Design Institute

Recipient: Li Yongming

Recipient: Zhang Qidong

Address: No. 126, Xizhimennei Street,
Xicheng District, Beijing

Address: No. 126, Xizhimennei Street,
Xicheng District, Beijing

Post Code: 100035

Post Code: 100035

Tel: 66118311

Tel: 66118322

Fax: 66118355

Fax: 66118322



13 Governing Law and dispute settlement

- 13.1 This Agreement shall be governed by, construed and executed in accordance with Chinese law.
- 13.2 Any dispute in connection with validity, interpretation or performance of this Agreement arising between the two Parties shall be settled through amicable consultation. Where it cannot be settled through consultation within 30 days from the day when the dispute arises, either Party may submit the dispute to China International Economic and Trade Arbitration Commission for arbitration in Beijing according to the currently valid arbitration rules. The arbitration award shall be final and binding upon the two Parties. Save as the matters in dispute for arbitration, other parts of this Agreement shall remain valid during the period of arbitration.

14 Effectiveness of this Agreement and miscellaneous

- 14.1 This Agreement shall come into force upon execution by the legal persons or representatives of the two Parties.
- 14.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 14.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable, then the validity and enforceability of the remaining provisions herein shall remain intact.
- 14.4 The Agreement is executed in Chinese in six (6) original counterparts, one of which shall be retained by each Party hereto, four shall be retained by Party A for filing with the relevant land and real estate authority. Each counterpart is equally effective.

**Beijing P&T Consulting & Design Institute
Company Limited**

Beijing P&T Consulting & Design Institute

Legal Person or Representative (Signature)

Legal Person or Representative (Signature)

/s/ ZHANG Xiangli

/s/ ZHANG Xiangli



Attachment: List of Utilization Fees and Related Service Charges regarding Party B's Premises



Exhibit 4.9

[English Translation]

April 23, 2004

China Mobile Communication Co., Ltd

and

China Mobile Communications Corporation

Agreement on Use of Premises and Related Management Services



Contents

1	Premises	1
2	Usage of Premises	2
3	Related Management Services	2
4	Payment of Utilization Fees and Related Service Charges	2
5	Commitment and Guarantee	3
6	Improvements, renovation and exterior signage of Party B's Premises	4
7	Term of the Agreement and term of use of Party B's Premises	4
8	Force Majeure	4
9	Confidentiality	4
10	Assignment	5
11	No waiver	5
12	Notice	5
13	Governing law and dispute settlement	5
14	Effectiveness of this Agreement and miscellaneous	6



Agreement on Use of Premises and Related Management Services

This agreement (“**Agreement**”) was made and entered into between the following Parties in Beijing, People’s Republic of China (hereinafter referred to as “**China**”) on April 23, 2004.

BETWEEN

(1) **China Mobile Communication Co., Ltd** (hereinafter referred to as “**Party A**”)

Legal Representative: Wang Xiaochu

Address of registration: No. 29, Financial Street, Xicheng District, Beijing

(2) **China Mobile Communications Corporation** (hereinafter referred to as “**Party B**”)

Legal representative: Zhang Ligui

Address of registration: No. 29, Jinrong Avenue, Xicheng District, Beijing

WHEREAS:

- (A) Party A is a limited company incorporated and validly existing under the laws of China. Party A is a subsidiary of Party B.
- (B) Party B is a limited liability company incorporated and in valid existence under the laws of China and has the right to engage in mobile telecommunications services including constructing and investing in mobile telecommunications network as well as other mobile telecommunications businesses.
- (C) In order for Party A to maintain normal production and operations, Party A needs to use some premises that Party B has the right of use. Party A also requires Party B’s related management services.
- (D) The two Parties are willing to make fair and reasonable arrangements for the related premises and supplementary management services supplied by Party B to Party A.

THEREFORE, the two Parties reach the following agreements through amicable consultation and on the basis of equality and mutual benefit:

1 Premises

- 1.1 The premises provided by Party B to Party A for use shall be a part of the office building that Party B has obtained the right of use at 53A, Xibianmengnei Avenue, Xuanwu District, Beijing, including the related equipments and facilities such as air conditioners, water, heat, light and power supplies, etc. (hereinafter referred to as “**Party B’s Premises**”) with a surface area of 15,041 sqm.
- 1.2 During the term of this Agreement, Party A may, due to its operational needs, request that the amount of Party B’s Premises space which is utilized be increased or decreased; in such event, Party B shall use best efforts to meet such requirements, subject to its own operational needs and requirements.



2 Usage of Premises

- 2.1 Party B's Premises will be used as offices, operations, warehouses and any other legitimate purposes as agreed upon by the two Parties.
- 2.2 Party A shall not transfer or assign the right of use of Party B's Premises to any third party without the consent of Party B. However, Party B hereby agrees that Party A may transfer or deliver the right of use of Party B's Premises to its subsidiaries.

3 Related Management Services

- 3.1 Party B shall correspondingly provide Party A with related management services with respect to Party B's Premises. Such management services shall include (but not limit to):
 - 3.1.1 Daily maintenance for such equipments and facilities inside Party B's Premises as air conditioners, water, electricity, heat, elevators and light supplies, etc;
 - 3.1.2 Daily cleaning work of Party B's Premises and relevant garden maintenance within the scope of Party B's Premises;
 - 3.1.3 Daily security services for Party B's Premises.
- 3.2 Party B may, with written consent of Party A, entrust a third party (inclusive of Party B's subsidiaries, affiliates and other related companies) to provide Party A with related specific services provided that Party B has to make sure that the service quality provided by any such third party meets the requirements under this agreement and conforms to the state and industry standards. Party B shall undertake the ultimate and full responsibilities for all obligations of the services provided by the third parties. Any additional charges arising from the entrustment of third parties shall be at expense of Party B.

4 Payment of Utilization Fees and Related Service Charges

- 4.1 Party B shall charge Party A for utilization fees and related service charges at standard rates, which shall not be higher than the general market leasing charges and property management fees for similar premises. The specific utilization fees and related service charges decided based on this principle shall total RMB864 for each square meter per year, i.e. total RMB7,797,600 yuan a year.
- 4.2 All expenses (including water, electric, heat and natural gas rates, etc) actually arising during the period Party A's use of Party B's Premises shall be at expense of Party A.
- 4.3 Party A should pay the annual premises utilization fees and related service charges to Party B before November 25, 2004. Later on, Party A shall pay Party B for the same before May 25 for the first half of each year.
- 4.4 Where Party A delays the payment of premises utilization fees and related service charges, it shall pay Party B a penalty of 0.03% of the amount of the late payment for each day of delay.



- 4.5 Where the comprehensive management services provided by Party B do not meet the national standards, industrial criteria or requirements in Clause 5.5 under this Agreement, Party A may, at its discretion, make deductions to the service charge due to Party B for the relevant month of service provided by Party B. Where Party B delays in providing such services, Party A may deduct 3% of the monthly service charge as a penalty for each day of delay.
- 4.6 Party B shall bear any and all payments of taxes in relation to Party B's proprietary premises used by Party A.

5 Commitment and Guarantee

- 5.1 Each Party hereto represents, warrants and undertakes to the other Party that this Agreement is valid, effective and equally binding to the two Parties.
- 5.2 Party B guarantees that it has the right to provide Party B's Premises to Party A for use. Where, in any occasion or for any reasons, Party B's property right and/or right of use to the Premises is exposed to any objection, which causes Party A's failure to realize its right of use under this Agreement or any other damages, Party B shall compensate Party A for any and all direct economic losses thus incurred to Party A.
- 5.3 Party A guarantees to compensate any and all direct economic losses where Party B's Premises are damaged intentionally by Party A.
- 5.4 Party B guarantees that Party B's Premises provided and delivered to Party A for use is in good conditions as required by Party A. Party B shall conduct regular inspection and repairs to these premises. Where Party A suffers any loss during the use of Party B's Premises due to the poor management of Party B, the latter shall compensate any and all direct economic losses thus incurred to Party A.
- 5.5 Party B guarantees that the comprehensive management services provided by Party B shall be in conformity to the state standards and industrial criterion and meet the following basic requirements:

5.5.1 Equipments & facilities

To ensure normal operation of the equipments and facilities, Party B shall improve its operation system for equipments and facilities, set up a filing system on equipments and facilities, strengthen its routine inspection and patrol, and upkeep its regular maintenance.

