SUPPLEMENTARY INFORMATION FOR ADS HOLDERS

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

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

(a) EFFECT OF COMBINATION OF ENTITIES UNDER COMMON CONTROL

Under HK GAAP, the Group adopted the acquisition method to account for the purchase of subsidiaries from the holding company. Under the acquisition method, the acquired results are included in the results of operations from the date of their acquisition. For acquisitions before 1 January 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 1 January 2001, goodwill arising on the acquisition is amortized to the consolidated income statement on a straight-line basis over 20 years. With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group adopted a new accounting policy for goodwill. The Group no longer amortizes positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment.

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 have been reversed for US GAAP purposes.

(b) CAPITALIZATION OF INTEREST

Under HK GAAP, interest costs are only capitalised to the extent that funds are borrowed and used for the purpose of obtaining qualifying assets which necessarily takes a substantial period of time to get ready for its intended use.

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

(c) REVALUATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND LAND LEASE PREPAYMENTS

For certain periods prior to 31 May 1997, the property, plant and equipment and land lease prepayments of the subsidiaries were revalued in compliance with PRC rules and regulations, resulting in an increase in shareholders' equity.

Additionally, the property, plant and equipment and land lease prepayments of the subsidiaries were revalued as a result of the restructuring that occurred in 1997 and the subsequent acquisitions. These property, plant and equipment and land lease prepayments revaluations result in an increase in shareholders' equity with respect to the increase in carrying amount of certain property, plant and equipment and land lease prepayments above their historical cost bases, except for the acquisitions in 2002 and 2004.

In connection with the acquisitions in 2002 and 2004, the property, plant and equipment and land lease prepayments of the subsidiaries acquired were revalued at 31 December 2001 and 31 December 2003 respectively. Such revaluations resulted in an increase directly to those shareholders' equity with respect to the increase in carrying amount of certain property, plant and equipment and land lease prepayments above their historical cost bases, and a charge to the income statement with respect to the decrease in carrying amount of certain property, plant and equipment and land lease prepayments below their historical cost bases.

(c) REVALUATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND LAND LEASE PREPAYMENTS (CONT'D)

The carrying amount of property, plant and equipment and land lease prepayments 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 property, plant and equipment and land lease prepayments, 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.

Under US GAAP, property, plant and equipment are stated at their historical cost, less accumulated depreciation. Land lease prepayments are stated at their historical cost, amortized on a straight line basis over the period of the lease term. Accordingly, the revaluation reserve recorded directly to shareholders' equity and the charge to the income statement under HK GAAP as a result of the revaluation of property, plant and equipment and land lease prepayments are reversed for US GAAP purposes. Additionally, as a result of the tax deductibility of the revaluation reserve, a deferred tax asset related to the reversal of the revaluation is created under US GAAP with a corresponding increase in shareholders' equity.

Under US GAAP, property, plant and equipment and land lease prepayments 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 and amortization 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.

(e) DEFERRED TAXATION

Until 31 December 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 1 January 2003, in order to comply with SSAP 12 (revised) issued by the HKICPA, 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.

(e) DEFERRED TAXATION (CONT'D)

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". For the years presented, there were no differences related to the recognition of deferred tax under HK GAAP and US GAAP. The US GAAP difference as shown in the reconciliation represents the deferred tax effects of US GAAP adjustments.

(f) SHARE OPTION SCHEME

The Company granted share options to directors and employees. Under HK GAAP and prior to January 1, 2005, the proceeds received are recognized as an increase to capital upon the exercise of the share options. The Company does not account for the issuance of stock options until they are exercised. With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognizes the fair value of such share options as an expense in the consolidated income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognized in a capital reserve within equity.

Under US GAAP, the Group determines compensation expenses based on the excess, if any, of the quoted market price of the shares on the date of grant over the exercise price of the stock options. Such amount is charged to the consolidated income statement over the vesting period of the options. As a result, any expenses recognized based on the fair value of share options under HK GAAP is reversed under US GAAP. In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS 123R is effective for all interim and annual periods beginning after 15 June 2005. The Company will adopt the SFAS 123R for the accounting period commencing from 1 January 2006.

(g) REVENUE RECOGNITION

Until 30 June 1999, under both HK GAAP and US GAAP, connection fees revenue and telephone number selection fees were recognized as received. Under US GAAP, effective 1 July 1999, net connection fees and telephone number selection fees received in excess of direct costs were deferred and recognized over the estimated customer usage period of approximately 48 months.

