

OPEN DIALOGUE WITH THE COMPANY'S SENIOR MANAGEMENT

The Company announced its 2005 annual results on 16 March 2006. In addition to the publication of a press release and the posting of the annual results on its Internet website, on the same day the Company also conducted an investment analyst conference, a press conference, an investor telephone conference and discussions with various investors to explain the results to investors and the general public in Hong Kong and overseas, and address their questions.

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

1. IN 2005, THE COMPANY'S AVERAGE MONTHLY NET INCREASE IN SUBSCRIBERS EXCEEDED 3.5 MILLION, WHAT MARKETING STRATEGIES HAS THE COMPANY ADOPTED TO ENHANCE SUBSCRIBER GROWTH? WOULD THE COMPANY ANTICIPATE THAT THE RAPID SUBSCRIBER GROWTH RATE BE MAINTAINED IN 2006?

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

- The Company achieved excellent growth in 2005 with new subscribers from areas of low penetration rate such as counties, townships and villages. The total voice usage volume increased by 36.6 per cent. from 2004 and MOU increased from 297 minutes to 335 minutes. New businesses continued to grow rapidly and the proportion of operating revenue derived from new businesses increased to 20.6 per cent.. In terms of development strategies, we will pursue new growth areas rather than limit to existing markets, and we will focus on the development of new customers, new voice usage and new businesses, thereby maintaining a sustainable rapid growth. Our strategy is *"to introduce mobile phones to those who have not used them and to encourage mobile phone users to use it more frequently"*. The number of subscribers increased by more than 4 million in January 2006 and the momentum of growth is excellent. We will continue to pursue our strategy of developing in new areas in order to maintain sustainable development of the Company.

2. THE DIVIDEND DECLARED FOR THE FULL YEAR OF 2005 WAS HK\$1.02 PER SHARE AND THE DIVIDEND PAYOUT RATIO REACHED 39 PER CENT., REPRESENTING AN INCREASE OF 54.5 PER CENT. OVER THE DIVIDEND PER SHARE FOR 2004. WHAT IS THE DIVIDEND POLICY IN THE FUTURE?

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

- The Company has taken into account the interests of its shareholders and the returns achieved for its shareholders

and the dividend per share for 2005 represents an increase of 54.5 per cent. over that for 2004. The Company plans to set the dividend payout ratio for the full year of 2006 at 42 per cent.. With the rapid growth in customers, voice usage volume and new businesses, the Company is currently facing favorable development opportunities and requires capital for the expansion of its existing networks in order to ensure the quality of operations and to satisfy the increasing demand in voice usage and new businesses. At the same time, the Company plans to make full preparation for 3G so as to provide a foundation for the Company's growth in a sustainable and healthy manner over the longer term. We are of the view that the Company's strong free cash flow is capable of supporting the development of the Company, while also providing a favorable cash return to shareholders. The amount of dividend payable in the future will be subject to the approval by the Board after taking into account various factors such as the financial position, the cash flow position and the requirements to ensure a sustainable growth of the business at that particular time. The Company will endeavor to achieve a sustainable, steadily increasing dividend over the longer term, with a view to generating the best possible return for shareholders.

3. WOULD THE COMPANY ELABORATE ON THE CAPEX PLAN FOR THE NEXT THREE YEARS? CAN THE COMPANY PROVIDE A BREAKDOWN OF CAPEX IN 2005 AND A BREAKDOWN OF CAPEX PLAN IN 2006, RESPECTIVELY?

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

- The growth rate in total voice usage volume reached 36.6 per cent. in 2005. Having considered such factors as the sustained rapid growth in subscriber base and voice usage volume and in order to grasp development opportunities, the Company needs to expand its network capacity, thereby ensuring the quality of its service. The Company's newly budgeted CAPEX for each of the three years from 2006 to 2008 is RMB83.3 billion, RMB78.0 billion and RMB76.0 billion, respectively. Such CAPEX plan does not include the



investment of 3G construction. The Company will endeavor to maintain growth in revenue and favorable return to investment. The Company will strengthen its centralized procurement and also the refined management in investment projects, thereby enhancing investment efficiency.

- CAPEX for 2005 was mainly used for the construction of GSM networks (60 per cent.), development of new businesses and new technologies (7 per cent.), construction of transmission facilities (16 per cent.), support systems (7 per cent.), and structural facilities.
- CAPEX plan for 2006 will mainly be used for the construction of GSM networks (56 per cent.), development of new businesses and new technologies (9 per cent.), construction of transmission facilities (16 per cent.), support systems (9 per cent.), and structural facilities.
- From the experience of 3G operations in Europe, voice usage and SMS businesses will still be the main source of revenue. Hence the investment in 2G networks is merited, and we are of the view that 2G and 3G will co-exist in our networks over the longer term. At the same time, we are of the view that if 3G networks are constructed, the CAPEX for 2G will be reduced, and the extent of reduction depends on the timing of the issuance of the licence.

4. WHAT ARE THE MAIN DATA BUSINESSES TO BE ROLLED OUT BY THE COMPANY IN 2006 TO STIMULATE THE GROWTH OF THE COMPANY?

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

- Regarding the mature SMS business, the Company will continue to develop new applications and functions for SMS, thereby simulating the sustained growth of SMS business. Focusing on businesses such as “Color

Ring” and WAP, the Company will further strengthen business sales and promotion and products optimization, thereby driving the growth in revenue. Regarding businesses such as MMS and IM, the Company will nurture customers’ consumption habits and expand subscriber base, with a view to achieving the rapid growth of such businesses. At the same time, the Company will enhance the preparations for new products and new applications such as Mobile Search, Mobile Music, Push Mail, Location Based Service. The Company will focus on the promotion of industry-specific application of data businesses to corporate customers, thereby further enhancing the penetration rate and utilization rate of data businesses.

5. THE DEVELOPMENT OF MOBILE MUSIC BUSINESS HAS BEEN RAPID, AND WOULD YOU PLEASE ELABORATE ON ITS DEVELOPMENT IN THE FUTURE?

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

- As an important part of the Mobile Music business, “Color Ring” had subscribers exceeding 90 million in 2005 with a revenue of RMB3.4 billion. The Company will further increase its efforts in developing Mobile Music through implementing better platform management methods, enriching customers’ channels of application, optimizing the procedures for business applications, innovating products and their applications, strengthening cooperation and promotion, thereby further enhancing the popularity and utilization of Mobile Music products. In order to complement the competitive advantages in terms of resources, the Company will launch business sales and promotion campaign jointly with resourceful record companies and partners.