5.5.2 Environment & sanitation

All-day cleanliness shall be kept; offices, business locations, corridors and courtyards remain tidy, sanitary and no garbage or sundries are allowed to be piled around; any problem discovered shall be solved in time.

5.5.3 Landscaping

Landscaping shall be up to the related state standards. Plants shall be trimmed, fertilized and irrigated frequently and prevented from the attack by plant diseases and insect pests.



5.5.4 Security

Security shall be up to the level of morality, professionalism and service consciousness and strong skill of defence.

5.5.5 Transportation order and car parking

Transportation and parking shall be in good order.

5.5.6 Water, electricity and gas rate shall be paid on time.

5.5.7 Other related supplementary services shall be supplied in time.

6 Improvements, renovation and exterior signage of Party B's Premises

Party A may, with written consent of Party B, make decoration, renovation, installation, alteration and improvement inside or outside Party B's Premises at the expense of Party A. Nevertheless, Party A shall guarantee that:

6.1 The decoration, renovation, installation, alteration and improvement shall not change any characteristics of Party B's Premises in any substantial aspects;

6.2 All construction work related to the decoration, renovation, installation, alteration and improvement should be done in a proper manner so that all persons and premises can be protected and Party B's operations nearby will not be disturbed unreasonably.

7 Term of the Agreement and term of use of Party B's Premises

7.1 This Agreement shall be of validity from the day when it comes into force to March 31, 2007.

7.2 The term of use of Party B's Premises by Party A shall be from January 1, 2004 to December 31, 2005. The term of use of Party B's premises will automatically extend 1 year or extend again after the first year extension until the expiration of this Agreement unless any of the Parties gives a written notice to the other Party 60 days before the expiration of this Agreement. The rights and obligations of the two Parties during the extension shall still apply in this Agreement.

8 Force Majeure

In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to terminate or partially waive or extend the performance of such obligations.

9 Confidentiality

Save as otherwise provided or required by the laws or regulatory authorities, neither Party shall, without prior written consent (each Party shall not refuse or delay to give the consent without any reasons) of the other Party, offer or disclose the contents of this Agreement or any other materials or information related to the operations of the other Party to any companies, enterprises, organizations or individuals.

**10 Assignment**

Save as stated in Clause 2.2 and Clause 3.2 under this Agreement, neither Party shall, without the prior written consents of the other Party, transfer or assign any and all of its right(s) or obligation(s) under this Agreement.

11 No waiver

Save as otherwise stipulated by the laws, failure or delay of exercising its rights, power or privileges under this Agreement by either Party shall not be construed as a waiver of these rights, power or privileges. Any one time or partial exercise of such rights or powers by one Party shall not affect any further or complete exercise of such rights or powers.

12 Notice

12.1 Any notice in connection with this Agreement shall be made in writing and delivered to the other Party by hand, by post or facsimile transmission. Any notice delivered by hand shall be deemed as received upon delivery; Any notice sent by facsimile transmission shall be deemed as received when the sender's fax shows "sent"; Any notice delivered by post shall be deemed as received on the 5th working date (accordingly extended for legal holidays) after the mailing date. Any notice shall come into force upon receipt.

12.2 The addresses for service and recipients of the two Parties shall be as follows:

China Mobile Communication Co., Ltd	China Mobile Communications Corporation
Recipient: Liu Wenli	Recipient: Liu Wenli
Address: No. 29, Jinrong Avenue, Xicheng District, Beijing	Address: No. 29, Jinrong Avenue, Xicheng District, Beijing
Post Code: 100032	Post Code: 100032
Tel: 66006688-1108	Tel: 66006688-1108
Fax: 66006110	Fax: 66006110

13 Governing law and dispute settlement

13.1 This Agreement shall be governed by, construed and executed in accordance with Chinese law.

13.2 Any dispute in connection with validity, interpretation or performance of this Agreement arising between the two Parties shall be settled through amicable consultation. Where it cannot be settled through consultation within 30 days from the day when the dispute arises, either Party may submit the dispute to China International Economic and Trade



Arbitration Commission for arbitration in Beijing according to the currently valid arbitration rules. The arbitration award shall be final and binding upon the two Parties. Save as the matters in dispute for arbitration, other parts of this agreement shall remain valid during the period of arbitration.

14 Effectiveness of this Agreement and miscellaneous

- 14.1 This Agreement shall come into force upon execution by the legal persons or representatives of the two Parties.
- 14.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 14.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable, then the validity and enforceability of the remaining provisions herein shall remain intact.
- 14.4 The Agreement is executed in Chinese in six (6) original counterparts, one of which shall be retained by each Party hereto, four shall be retained by Party A for filing with the relevant land and real estate authority. Each counterpart is equally effective.

China Mobile Communication Co., Ltd

China Mobile Communications Corporation

Legal Representative (Signature)

Legal Representative (Signature)

/s/ WANG Xiaochu

/s/ XUE Taohai



Exhibit 4.10

[English Translation]

April 23, 2004

China Mobile Communications Corporation

and

China Mobile Communication Co., Ltd

Agreement on Use of Premises and Related Management Services



Contents

1	Premises	1
2	Usage of Premises	2
3	Related Management Services	2
4	Payment of Utilization Fees and Related Service Charges	2
5	Commitment and Guarantee	3
6	Improvements, renovation and exterior signage of Party B's Premises	4
7	Term of the Agreement and term of use of Party B's Premises	4
8	Force Majeure	4
9	Confidentiality	4
10	Assignment	5
11	No waiver	5
12	Notice	5
13	Governing law and dispute settlement	5
14	Effectiveness of this Agreement and miscellaneous	6



Agreement on Use of Premises and Related Management Services

This agreement (“**Agreement**”) was made and entered into between the following Parties in Beijing, People’s Republic of China (hereinafter referred to as “**China**”) on April 23, 2004.

BETWEEN

(1) **China Mobile Communications Corporation** (hereinafter referred to as “**Party A**”)

Legal Representative: Zhang Ligui

Address of registration: No. 29, Jinrong Avenue, Xicheng District, Beijing

(2) **China Mobile Communication Co., Ltd** (hereinafter referred to as “**Party B**”)

Legal Representative: Wang Xiaochu

Address of registration: No. 29, Financial Street, Xicheng District, Beijing

WHEREAS:

- (A) Party A is a limited liability company incorporated and in valid existence under the laws of China and has the right to engage in mobile telecommunications services including constructing and investing in mobile telecommunications network as well as other mobile telecommunications businesses;
- (B) Party B is a limited company incorporated and validly existing under the laws of China. Party A is the controlling shareholder of Party B.
- (C) In order for Party A to maintain normal production and operations, Party A needs to use some of Party B’s proprietary premises. Party A also requires Party B’s related management services.
- (D) The two Parties are willing to make fair and reasonable arrangements for the related premises and supplementary management services supplied by Party B to Party A.

THEREFORE, the two Parties reach the following agreements through amicable consultation and on the basis of equality and mutual benefit:

1 Premises

1.1 The premises provided to Party A for use by Party B shall be part of its proprietary headquarters building at No. 29, Jinrong Avenue, Xicheng District, Beijing, including the related equipments and facilities such as air conditioners, water, heat, light and power supplies, etc. (hereinafter referred to as “**Party B’s Premises**”) with a surface area of 14, 961 sqm.



1.2 During the term of this Agreement, Party A may, due to its operational needs, request for increase or decrease of the amount of Party B's Premises space which is utilized; Party B shall use best efforts to meet such requirements, subject to its own operational needs and requirements.

2 Usage of Premises

- 2.1 Party B's Premises will be used as offices, operations, warehouses and any other legitimate purposes as agreed upon by the two Parties.
- 2.2 Party A shall not transfer or assign the right of use of Party B's Premises to any third party without the consent of Party B. However, Party B hereby agrees that Party A may transfer or deliver the right of use of Party B's Premises to its subsidiaries.