Under US GAAP, effective 1 January 2000, the Group adopted provisions of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB101"). In December 2003, Staff Accounting Bulletin No.104, "Revenue Recognition" ("SAB104") updates the guidance in SAB101 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 SAB104, connection fees and telephone number selection fees received and incremental direct costs up to, but not exceeding such fees, were deferred and amortized over the estimated customer usage period for the related service. The cumulative effect from the adoption of SAB104 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 arrangements with retrospective effect from 1 October 1999 for Guangdong Mobile, Zhejiang Mobile and Jiangsu Mobile and from 1 April 1999 for Fujian Mobile, Henan Mobile and Hainan Mobile. Under HK GAAP, the net savings refunded to the Group as a result of the two agreements taking retrospective effect were recorded in operations for the year ended 31 December 2000. Under US GAAP, such net savings are deferred and amortized on a straight-line basis over seven years.

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

	2005 US$ million (except per share data)	2005 RMB million	2004 RMB million (except per share data) (restated)	2003 RMB million (restated)
Net profit attributable to equity shareholders under HK GAAP	**6,635**	**53,549**	41,749	35,556
Adjustments:				
Effect of combination of entities under common control	**—**	**—**	1,587	(1,358)
Capitalized interest	**(13)**	**(106)**	(116)	(96)
Revaluation of property, plant and equipment	**(101)**	**(818)**	(448)	4,075
Revaluation of land lease prepayments	**12**	**98**	68	(91)
Share option scheme	**184**	**1,485**	169	(192)
Amortization of net connection fees and telephone number selection fees	**1**	**6**	109	659
Amortization of net savings from interconnection, roaming and leased line agreements	**11**	**86**	86	86
Reversal of goodwill	**—**	**—**	1,930	1,850
Deferred tax effects of US GAAP adjustments	**25**	**204**	(73)	(969)
Net profit under US GAAP	**6,754**	**54,504**	45,061	39,520
Basic net profit per share in accordance with US GAAP	**US$0.34**	**RMB2.76**	RMB2.29	RMB2.01
Diluted net profit per share in accordance with US GAAP	**US$0.34**	**RMB2.75**	RMB2.29	RMB2.01
Basic net profit per ADS in accordance with US GAAP*	**US$1.71**	**RMB13.81**	RMB11.45	RMB10.05
Diluted net profit per ADS in accordance with US GAAP*	**US$1.70**	**RMB13.73**	RMB11.43	RMB10.03

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

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

	2005 US$ million	2005 RMB million	2004 RMB million (restated)
Shareholders' equity under HK GAAP	**33,806**	**272,824**	233,161
Adjustments:			
Capitalized interest	**20**	**158**	264
Revaluation of property, plant and equipment			
— cost	**(665)**	**(5,370)**	(5,370)
— accumulated depreciation and others	**876**	**7,069**	7,887
Revaluation of land lease prepayments	**(266)**	**(2,144)**	(2,242)
Deferred tax adjustments on revaluations	**17**	**142**	(57)
Employee housing scheme	**(207)**	**(1,674)**	(1,674)
Deemed capital contribution for employee housing scheme	**207**	**1,674**	1,674
Deferral of net connection fees and telephone number selection fees	**—**	**—**	(6)
Deferral of net savings from interconnection, roaming and leased line agreements	**(14)**	**(114)**	(200)
Reversal of goodwill	**(4,374)**	**(35,300)**	(35,300)
Deferred tax effects of US GAAP adjustments	**(2)**	**(13)**	(18)
Shareholders' equity under US GAAP	**29,398**	**237,252**	198,119

Solely for the convenience of the reader, the 31 December 2005 tables above and following information have been translated into United States dollars at the rate of US$1.00 = RMB8.0702 quoted by the Federal Reserve Bank of New York on 31 December 2005. No representation is made that the Renminbi amounts could have been, or could be, converted into United States dollars at that rate or at any other certain rate on 31 December 2005, or any other certain date.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME PREPARED UNDER US GAAP

