

- **Improving corporate governance**
- **Enhancing corporate value**
- **Generating greater returns for shareholders**

The Company's goal has always been to enhance its corporate value, focusing on the stable and positive long-term growth of EBITDA, net profit and cash flow, to ensure the sustainable long-term development of the Company and to generate greater returns for shareholders. We are dedicated to implementing effective corporate governance. We firmly believe that by improving our corporate management, increasing transparency and establishing effective accountability mechanisms, the Company will be able to better achieve the above objectives and operate in a more orderly manner. This will, in turn, promote investor confidence in the Company. The Company's efforts and achievements in corporate governance has won popular recognition from various sectors, and the Company has received a number of awards from internationally-renowned professional organizations and journals. These awards and honors have brought much pride and encouragement to the Company's management and employees, and stimulated sustained efforts and the will to achieve greater accomplishments.

The Board of Directors

The Board is responsible for the management of the Company and must be accountable to the shareholders for their entrusted assets and resources. The key responsibilities of the Board include formulating of the Group's overall strategies, setting management targets and supervising the management's performance. There are currently four non-executive directors, three of whom are independent non-executive directors. Independent non-executive directors are selected individuals whose objective judgements are not subject to the influence of the Company or its substantial shareholders. Furthermore, these individuals are precluded from assuming executive positions in the Company. Independent non-executive directors owe a fiduciary duty to the Company and its shareholders and, in particular, are entrusted with the responsibility of protecting the interests of the minority shareholders. They serve as an important balancing factor in the functioning of the Board and represent a crucial element of corporate governance. In addition, their broad experience in business and finance is vital to the successful development of the Company. All independent non-executive directors have confirmed their independency to the Company. The Board usually meets four times each year. Board meetings are convened in accordance with established practices (including those relating to reporting and supervision). The Board currently has three principal board committees, which are the audit committee, the remuneration committee and the nomination committee. In compliance with the Code of Corporate Governance Practices issued by the Hong Kong Stock Exchange in November 2004 and the new requirements regarding corporate governance of the New York Stock Exchange ("NYSE"), the Board in

December 2004 passed and amended the terms of reference of the audit committee, the remuneration committee and the nomination committee with reference to the new requirements, and resolved that each director would be subject to retirement by rotation at least once every three years, with effect from 1 January 2005.

Audit Committee

In 1998, the Company established the audit committee, which is comprised solely of independent non-executive directors. The audit committee's primary responsibilities include reviewing the Group's financial reports, the related auditors' review report and management's responses to the review report, discussing the audit procedures with the auditors as well as any issues arising out of such procedures, and reviewing the auditors' appointment, the auditors' fees and any matters relating to the termination of the appointment or resignation of the auditors. In addition, the audit committee will also examine the effectiveness of the Group's internal controls, review the Group's internal audit plan, and submit relevant reports and recommendations to the Board on a regular basis. The audit committee usually meets four times each year.



Remuneration Committee

In 2000, the Company established the remuneration committee, which is comprised solely of independent non-executive directors. The primary responsibilities of the remuneration committee include advising the Board in relation to the remuneration structure and costs of the Company's executive directors and executives, as well as representing 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. In 2004, the remuneration committee held two meetings, mainly to review and endorse the progress report on the implementation of the Group's employee positioning, remuneration and performance evaluation reforms, and report on employee share option subscription and the performance incentive program.

Nomination Committee

In 2001, the Company established the nomination committee, which is now comprised solely of independent non-executive directors. The primary responsibilities of the nomination committee include reviewing, advising and making recommendations to the Board on matters in relation to the appointment and re-appointment of Board members and ensuring the proper and transparent procedures for the appointment and reappointment of directors. Meetings of the nomination committee are held when necessary. Two meetings were held in 2004.

Internal Controls and Internal Audit

To protect its assets and to ensure the accuracy and reliability of the financial information that the Company uses in its business or releases to the public, the Company conducts regular reviews of the effectiveness of the Group's internal control systems. The scope of these reviews includes finance, operations, regulatory compliance and risk management.

All disclosure of information relating to the Company is made through the unified leadership and management of the Board, while the management performs its relevant duties. To ensure all information disclosed is true, accurate, complete and revealed in a timely manner, the Company established an information disclosure committee in 2002, which is responsible for disclosure issues and reports directly to senior management including the Chief Executive Officer and the Chief Financial Officer. The information disclosure committee's members include the management and head of all functional departments of the Company. The Company has also streamlined the procedures and internal controls in relation to the collection, processing and disclosure of information, with a view to ensuring the truthfulness, accuracy and timeliness of such disclosures.

The internal audit personnel of the Company carries out regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, taking into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The head of internal audit submits working reports and recommendations to the audit committee on a regular basis, which, in turn, reports regularly to the Board.

Corporate Transparency and Investor Communications

The Company has been consistently working hard in maintaining an open dialogue with its shareholders. Generally, when regularly announcing its interim results, annual results or any major transactions in accordance with relevant regulatory requirements, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to shareholders, investors and the general public, and to address any questions they may have. In addition, the Company adheres to the practice of voluntarily and additionally disclosing quarterly certain key, unaudited operational and financial data, to further increase the Group's transparency and to provide shareholders, investors and the general public with additional timely information so as to facilitate their understanding of the Group's operating position. The Company also has high regard for the annual general meeting of its shareholders, and puts great efforts on communications between the Board and the shareholders. At the annual general meeting of shareholders, the Board always makes efforts to fully address any questions raised by shareholders.