3 Related Management Services

- 3.1 Party B shall correspondingly provide Party A with related management services with respect to Party B's Premises. Such management services shall include (but not limit to):
 - 3.1.1 Daily maintenance for such equipments and facilities inside Party B's Premises as air conditioners, water, electricity, heat, elevators and light supplies, etc;
 - 3.1.2 Daily cleaning work of Party B's Premises and relevant garden maintenance within the scope of Party B's Premises;
 - 3.1.3 Daily security services for Party B's Premises.
- 3.2 Party B may, with written consent of Party A, entrust a third party (inclusive of Party B's subsidiaries, affiliates and other related companies) to provide Party A with related specific services provided that Party B has to make sure that the service quality provided by any such third party meets the requirements under this Agreement and conforms to the state and industry standards. Party B shall undertake the ultimate and full responsibilities for all obligations of the services provided by the third parties. Any additional charges arising from the entrustment of third parties shall be at expense of Party B.

4 Payment of Utilization Fees and Related Service Charges

- 4.1 Party B shall charge Party A for utilization fees and related service charges at standard rates, which shall not be higher than the general market leasing charges and property management fees for similar premises. The specific utilization fees and related service charges decided based on this principle shall total RMB2, 520 for each square meter per year, i.e. total RMB37, 701,720 yuan a year.
- 4.2 Party A should pay the annual premises utilization fees and related service charges to Party B before November 25, 2004. Later on, Party A shall pay Party B for the same before May 25 and November 25 for the first and second half of each year respectively.
- 4.3 Where Party A delays the payment of premises utilization fees and related service charges, it shall pay Party B a penalty of 0.03% of the amount of the late payment for each day of delay.



- 4.4 Where the comprehensive management services provided by Party B do not meet the national standards, industrial criteria or requirements in Clause 5.5 under this Agreement, Party A may, at its discretion, make deductions to the service charge due to Party B for the month of service provided by Party B. Where Party B delays in providing such services, Party A may deduct 3% of the monthly service charge as a penalty for each day of delay.
- 4.5 Party B shall bear any and all payments of taxes in relation to Party B's Premises used by Party A.

5 Commitment and Guarantee

- 5.1 Each Party hereto represents, warrants and undertakes to the other Party that this Agreement is valid, effective and equally binding to the two Parties.
- 5.2 Party B guarantees that it has the right to provide Party B's Premises to Party A for use. Where, in any occasion or for any reasons, Party B's property right and/or right of use to the premises is exposed to any objection, which causes Party A's failure to realize its right of use under this Agreement or any other damages, Party B shall compensate Party A for any and all direct economic losses thus incurred to Party A.
- 5.3 Party A guarantees to compensate any and all direct economic losses where Party B's Premises are damaged intentionally by Party A.
- 5.4 Party B guarantees that Party B's Premises provided and delivered to Party A for use be in good conditions as required by Party A. Party B shall conduct regular inspection and repairs to these premises. Where Party A suffers any loss during the use of Party B's Premises due to the poor management of Party B, the latter shall compensate any and all direct economic losses thus incurred to Party A.
- 5.5 Party B guarantees that the comprehensive management services provided by Party B shall be in conformity to the state standards and industrial criterion and meet the following basic requirements:

5.5.1 Equipments & facilities

To ensure normal operation of the equipments and facilities, Party B shall improve its operation system for equipments and facilities, set up a filing system on equipments and facilities, strengthen its routine inspection and patrol, and upkeep its regular maintenance.

5.5.2 Environment & sanitation

All-day cleanliness shall be kept; offices, business locations, corridors and courtyards remain tidy, sanitary and no garbage or sundries are allowed to be piled around; any problem discovered shall be solved in time.

5.5.3 Landscaping

Landscaping shall be up to the related state standards. Plants shall be trimmed, fertilized and irrigated frequently and prevented from the attack by plant diseases and insect pests.

5.5.4 Security

Security shall be up to the level of morality, professionalism and service consciousness and strong skill of defence.



- 5.5.5 Transportation order and car parking
Transportation and parking shall be in good order.
- 5.5.6 Water, electricity and gas rate shall be paid on time.
- 5.5.7 Other related supplementary services shall be supplied in time.

6 Improvements, renovation and exterior signage of Party B's Premises

Party A may, with written consent of Party B, make decoration, renovation, installation, alteration and improvement inside or outside Party B's Premises at the expense of Party A. Nevertheless, Party A shall guarantee that:

- 6.1 The decoration, renovation, installation, alteration and improvement shall not change any characteristics of Party B's Premises in any substantial aspects;
- 6.2 All construction work related to the decoration, renovation, installation, alteration and improvement should be done in a proper manner so that all persons and premises can be protected and Party B's operations nearby will not be disturbed unreasonably.

7 Term of the Agreement and term of use of Party B's Premises

- 7.1 This Agreement shall be of validity from the day when it comes into force to March 31, 2007.
- 7.2 The term of use of Party B's Premises by Party A shall be from February 1, 2004 to January 31, 2005. The term of use of Party B's Premises will automatically extend 1 year or extend again after the first year extension until the expiration of this Agreement unless any of the Parties gives a written notice to the other Party 60 days before the expiration of this Agreement. The rights and obligations of the two Parties during the extension shall still apply in this Agreement.

8 Force Majeure

In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event, and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to terminate or partially waive or extend the performance of such obligations.

9 Confidentiality

Save as otherwise provided or required by the laws or regulatory authorities, neither Party shall, without prior written consent (each Party shall not refuse or delay to give the consent without any reasons) of the other Party, offer or disclose the contents of this Agreement or any other materials or information related to the operations of the other Party to any companies, enterprises, organizations or individuals.



10 Assignment

Save as stated in Clause 2.2 and Clause 3.2 under this Agreement, neither Party shall, without the prior written consents of the other Party, transfer or assign any and all of its right(s) or obligation(s) under this Agreement.

11 No waiver

Save as otherwise stipulated by the laws, failure or delay of exercising its rights, power or privileges under this Agreement by either Party shall not be construed as a waiver of these rights, power or privileges. Any one time or partial exercise of such rights or powers by one Party shall not affect any further or complete exercise of such rights or powers.

12 Notice

12.1 Any notice in connection with this Agreement shall be made in writing and delivered to the other Party by hand, by post or facsimile transmission. Any notice delivered by hand shall be deemed as received upon delivery; Any notice sent by facsimile transmission shall be deemed as received when the sender's fax shows "sent"; Any notice delivered by post shall be deemed as received on the 5th working date (accordingly extended for legal holidays) after the mailing date. Any notice shall come into force upon receipt.

12.2 The addresses for service and recipients of the two Parties shall be as follows:

China Mobile Communications Corporation	China Mobile Communication Co., Ltd
Recipient: Liu Wenli	Recipient: Liu Wenli
Address: No. 29, Jinrong Avenue, Xicheng District, Beijing	Address: No. 29, Jinrong Avenue, Xicheng District, Beijing
Post Code: 100032	Post Code: 100032
Tel: 66006688-1108	Tel: 66006688-1108
Fax: 66006110	Fax: 66006110

13 Governing law and dispute settlement

13.1 This Agreement shall be governed by, construed and executed in accordance with Chinese law.

13.2 Any dispute in connection with validity, interpretation or performance of this Agreement arising between the two Parties shall be settled through amicable consultation. Where it cannot be settled through consultation within 30 days from the day when the dispute arises, either Party may submit the dispute to China International Economic and Trade



Arbitration Commission for arbitration in Beijing according to the currently valid arbitration rules. The arbitration award shall be final and binding upon the two Parties. Save as the matters in dispute for arbitration, other parts of this Agreement shall remain valid during the period of arbitration.