	Year ended 31 December			
	2005 US$ million	**2005 RMB million**	2004 RMB million	2003 RMB million
	(except per share data)		(except per share data)	
			(restated)	(restated)
Operating revenue				
Usage fees	**19,418**	**156,710**	136,876	125,702
Monthly fees	**3,105**	**25,055**	26,458	24,067
Connection fees	**1**	**7**	252	1,173
Other operating revenue	**7,593**	**61,280**	40,678	29,339
	30,117	**243,052**	204,264	180,281
Operating expenses				
Cost of services (excluding depreciation of RMB55,422 million, RMB47,050 million, RMB41,861 million included below)	**(3,137)**	**(25,315)**	(21,357)	(24,757)
Depreciation	**(6,867)**	**(55,422)**	(47,050)	(41,861)
Selling, general and administration	**(10,889)**	**(87,878)**	(74,596)	(56,984)
	(20,893)	**(168,615)**	(143,003)	(123,602)
Profit from operations	**9,224**	**74,437**	61,261	56,679
Other net income	**407**	**3,284**	3,343	2,667
Non-operating net income	**62**	**499**	949	527
Interest income	**200**	**1,615**	1,032	860
Finance costs	**(167)**	**(1,346)**	(1,738)	(2,213)
Profit before taxation	**9,726**	**78,489**	64,847	58,520
Taxation	**(2,967)**	**(23,945)**	(19,764)	(19,009)
Profit after taxation	**6,759**	**54,544**	45,083	39,511
Minority interests	**(5)**	**(40)**	(22)	9
Net profit	**6,754**	**54,504**	45,061	39,520
Basic net profit per share	**US$0.34**	**RMB2.76**	RMB2.29	RMB2.01
Diluted net profit per share	**US$0.34**	**RMB2.75**	RMB2.29	RMB2.01
Basic net profit per ADS*	**US$1.71**	**RMB13.81**	RMB11.45	RMB10.05
Diluted net profit per ADS*	**US$1.70**	**RMB13.73**	RMB11.43	RMB10.03

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

CONDENSED CONSOLIDATED BALANCE SHEETS PREPARED UNDER US GAAP

	At 31 December		
	2005 US$ million	**2005 RMB million**	2004 RMB million (restated)
ASSETS			
Current assets			
Cash and cash equivalents	**7,988**	**64,461**	45,149
Deposits with banks	**5,195**	**41,925**	20,264
Accounts receivable	**799**	**6,446**	6,447
Other receivables	**233**	**1,888**	1,835
Tax recoverable	**20**	**165**	235
Current portion of deferred tax	**330**	**2,660**	1,843
Inventories	**293**	**2,365**	2,499
Prepayments and other current assets	**444**	**3,583**	2,974
Amount due from ultimate holding company	**8**	**63**	356
Amounts due from related parties	**22**	**180**	150
Total current assets	**15,332**	**123,736**	81,752
Property, plant and equipment	**27,058**	**218,362**	215,240
Construction in progress	**4,238**	**34,201**	30,510
Land lease prepayments	**632**	**5,099**	4,091
Interest in associates	**—**	**—**	—
Other financial assets	**10**	**77**	77
Deferred tax assets	**513**	**4,143**	2,232
Deferred expenses	**—**	**—**	101
Total assets	**47,783**	**385,618**	334,003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	**4,945**	**39,908**	33,005
Bills payable	**169**	**1,359**	1,676
Interest-bearing borrowings	**—**	**—**	8,180
Current installments of obligations under finance leases	**8**	**68**	68
Current taxation	**1,146**	**9,249**	6,664
Amounts due to related parties	**269**	**2,172**	2,208
Accrued expenses and other payables	**4,939**	**39,858**	32,372
Amount due to immediate holding company	**12**	**96**	98
Amount due to ultimate holding company	**33**	**269**	459
Deferred revenue	**2,104**	**16,975**	12,936
Total current liabilities	**13,625**	**109,954**	97,666

CONDENSED CONSOLIDATED BALANCE SHEETS PREPARED UNDER US GAAP (CONT'D)

	At 31 December		
	2005 US$ million	**2005 RMB million**	2004 RMB million (restated)
LIABILITIES AND SHAREHOLDERS' EQUITY (cont'd)			
Interest-bearing borrowings	**1,600**	**12,912**	13,000
Amount due to immediate holding company	**2,929**	**23,633**	23,633
Deferred revenue, excluding current portion	**178**	**1,438**	1,155
Deferred tax liabilities	**18**	**146**	187
Total liabilities	**18,350**	**148,083**	135,641
Minority interests	**35**	**283**	243
Shareholders' equity	**29,398**	**237,252**	198,119
Total liabilities and shareholders' equity	**47,783**	**385,618**	334,003

Note: The above condensed "Consolidated balance sheets" and "Consolidated statements of income" as at 31 December 2004 and 2005 and for each of the three years ended 31 December 2003, 2004 and 2005 include the results of the Company and its subsidiaries prepared under US GAAP as if the current Group structure had been in place throughout the relevant periods.