The Company also, from time to time, informs the market, in a timely fashion, of the latest significant business developments of the Company via press releases, announcements and publications on its Internet web-site. The Company's Investor Relations and Corporate Communications departments focus, respectively, on providing information and services to our shareholders and investors, as well as the media. The Company also regularly updates the "Frequently Asked Questions" section on its Internet web-site, to provide succinct responses to the latest key issues of concern to investors. In addition, the Company publishes in real-time on its Internet web-site the important enquiries of investors and the media, together with the Company's responses.

The Company supplements its regular meetings with research analysts and investors with marketing roadshow meetings in major worldwide sites to directly communicate with institutional investors and fund managers, and periodic and large-scale on-site meetings to enable investors to inspect the actual operations of some of the Group's operating subsidiaries. Investors may engage the management of the relevant operating subsidiaries and the Company's holding company, China Mobile Communications Corporation, as well as officials from the relevant regulatory authorities, in direct discussions. These measures are intended to assist investors to better understand the development of the Group's business and the overall telecommunications industry in China.

Summary of Significant Differences between the Corporate Governance Practices of the Company and the Corporate Governance Practices Required to be Followed by U.S. Companies under the NYSE's Listing Standards

As a company listed in Hong Kong and New York, the Company is subject to applicable Hong Kong laws and regulations, including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and the Hong Kong Companies Ordinance, as well as applicable U.S. Federal securities laws, including the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002. The Company is also subject to the listing standards of the NYSE to the extent they apply to non-U.S. issuers. The Company is not required to comply with all of the corporate governance listing standards of the NYSE.

In accordance with the requirements of Section 303A.11 of the NYSE Listed Company Manual, the following is a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards.

Section 303A.01 of the NYSE Listed Company Manual provides that listed companies must have a majority of independent directors. As a listed company in Hong Kong, the Company is subject to the requirement under the Hong Kong Listing Rules that at least three members of its board of directors be independent as determined under the Hong Kong Listing Rules. The Company currently has three independent directors out of a total of thirteen directors. The Hong Kong Listing Rules set forth standards for establishing independence, which differ from those set forth in the NYSE Listed Company Manual.

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. The Company is not required, under the applicable Hong Kong law, to hold such executive sessions.

Section 303A.03 of the NYSE Listed Company Manual provides that if an audit committee member simultaneously serves on the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve to three or less, then in each case, the board of directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee and disclose such determination. The Company is not required, under the applicable Hong Kong law, to make such determination.

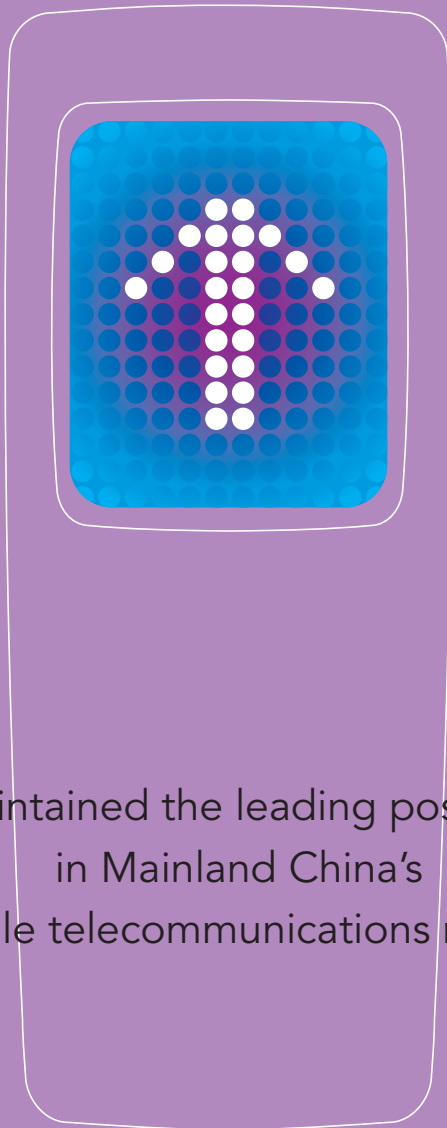
Section 303A.04 of the NYSE Listed Company Manual provides that the nominating/corporate governance committee of a listed company must have a written charter that address the committee's purpose and

responsibilities, which include, among others, the development and recommendation of corporate governance guidelines to the listed company's board of directors. The board of directors of the Company is directly in charge of developing the Company's corporate governance guidelines.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. While the Company is not required, under the Hong Kong Listing Rules, to adopt such similar code, as required under the Sarbanes-Oxley Act of 2002, the Company has adopted a code of ethics that is applicable to the Company's principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions.

Enhancement of Corporate Governance Standards

In 2004, to further improve its corporate governance, the Company integrated its newly acquired subsidiaries and conducted training courses to all management levels of the Group to keep abreast with the enhanced regulatory requirements in the places where the Company is listed. The Company will, on a consistent basis, closely study the development of corporate governance practices among the world's leading corporations, future amendments to the relevant regulations, and the requirements of the investment community. The Company will also conduct periodic reviews of, and import refinements to, its corporate governance procedures and practices so as to ensure the long-term sustainable development of the Company, to enhance corporate value and to generate greater returns for shareholders.



Maintained the leading position
in Mainland China's
mobile telecommunications market



The Group's subscriber base surpassed

200 million as at the end of 2004