14 Effectiveness of this Agreement and miscellaneous

- 14.1 This Agreement shall come into force upon execution by the legal persons or representatives of the two Parties.
- 14.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 14.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable, then the validity and enforceability of the remaining provisions herein shall remain intact.
- 14.4 The Agreement is executed in Chinese in six (6) original counterparts, one of which shall be retained by each Party hereto, four shall be retained by Party A for filing with the relevant land and real estate authority. Each counterpart is equally effective.

China Mobile Communications Corporation

China Mobile Communication Co., Ltd

Legal Representative (Signature)

Legal Representative (Signature)

/s/ XUE Taohai

/S/ WANG Xiaochu

**Exhibit 4.11**

[English Translation]

**Consent Letter to the Substitution Of Borrowers
Under The Consigned Loan Contract**Feb 13th 2004

TO: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Please refer to the Consigned Loan Contract (hereinafter refers to the Consigned Loan Contract) entered into between China Mobile Communications Corporation (hereinafter "CMCC") as consigner, Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China (hereinafter refers to the Banker) as consignee and Neimenggu Communication Service Company (hereinafter "the Service Company") (formerly known as Neimenggu Mobile Communication Company) as borrower, set out in the appendix to this letter. The purpose of this letter is to notify you of a substitution of borrower under the Consigned Loan Contract.

The Service Company is a wholly-owned subsidiary of CMCC. As a state-authorized investment organization and state-owned experimental enterprise, CMCC intends to conduct an asset restructuring among its telecommunications service companies, namely, to inject the assets, liabilities and interests of the Service Company in relation to mobile telecommunications operations, in the name of CMCC, into Neimenggu Mobile Communication Company Limited (hereinafter "Neimenggu Mobile"), a newly established wholly-owned subsidiary of CMCC, after the appraisal and approval of the Commission of the State-owned Assets Supervision and Administration of the State Council. Upon the completion of the reconstruction, Neimenggu Mobile will be mainly engaged in mobile telecommunications operations while the Service Company mainly deals with communication services and other related businesses. China Mobile (Hong Kong) Limited intends to acquire the ten mobile telecommunications companies including Neimenggu Mobile from CMCC (hereinafter "the Acquisition").

Subject to the aforesaid assets reconstruction, from the date when the mobile telecommunications related assets, operations and liabilities and interests are injected into Neimenggu Mobile (that is the date when the Asset Injection Agreement is executed by CMCC, Neimenggu Mobile and the Service Company, hereinafter as the "Injection Effective Date"), the borrower under the terms and conditions of the Consigned Loan Contract as stated in the attachment to this letter, will be changed from the Service Company to Neimenggu Mobile.

CMCC, the Service Company and Neimenggu Mobile hereby consent and confirm that, (i) from the Injection Effective Date, Neimenggu Mobile shall replace the Service Company and continue to perform the Consigned Loan Contract in accordance with the terms and conditions of the Consigned Loan Contract as originally executed (the accumulative liabilities and responsibilities before the Injection Effective Date will also be assumed by Neimenggu Mobile); (ii) if



Neimenggu Mobile will be changed into a foreign-invested enterprise in accordance with relevant laws and regulations, it will continue performing the Consigned Loan Contract as listed in the appendix to this letter in accordance with its terms and conditions as originally executed.

CMCC, the Service Company and Neimenggu Mobile hereby consent and confirm that this letter shall not be performed in the event that the following conditions are not satisfied: (i) China Mobile (Hong Kong) Limited has obtained the waiver from the Stock Exchange of Hong Kong Limited (hereinafter "the Stock Exchange") with regard to the constitution of the transaction under the Consigned Loan Contract as a connected transaction under the Listing Rules of the Stock Exchange, or the Consigned Loan Contract has been approved by the independent shareholders of China Mobile (Hong Kong) Limited; and (ii) the completion of the Acquisition by China Mobile (Hong Kong) Limited.

In accordance with legal requirements, any information about the relevant restructuring and Acquisition shall not be disclosed before the completion of the aforesaid restructuring and Acquisition. The Banker shall keep in strictest confidence the issues raised in this letter.

This letter is executed in five (5) original counterparts. Please execute and return three (3) original copies before 27 February 2004. Thank you for your cooperation.

Legal representative or its authorized person /s/ ZHANG Ligui
 For and on behalf of
 China Mobile Communications Corporation (Seal)

Legal representative or its authorized person /s/ YANG Quanguai
 For and on behalf of
 Neimenggu Communication Service Company (Seal)

Legal representative or its authorized person /s/ LIU Xuefeng
 For and on behalf of
 Neimenggu Mobile Communication Company Limited (Seal)

Feb [•] 2004

We hereby consent and confirm that:

- (1) From the Injection Effective Date, Neimenggu Mobile shall replace the Service Company and independently and fully perform the Consigned Loan Contract in accordance with the terms and conditions of the Consigned Loan Contract as originally executed (the accumulative liabilities and responsibilities before the Injection Effective Date will also be assumed by Neimenggu Mobile).



- (2) In the event that Neimenggu Mobile changes into a foreign-invested enterprise in accordance with relevant laws and regulations, the Consigned Loan Contract between Neimenggu Mobile and the Banker as list out in the appendix to this letter will remain effective and no other consent should be required to obtain from the Banker by Neimenggu Mobile.
- (3) Despite the aforesaid agreements, this letter shall not be performed in the event that the following conditions are not satisfied: (i) China Mobile (Hong Kong) Limited has obtained the waiver from the Stock Exchange with regard to the constitution of the transaction under the Consigned Loan Contract as a connected transaction under the Listing Rules of the Stock Exchange; or the Consigned Loan Contract has been approved by the independent shareholders of China Mobile (Hong Kong) Limited; and (ii) the completion of the Acquisition by China Mobile (Hong Kong) Limited.

Legal representative or its authorized person /s/ JI Guang Heng

For and on behalf of
Beijing Chang'an Sub-branch of Industrial and
Commercial Bank of China (Seal)

Appendix: List of Consigned Loan Contract

No.	Contract No.	Date of Borrowing	Amount	Outstanding Amount	Term of Contract	Date of Repayment
1	Year 2003, No.013	2003.7.8	800,000,000	600,000,000	1 Year	2004.7.7
Total	—	—	800,000,000	600,000,000	—	—



Schedule to Exhibit 4.11

Pursuant to Instruction 2 to Item 601 of Regulation S-K under the Securities Act of 1933, as amended, the following is a schedule of documents substantially identical in all material respects except as to the parties thereto and the annex of the list of consigned loan contracts from the document filed as Exhibit 4.11.

Exhibit 4.11 Filed

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Neimenggu Communication Service Company
Party C: Neimenggu Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Agreements Substantially Identical to Exhibit 4.11 and Omitted

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Jilin Communication Service Company
Party C: Jilin Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Heilongjiang Communication Service Company
Party C: Heilongjiang Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Guizhou Communication Service Company
Party C: Guizhou Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China



Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Gansu Communication Service Company
Party C: Gansu Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Qinghai Communication Service Company
Party C: Qinghai Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Ningxia Communication Service Company
Party C: Ningxia Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China

Agreement: Consent Letter to the Substitution of Borrowers Under The Consigned Loan Contract
Date: February 13, 2004
Party A: China Mobile Communications Corporation
Party B: Xinjiang Communication Service Company
Party C: Xinjiang Mobile Communication Company Limited
Party D: Beijing Chang'an Sub-branch of Industrial and Commercial Bank of China



Exhibit 4.12

[English Translation]

April 27, 2004

China Mobile Communication Co., Ltd

and

China Mobile Communications Corporation

Agreement on Sharing of Administrative Services

and

Administrative Costs



Contents

1	Sharing of administrative services	1
2	Sharing of administrative costs	2
3	Commitment and guarantee	2
4	Liabilities arising from breach of contract	3
5	Term of the agreement	3
6	Force majeure	3
7	Confidentiality	4
8	Assignment	4
9	No waiver	4
10	Notice	4
11	Law applicable and dispute settlement	5
12	Effectiveness of the Agreement and miscellaneous	5



Agreement on Sharing of Administrative Services and Administrative Costs

This agreement (“**Agreement**”) is made and entered into between the following Parties in Beijing, People’s Republic of China (hereinafter referred to as “**China**”) on April 27, 2004.

