

Unaudited Pro Forma Financial Information of the Group

The following is the text of a report, prepared for the sole purpose of inclusion in this annual report, received from KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Hong Kong

11 March 2005

The Board of Directors
China Mobile (Hong Kong) Limited
60/F The Center
99 Queen's Road Central
Hong Kong

We report on the unaudited pro forma financial information of China Mobile (Hong Kong) Limited (the "Company", and together with its subsidiaries are referred to as the "Group") set out on pages 155 to 158 in the Company's annual report for the year ended 31 December 2004. The unaudited pro forma financial information has been prepared by the Directors of the Company solely for illustrative purposes to provide information about how the acquisition of the interests in the Target Companies (as defined herein) by the Company might have affected the relevant financial information of the Group for the year ended 31 December 2004 as if the acquisition had taken place on 1 January 2004. The basis of preparation of the unaudited pro forma financial information is set out in the accompanying introduction and notes to the unaudited pro forma financial information of the Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with Paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the directors' judgements and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

- the Group had the transaction actually occurred as at the date indicated therein; or
- the Group at any future date or for any future periods.

Opinion

In our opinion:

- (a) the accompanying unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to Paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

Introduction to the unaudited pro forma financial information

On 1 July 2004, the acquisition (the "Acquisition") of Neimenggu Mobile Communication Company Limited, Jilin Mobile Communication Company Limited, Heilongjiang Mobile Communication Company Limited, Guizhou Mobile Communication Company Limited, Yunnan Mobile Communication Company Limited, Xizang Mobile Communication Company Limited, Gansu Mobile Communication Company Limited, Qinghai Mobile Communication Company Limited, Ningxia Mobile Communication Company Limited, Xinjiang Mobile Communication Company Limited, Beijing P&T Consulting & Design Institute Company Limited and China Mobile Communication Company Limited (each individually referred to as a "Target Company", and together with its subsidiary collectively referred to as the "Target Group") by the Company was completed. The consideration of US\$3,650 million (equivalent to approximately RMB30,210 million) was satisfied by the payment of an initial consideration of US\$2,000 million (equivalent to approximately RMB16,553 million) and a deferred consideration of US\$1,650 million (equivalent to approximately RMB13,657 million). The initial consideration was satisfied by cash. The deferred consideration is interest bearing and repayable within fifteen years.

The audited consolidated financial statements of the Group for the year ended 31 December 2004 includes the post-acquisition results of the Target Group for the period from 1 July 2004 to 31 December 2004. For the purpose of providing additional information to illustrate the effect of the Acquisition on the financial statements of the Group, the accompanying unaudited pro forma condensed income statement for the year ended 31 December 2004 is prepared to give effect to the above transaction as if such transaction had taken place on 1 January 2004.

The accompanying unaudited pro forma financial information is prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), based upon the audited consolidated financial statements of the Group for the year ended 31 December 2004 and the audited combined income statement of the Target Group for the period from 1 January 2004 to 30 June 2004 after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are summarised in the accompanying notes.

Introduction to the unaudited pro forma financial information (cont'd)

The unaudited pro forma financial information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying unaudited pro forma financial information, it may not give a true picture of the actual financial position or results of the Group's operations that would have been attained had the Acquisition actually occurred on 1 January 2004. Further, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

The unaudited pro forma financial information should be read in conjunction with the audited financial statements of the Group in this annual report and the circular of the Company dated 3 May 2004.

Unaudited pro forma condensed income statement

For the year ended 31 December 2004

(Expressed in Renminbi)

	The Group RMB million	The Target Group RMB million	Pro forma adjustments RMB million	Note	Adjusted balance RMB million
Operating revenue (Turnover)					
Usage fees	128,534	8,342			136,876
Monthly fees	24,760	1,698			26,458
Other operating revenue	39,087	1,689	(117)	(a)	40,659
	192,381	11,729			203,993
Operating expenses					
Leased lines	3,861	338			4,199
Interconnection	12,072	728	(95)	(a)	12,705
Depreciation	44,320	3,739			48,059
Personnel	9,717	938			10,655
Other operating expenses	62,677	4,072	(22)	(a)	66,727
	132,647	9,815			142,345
Profit from operations	59,734	1,914			61,648
Amortisation of goodwill	(1,930)	—	(150)	(b)	(2,080)
Other net income	3,167	176			3,343
Non-operating net income	900	49			949
Interest income	1,014	18	(84)	(c)	948
Finance costs	(1,679)	(59)	(177)	(d)	(1,915)
Profit from ordinary activities before taxation	61,206	2,098			62,893
Taxation	(19,180)	(511)	27	(e)	(19,664)
Profit from ordinary activities after taxation	42,026	1,587			43,229
Minority interests	(22)	—			(22)
Net profit	42,004	1,587			43,207

Description of pro forma adjustments

- (a) Elimination of the intercompany transactions between the Target Group and the Group on a combined basis.
- (b) To record the amortisation of positive goodwill as a result of the Acquisition of the Target Companies as if the Acquisition had taken place on 1 January 2004. The amortisation is calculated to write off the cost of positive goodwill on a straight line basis over 20 years.
- (c) To adjust for reduction in the interest income for the initial cash consideration to be taken from the internal resources of the Group as if the transaction had taken place on 1 January 2004.
- (d) To record the interest expense of the deferred consideration at 2.595% per annum as if the Acquisition had taken place on 1 January 2004. The interest expense is not deductible for taxation purposes.
- (e) To record the tax effect of the pro forma adjustment described in note (d) above.