Party A: China Mobile Communication Co., Ltd

Registered Address: No. 29, Jinrong Avenue, Xicheng District, Beijing

Party B: China Mobile Communications Corporation

Registered Address: No. 29, Jinrong Avenue, Xicheng District, Beijing

WHEREAS:

- (A) Party A is a company incorporated and validly existing under the laws of China.
- (B) Party B is a company incorporated and validly existing under the laws of China, and holds 100% of the equity interests in Party A.
- (C) China Mobile (Hong Kong) Limited intends to acquire from Party B the entire interests in Party A and mobile telecommunications companies in Neimenggu etc. ten provinces/autonomous regions as well as the entire interests in Beijing P&T Consulting and Design Institute Co., Ltd. (hereinafter as “**Acquisition**”).
- (D) Party A has a series of administrative departments such as corporate affairs department, human resources department, finance department, etc (hereinafter as “**Related Administrative Departments**”).
- (E) For the purpose of leveraging Party A’s resources and improving respective operating efficiency, Party A and Party B agree to share the related services of the Related Administrative Departments and the relevant administrative costs.

THEREFORE, the two Parties, with the principles of fair and reasonable, reached the following agreements in connection with the sharing of administrative services and related costs:

1 Sharing of administrative services

Party A agrees that, upon the completion of the Acquisition, the related administrative departments, while performing the related administrative functions for China Mobile (Hong Kong) Limited and its subsidiaries, will also provide Party B the following administrative services in accordance with the terms and conditions of this Agreement, which Party B agrees to accept:

- 1.1 comprehensive administrative services provided by the corporate affairs department;



- 1.2 manpower and labour resources administrative services provided by the human resources department;
- 1.3 accounting and finance administrative services provided by the finance department; and
- 1.4 other administrative, research & development and supporting services provided by other Related Administrative Departments.

2 Sharing of administrative costs

- 2.1 Party B shall pay Party A related costs for the administrative services provided by the Related Administrative Departments of Party A, and the amount of which shall be calculated on the basis of the actual costs arising from the administrative services shared by the two Parties.
- 2.2 For those costs and expenses incurred to the Related Administrative Departments of Party A which can be directly identified and attributable to the relevant Party according to the contents of the job, they shall be directly chargeable to the respective accounts of the relevant Party; while for those costs and expenses that cannot be directly identified and attributable to the relevant Party, including costs for personnel, business trips, office expenses and convention expenses of Party A's staff engaged in administrative services, costs rendered in relation to Party A's equipments and facilities, relevant maintenance fees and other daily operating expenses in connection with such administrative services, they shall be determined in accordance with the administrative services shared by Party A and Party B in terms of the working time and workload of the staff of Related Administrative Departments respectively occupied by the two Parties. Party A and Party B agree, upon calculation, on the sharing ratio as 60% and 40%, i.e. Party B should share 40% of the administrative costs.
- 2.3 The above-mentioned administrative costs shared by the Parties shall be calculated quarterly by the two Parties and Party B shall pay to Party A the related shared costs for the last quarter before the 15th of the first month of the next quarter.

3 Commitment and guarantee

- 3.1 Each Party hereto represents, warrants and undertakes to the other Party that this Agreement is valid, effective and equally binding to the two Parties.
- 3.2 Party A undertakes that the administrative services shared with Party B shall be at the same standard and level of quality as the administrative services enjoyed by Party A.
- 3.3 Party A undertakes that Party A shall promptly inform Party B if, for any reason (save as Party B's fault), Party B is unable to receive all or part of the administrative services to be shared with Party B under this Agreement, and make every effort to assist Party B in obtaining the same or similar services from other channels.
- 3.4 Party B undertakes that it will pay to Party A its proportionate share of administrative costs in strict conformity with the means and term as agreed upon in this Agreement.
- 3.5 Party B undertakes to accept the administrative services provided by Party A as agreed upon in this Agreement, and provide all necessary conditions and assistance, and not to cause any damages to Party A due to its act or omission.



4 Liabilities arising from breach of contract

- 4.1 Where Party B fails to pay Party A its proportionate share of administrative costs in a timely manner as agreed upon in this Agreement, a penalty of 0.03% of the amount of the late payment shall be paid to Party A for each day of delay. Party A shall have the right to terminate the corresponding services by written notice if Party B is overdue in making payment for over 60 days. If Party B still fails to make the relevant payment 30 days after the receipt of the said written notice, Party A may terminate the corresponding administrative services or this Agreement. However, such termination of the relevant administrative services or this Agreement shall have no impact on the rights or obligations of the two Parties occurred or generated according to this Agreement therebefore.
- 4.2 Where Party A fails to promptly provide Party B with the agreed administrative services within a reasonable period or within the reasonable period notified in advance by Party B, the former shall pay Party B a penalty of 0.03% of its share of administrative costs for the relevant month for each day of delay. If Party A is overdue in making payment for over 60 day, Party B shall have the right to terminate such administrative services by written notice; If Party A still fails to provide the relevant administrative services 30 days after the receipt of the said written notice, Party B may terminate this Agreement. However, the termination of the relevant administrative services or this Agreement shall have no impact on the rights or obligations of the two Parties occurred or arising under this Agreement prior to the date of termination.
- 4.3 Either Party to this Agreement shall be liable for its breach of contract and indemnify for any and all losses thus incurred to the other Party due to its breach of this Agreement. Nevertheless, the breaching party shall not be liable for any loss resulted from force majeure incidents.

5 Term of the Agreement

- 5.1 This Agreement shall be of validity until December 31, 2005.
- 5.2 Provided that the laws and regulations has been fully complied with, unless any Party, within 60 days before the expiration of this Agreement or any extension of this Agreement, informs the other Party in writing that it will not renew the Agreement, this Agreement will be automatically renewed for 3 years upon the expiration of this Agreement or the extension of this Agreement.
- 5.3 Despite the contents agreed upon in Clause 5.1 and 5.2, Party B shall have the right to unilaterally cancel this Agreement within the valid period or extension of this Agreement. This Agreement shall be terminated from the date when Party A receives the written notice of such revocation from Party B.

6 Force majeure

In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party to perform the related obligations hereunder, the affected Party shall immediately notify the other Parties of such event,



and provide the other Parties within fifteen (15) days valid documents of proof evidencing the detailed occurrence of such event, and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to terminate or partially waive or extend the performance of such obligations.

7 Confidentiality

Save as otherwise provided or required by the laws or regulatory authorities, neither Party shall, without prior written consent (each Party shall not refuse or delay to give the consent without any reasons) of the other Party, offer or disclose the contents of this Agreement or any other materials or information related to the operations of the other Party to any companies, enterprises, organizations or individuals.

8 Assignment

This Agreement is a special Agreement on Sharing of Administrative Services and Administrative Costs. Neither Party shall, without the prior written consent of the other Party, transfer or assign any and all of its right(s) or obligation(s) under this Agreement.

9 No waiver

Save as otherwise stipulated by the laws, failure or delay of exercising its rights, power or privileges under this Agreement by either Party shall not be construed as a waiver of these rights, power or privileges. Any one time or partial exercise of such rights or powers by one Party shall not affect any further or complete exercise of such rights or powers.

10 Notice

10.1 Any notice in connection with this Agreement shall be made in writing and delivered to the other Party by hand, by post or facsimile transmission. Any notice delivered by hand shall be deemed as received upon delivery; Any notice sent by facsimile transmission shall be deemed as received when the sender's fax shows "sent"; Any notice delivered by post shall be deemed as received on the 5th working date (accordingly extended for legal holidays) after the mailing date. Any notice shall come into force upon receipt.

10.2 The addresses for service and recipients of the two Parties shall be as follows:

China Mobile Communication Co., Ltd	China Mobile Communications Corporation
Recipient: Liu Wenli	Recipient: Liu Wenli
Address: No. 29, Jinrong Avenue, Xicheng District, Beijing	Address: No. 29, Jinrong Avenue, Xicheng District, Beijing
Post Code: 100032	Post Code: 100032
Tel: 66006688-1108	Tel: 66006688-1108
Fax: 66006110	Fax: 66006110



11 Law applicable and dispute settlement

- 11.1 This Agreement shall be governed by, construed and executed in accordance with China laws.
- 11.2 Any dispute in connection with validity, interpretation or performance of this Agreement arising between the two Parties shall be settled through amicable consultation. Where it cannot be settled through consultation within 30 days from the day when the dispute arises, either Party may submit the dispute to China International Economic and Trade Arbitration Commission for arbitration in Beijing according to the currently valid arbitration rules. The arbitration award shall be final and binding upon the two Parties. Save as the matters in dispute for arbitration, other parts of this Agreement shall remain valid during the period of arbitration.

12 Effectiveness of this Agreement and miscellaneous

- 12.1 This Agreement shall come into force upon execution by the legal persons or representatives of the two Parties and on the completion date of the Acquisition.
- 12.2 Upon the unanimous agreement of the Parties hereto, the Agreement may be amended or supplemented and any of such amendment or supplementary to the Agreement shall be effective only if they are in writing and executed by the legal persons or authorized representatives of the Parties.
- 12.3 The Agreement is severable. Should any provision hereof for any reason at any time be declared invalid or unenforceable, then the validity and enforceability of the remaining provisions herein shall remain intact.
- 12.4 The Agreement is executed in Chinese in three (3) original counterparts, one of which shall be retained by each Party hereto, one shall be retained by Party A for filing with the relevant authority. Each counterpart is equally effective.

China Mobile Communication Co., Ltd (seal)

Legal or Authorized Representative
(Signature)

/S/ WANG Xiaochu

China Mobile Communications Corporation (seal)

Legal or Authorized Representative
(Signature)

/S/ ZHANG Ligui



Exhibit 4.13

[English Translation]

April 23, 2004

CHINA MOBILE COMMUNICATIONS CORPORATION

AND

CHINA MOBILE COMMUNICATION COMPANY LIMITED

TRADEMARK LICENSING AGREEMENT



Table of Contents

I.	DEFINITIONS	1
II.	GRANT OF LICENSE	2
III.	LICENSING FEE	2
IV.	THE LICENSING TERM	2
V.	RIGHTS AND OBLIGATIONS OF THE PARTIES	2
VI.	LIABILITIES ARISING FROM BREACH OF CONTRACT	4
VII.	EFFECTIVENESS AND TERMINATION OF CONTRACT	4
VIII.	DISPUTE RESOLUTIONS AND APPLICABLE LAWS	5
IX.	MISCELLANEOUS	5



TRADEMARK LICENSING AGREEMENT

This Trademark Licensing Agreement (this "Agreement") is entered into among the following two parties as of 23 April 2004 in Beijing, the People's Republic of China ("China"):

The Licensor (Party A): China Mobile Communications Corporation

The Licensee (Party B): China Mobile Communication Company Limited

WHEREAS

- A. Party A is the lawful owner of the Licensed Trademarks (as defined herein);
- B. Party A agrees to license Party B for the use of the Licensed Trademarks in accordance with the terms and conditions of this Agreement;
- C. Party B agrees to use the Licensed Trademarks in accordance with the terms and conditions of this Agreement.

After due consideration, in order to protect Party A's legal rights in the Licensed Trademarks and Party B's legal rights in the use of the Licensed Trademarks, Party A and Party B agree as follows:

I. DEFINITIONS

Except as otherwise provided herein, the following terms shall have the meanings set forth below:

- 1.1 Licensed Trademarks: the "China Mobile" trademarks in the Chinese language and the English language, the graphic trademarks and the trademarks formed by a combination of each of the foregoing trademarks as set forth in the Appendix hereto registered by Party A at the State Trademark Bureau of China (refer to the Appendix as to the trademarks and Trademark Registration Certificates).
- 1.2 Third Parties: any individuals, legal persons, companies, enterprises, governmental departments or other economic entities or organizations other than the parties to this Agreement.
- 1.3 Force Majeure: all unforeseeable, unavoidable events or the effect of which are insurmountable, that materially affect a party's capability to perform its obligations under this Agreement, in whole or in part.



II. GRANT OF LICENSE

- 2.1 Party A hereby agrees that it shall grant Party B the non-exclusive right to use the Licensed Trademarks and allow Party B to use the Licensed Trademarks within its operating regions, business scope and licensing terms in accordance with the terms and conditions of this Agreement.
- 2.2 Party B shall not assign any of its rights or obligations hereunder to any Third Parties or re-license any third party to use the Licensed Trademarks without the written consent of Party A.

III. LICENSING FEE

- 3.1 Party A agrees that Party B shall have the right to use the Licensed Trademarks without compensation during the licensing term.

IV. THE LICENSING TERM

- 4.1 Party A agrees that the licensing term for Party B to use the Licensed Trademarks under this Agreement shall come into effect on 27 February 2004 and expire after 31 December 2007.

V. RIGHTS AND OBLIGATIONS OF THE PARTIES

5.1 The Rights And Obligations Of Party A

- 5.1.1 Party A has the right to supervise Party B's use of the Licensed Trademarks and prevent itself from any damages caused by Party B's use of the Licensed Trademarks. The use of the Licensed Trademarks includes but not limited to any products, packages, labels, advertisements, written materials and promotional campaigns in relation to the Licensed Trademarks.
- 5.1.2 Party A has the right to require Party B to provide with the following information:
 - (1) all relevant information about any litigations or claims in relation to the Licensed Trademarks filed by any governmental authorities, other organizations and individuals;
 - (2) any forms, letterheads or other symbolizing samples or their copies bearing the Licensed Trademarks.
- 5.1.3 Party A undertakes to Party B that Party A has not created or allowed, and will not create or allow, the existence of any guarantee, pledge or encumbrance otherwise relating to the Licensed Trademarks prior to the execution of this Agreement and during the term of this Agreement. Party A further undertakes that the Licensed Trademarks shall not infringe the valid rights of any Third Parties during the terms of this Agreement.



- 5.1.4 Party A shall maintain and renew the registration of the Licensed Trademarks and pay the relevant costs as well as file all necessary applications.
- 5.1.5 Party A shall provide Party B with the most updated corporate trademark handbook (and any of its further updated or revised versions) in relation to Party B's use of the Licensed Trademarks in accordance with the terms and conditions hereof in a timely manner after the execution of this Agreement. Party B shall perform this Agreement in accordance with the most updated standards set forth in the same Handbook provided by Party A.

5.2 The Rights And Obligations Of Party B

- 5.2.1 Party B has the right to use the Licensed Trademarks under this Agreement within its business scope.
- 5.2.2 Party B shall not change any languages, graphics or its combination of Party A's registered trademarks, nor shall Party B surpass the licensed scope in using the Licensed Trademarks.
- 5.2.3 Party B shall not have the right to file any registration application for the Licensed Trademarks, any trademarks, service logos, other names, marks or languages, or any packages, commercial exteriors, color graphics or designs that bear resemblance to the Licensed Trademarks in any country or region without obtaining the prior written consent of Party A.
- 5.2.4 Party B shall have the obligation to provide any reasonable assistance to Party A to protect the Licensed Trademarks.
- 5.2.5 Party B shall not cause any damages or negative impact on Party A or Party A's businesses and reputation in using the Licensed Trademarks, nor shall Party B combine the Licensed Trademarks with any of its own trademarks or any other logos to create any new trademarks including the Licensed Trademarks or bearing resemblance to the Licensed Trademarks.
- 5.2.6 If Party B knows of any infringement or threatened infringement of Party A's right in the Licensed Trademarks, Party B shall immediately notify Party A and provide Party A with a report detailing all of its knowledge about the foregoing matter. Upon receipt of the foregoing notice and report from Party B, Party A shall take all appropriate actions to stop the actual or threatened infringement. Party B shall cooperate with Party A in connection with the above actions.
- 5.2.7 Party B shall take the confidentiality obligations to Party A's trade secrets under and in relation to this Agreement.



VI. LIABILITIES ARISING FROM BREACH OF CONTRACT

- 6.1 Any party violating any articles under this Agreement will be construed as breach of contract. The Party that breaches the Agreement shall compensate the other party for any and all losses, expenses and liabilities arising from such breach of contract.
- 6.2 In the event of the failure of any party to this Agreement to perform the obligations and duties under this Agreement due to the events of Force Majeure, the affected party shall not be held liable for any breach arising from such events.

VII. EFFECTIVENESS AND TERMINATION OF CONTRACT

- 7.1 This Agreement shall come into effect on the date that the parties duly execute this Agreement and terminate on the expiry date of the term. The parties may further negotiate and renew this Agreement upon unanimous agreement after its expiration.
- 7.2 Party A shall have the right to terminate this Agreement in any of the following events:
 - a. Party B breaches this Agreement or any obligation hereunder and fail to cure such breach within thirty days after the receipt of a written notice from Party A with a detailed account of the acts of breach;
 - b. Party A no longer directly or indirectly holds any interest in Party B;
 - c. Party B goes bankrupt, becomes the subject under any liquidation and dissolution proceedings, discontinues its operations, or fails to pay its debts on schedule.
- 7.3 Party B shall have the right to terminate this Agreement in any of the following events:
 - a. Party A breaches this Agreement or any of the representations and warranties hereunder and fail to cure such breach within thirty days after the receipt of a written notice from Party B with a detailed account of the acts of breach;
 - b. Party A no longer has any proprietary right in the registered Licensed Trademarks.
- 7.4 If any party wishes to terminate this Agreement in accordance with the above articles, it shall notify the other party in writing with a 60-day advance notice. Such notice shall provide its reasons for termination, and this Agreement will be terminated upon expiration of such 60-day period.
- 7.5 After the termination of this Agreement:
 - a. Party B's right to use the Licensed Trademarks shall be immediately terminated and Party B shall not continue its use of the Licensed Trademarks and attempt to register or use trademarks, service logos, other names, marks, languages, package profiles, color, design or graphics same as or similar to the Licensed Trademarks;



- b. Party B shall provide to Party A or its designated Affiliates any materials in its custody with respect to or containing a Licensed Trademark, or make alterations to such materials so that they no longer incorporate any Licensed Trademark; and
- c. In the event of earlier termination of this Agreement, the parties shall notify the relevant local administration for industry and commerce and the Trademark Administration of such termination within one (1) month after the termination date.

VIII. DISPUTE RESOLUTIONS AND APPLICABLE LAWS

- 8.1 For any disputes arising from the effectiveness, interpretation or performance of this Agreement, the parties shall endeavor to resolve in a friendly manner. In the event of any failure to resolve such disputes after consultation, any party may submit such disputes to the China International Economic and Trade Arbitration Committee for arbitration in Beijing in accordance with its arbitration rules then in effect. The arbitration award shall be final and binding on each party to this Agreement. Except for the matters under dispute and submitted for arbitration, the remaining provisions of this Agreement shall remain in effect.
- 8.2 The laws of China shall govern the making, validity, interpretation and performance of this Agreement and its dispute resolutions.
- 8.3 This Agreement is severable. If any provision is rendered illegal or unenforceable by a competent arbitration committee but has no fundamental effect on the effectiveness of this Agreement, such provision shall not affect the validity and performance of the remaining provisions of this Agreement.

IX. MISCELLANEOUS

- 9.1 This Agreement shall constitute the entire agreement between the parties with respect to the agreed matters relating to this Agreement and supercede any intentions or understanding of the parties with respect to such matters or any previously executed agreements, contracts or written documents.
- 9.2 Any amendments to this Agreement shall only become effective upon the execution of a written agreement between the respective authorized representative of each party to this Agreement, and such amendments shall be filed with the State Trademarks Bureau and the relevant local administration for industry and commerce.
- 9.3 The Appendix of this Agreement is equally effective as this Agreement.
- 9.4 This Agreement is executed in five (5) original counterparts, two of which shall be retained by each party hereto and one shall be retained by Party A for filing with the government authority administering in industry and commerce.



9.5 Any matter that is not addressed under this Agreement shall be dealt with by the parties separately.

China Mobile Communications Corporation
Legal Person (Authorized Representative)

China Mobile Communication Company Limited
Legal Person (Authorized Representative)

/S/ ZHANG Ligui

/S/ WANG Xiaochu

Date:

Date:

APPENDIX

Licensed Trademarks And Numbers Of Registration Certificates



Exhibit 8.1

LIST OF MAJOR SUBSIDIARIES

<u>NAME OF ENTITY AND BUSINESS NAME (IF DIFFERENT)</u>	<u>JURISDICTION OF INCORPORATION</u>
Guangdong Mobile Communication Company Limited	China
Zhejiang Mobile Communication Company Limited	China
Jiangsu Mobile (BVI) Limited	British Virgin Islands
Jiangsu Mobile Communication Company Limited	China
Fujian Mobile (BVI) Limited	British Virgin Islands
Fujian Mobile Communication Company Limited	China
Henan Mobile (BVI) Limited	British Virgin Islands
Henan Mobile Communication Company Limited	China
Hainan Mobile (BVI) Limited	British Virgin Islands
Hainan Mobile Communication Company Limited	China
Beijing Mobile (BVI) Limited	British Virgin Islands
Beijing Mobile Communication Company Limited	China
Shanghai Mobile (BVI) Limited	British Virgin Islands
Shanghai Mobile Communication Company Limited	China
Tianjin Mobile (BVI) Limited	British Virgin Islands
Tianjin Mobile Communication Company Limited	China
Hebei Mobile (BVI) Limited	British Virgin Islands
Hebei Mobile Communication Company Limited	China
Liaoning Mobile (BVI) Limited	British Virgin Islands
Liaoning Mobile Communication Company Limited	China
Shandong Mobile (BVI) Limited	British Virgin Islands
Shandong Mobile Communication Company Limited	China
Guangxi Mobile (BVI) Limited	British Virgin Islands



Guangxi Mobile Communication Company Limited	China
Aspire Holdings Limited	Cayman Islands
Aspire (BVI) Limited	British Virgin Islands
Anhui Mobile (BVI) Limited	British Virgin Islands
Anhui Mobile Communication Company Limited	China
Jiangxi Mobile (BVI) Limited	British Virgin Islands
Jiangxi Mobile Communication Company Limited	China
Chongqing Mobile (BVI) Limited	British Virgin Islands
Chongqing Mobile Communication Company Limited	China
Sichuan Mobile (BVI) Limited	British Virgin Islands
Sichuan Mobile Communication Company Limited	China
Hubei Mobile (BVI) Limited	British Virgin Islands
Hubei Mobile Communication Company Limited	China
Hunan Mobile (BVI) Limited	British Virgin Islands
Hunan Mobile Communication Company Limited	China
Shaanxi Mobile (BVI) Limited	British Virgin Islands
Shaanxi Mobile Communication Company Limited	China
Shanxi Mobile Communication (BVI) Limited	British Virgin Islands
Shanxi Mobile Communication Company Limited	China



Exhibit 11.1

CHINA MOBILE (HONG KONG) LIMITED
CODE OF ETHICS FOR COVERED OFFICERS

I. Introduction

China Mobile (Hong Kong) Limited (with its subsidiaries, the “Company”) has adopted this code of ethics (this “Code”), which is applicable to its Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, Assistant Chief Financial Officer and General Manager of the Finance Department and the President of each subsidiary of the Company, the Vice President in charge of the finance function of each subsidiary of the Company and the General Manager of the Finance Department of each subsidiary of the Company (collectively, the “Covered Officers”), to:

- promote honest and ethical conduct, including the ethical handling of conflicts of interest;
- promote full, fair, accurate, timely and understandable disclosure;
- promote compliance with applicable laws and governmental rules and regulations; and
- deter wrongdoing.

Any questions of this Code shall be directed to the General Counsel of China Mobile (Hong Kong) Limited. Notwithstanding the foregoing, each Covered Officer is required at all times to comply with this Code in a timely manner, and any questions regarding this Code raised by a Covered Officer shall not under any circumstances have the effect of delaying or deferring such Covered Officer’s obligations to comply with this Code in a timely manner.

II. Covered Officers Should Act Honestly and Candidly

Each Covered Officer owes a duty to the Company to act with integrity. Integrity requires, among other things, being honest and candid. Deceit and subordination of principle are inconsistent with integrity.

Each Covered Officer must:

- act with integrity, including being honest and candid while still maintaining the confidentiality of information where required or consistent with the Company’s policies;
- observe both the form and spirit of laws and governmental rules and regulations, accounting standards and Company policies; and
- adhere to a high standard of business ethics.

III. Covered Officers Should Avoid Conflicts of Interest

A “conflict of interest” occurs when an individual’s private interest interferes or appears to interfere with the interests of the Company. A conflict of interest can arise when a Covered Officer takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. For example, a conflict of interest would arise if a Covered Officer, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company.



Service to the Company should never be subordinated to personal gain and advantage.

Each Covered Officer must:

- avoid conflicts of interest wherever possible;
- discuss any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest with both the Head of the Internal Audit Department and the General Counsel of China Mobile (Hong Kong) Limited; and
- approval of such a material transaction or relationship by the Board of Directors of China Mobile (Hong Kong) Limited is required; a list of those approvals and a summary of such material transactions or relationships shall be submitted semi-annually to the Audit Committee.

Some clear conflict of interest situations that should always be discussed with both the Head of the Internal Audit Department and the General Counsel of China Mobile (Hong Kong) Limited and approved by the Board of Directors of China Mobile (Hong Kong) Limited, if material, include the following:

- any significant ownership interest in any supplier or customer;
- any consulting, directorship or employment relationship with any customer, supplier or competitor;
- any outside business activity that detracts from an individual's ability to devote appropriate time and attention to his or her responsibilities with the Company;
- the receipt of non-nominal gifts or excessive entertainment from any company with which the Company has current or prospective business dealings;
- being in the position of supervising, reviewing or having any influence on the job evaluation, pay or benefit of any immediate family member; and
- selling anything to the Company or buying anything from the Company, except on the same terms and conditions as comparable officers or directors are permitted to so purchase or sell.

Anything that would present a conflict for a Covered Officer would likely also present a conflict if it is related to a member of his or her family.

IV. Disclosure

Each Covered Officer is required to be familiar with and comply with the Company's disclosure controls and procedures applicable to him or her so that the Company's public reports and documents filed with any applicable regulatory authorities comply in all material respects with the applicable securities laws and regulations. In addition, each Covered Officer having direct or supervisory authority regarding these filings or the Company's other public communications concerning its business, results of operations, financial condition and prospects should, to the extent appropriate within his or her area of responsibility, consult with other Company officers and employees and take other appropriate steps regarding these disclosures with the goal of making full, fair, accurate, timely and understandable disclosure.

Each Covered Officer must:

- familiarize himself or herself with the disclosure requirements applicable to the Company as well as the business and financial operations of the Company;



- not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, whether within or outside the Company, including to the Company's independent auditors, governmental regulators and self-regulatory organizations; and
- properly review and critically analyze proposed disclosure for accuracy and completeness (or, where appropriate, delegate this task to others).

V. Reporting and Accountability

The Board of Directors of China Mobile (Hong Kong) Limited is responsible for applying this Code to specific situations in which questions are presented to it and has the authority to interpret this Code in any particular situation. Any Covered Officer who becomes aware of any existing or potential violation of this Code is required to notify the Head of the Internal Audit Department of China Mobile (Hong Kong) Limited promptly. Failure to do so is itself a violation of this Code. Each Covered Officer must not retaliate against any employee or other officer for reports of potential violations that are made in good faith.

The Head of the Internal Audit Department and the General Counsel of China Mobile (Hong Kong) Limited shall take all action it considers appropriate to investigate any violations reported to them, in consultation with the Board of Directors of China Mobile (Hong Kong) Limited. If a violation has occurred, the Company will take such disciplinary or preventive action as it deems appropriate, after consultation with the Board of Directors of China Mobile (Hong Kong) Limited.

The Company will follow the following procedures in investigating and enforcing this Code, and in reporting on the Code:

- Violations and potential violations will be reported by the Head of the Internal Audit Department of China Mobile (Hong Kong) Limited to the Board of Directors of China Mobile (Hong Kong) Limited after appropriate investigation.
- The Board of Directors of China Mobile (Hong Kong) Limited will take all appropriate action to investigate any violations reported to it.
- If the Board of Directors of China Mobile (Hong Kong) Limited determines that a violation has occurred, it will take such disciplinary or preventive action as it deems appropriate, up to and including dismissal or, in the event of criminal or other serious violations of law, notification of the applicable regulatory or other appropriate law enforcement authorities.
- Any changes to or waivers of this Code will, to the extent required, be promptly disclosed as provided by applicable laws, rules and regulations.

VI. Compliance

It is the Company's policy to comply with all applicable laws and governmental rules and regulations. It is the personal responsibility of each Covered Officer to adhere to the standards and restrictions imposed by those laws, rules and regulations, including those relating to accounting and auditing matters.

It is not the Company's intention to grant or to permit waivers from the requirements of this Code. The Covered Officers should note that the Company expects full compliance with this Code.



Exhibit 12.1

CERTIFICATION

I, WANG Xiaochu, certify that:

1. I have reviewed this annual report on Form 20-F of China Mobile (Hong Kong) Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) [omitted pursuant to the guidance of Release Nos. 33-8238 (June 5, 2003) and 33-8392 (February 24, 2004)];
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 17, 2004

/s/ WANG Xiaochu

Name: WANG Xiaochu
Title: Chairman and Chief Executive Officer



Exhibit 12.2

CERTIFICATION

I, XUE Taohai, certify that:

1. I have reviewed this annual report on Form 20-F of China Mobile (Hong Kong) Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) [omitted pursuant to the guidance of Release Nos. 33-8238 (June 5, 2003) and 33-8392 (February 24, 2004)]
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 17, 2004

/s/ XUE Taohai

Name: XUE Taohai
Title: Executive Director, Vice President and
Chief Financial Officer



Exhibit 13.1

CHINA MOBILE (HONG KONG) LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, WANG Xiaochu, Chairman and Chief Executive Officer of China Mobile (Hong Kong) Limited (the "Company"), hereby certifies, to his knowledge, that the Company's annual report on Form 20-F for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 17, 2004

/s/ WANG Xiaochu

Name: WANG Xiaochu
Title: Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.



Exhibit 13.2

CHINA MOBILE (HONG KONG) LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, XUE Taohai, Executive Director, Vice President and Chief Financial Officer of China Mobile (Hong Kong) Limited (the "Company"), hereby certifies, to his knowledge, that the Company's annual report on Form 20-F for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 17, 2004

/s/ XUE Taohai

Name: XUE Taohai
Title: Executive Director, Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.



蘇利文·克倫威爾美國律師事務所
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June 17, 2004

Securities and Exchange Commission,
 450 Fifth Street, N.W.,
 Washington, D.C. 20549.

Re: China Mobile (Hong Kong) Limited
2003 Annual Report on Form 20-F

Dear Sirs/Madams:

On behalf of China Mobile (Hong Kong) Limited (the "Company"), enclosed for filing via EDGAR under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder is the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2003, together with exhibits thereto ("Form 20-F").

By copy of this letter, we are also transmitting one manually signed copy of the Form 20-F (including all exhibits filed herewith) to the New York Stock Exchange, Inc.

Please direct any questions to the undersigned in Hong Kong at (852) 2826-8608 or through our Washington office at (202) 956-7500.

Very truly yours,

/s/ Ling Yang

Ling Yang

(Enclosures)

cc: New York Stock Exchange, Inc.

Ping Liu
 Yimin Guan
 Jacky Yung
 David Kreider
 Mirian Niu
 (China Mobile (Hong Kong) Limited)

Chun Wei
 William Chua
 Jiang Liu
 (Sullivan & Cromwell LLP)