



中国移动通信
CHINA MOBILE



China Mobile (Hong Kong) Limited

September- October 2001

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. Actual results may differ materially from those expressed or implied by these forward-looking statements. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation might not occur in the way we expect, or at all. You should not place undue reliance on any forward-looking information.



I. Company Overview and Review of
2001 Interim Results

Overview of Our Company



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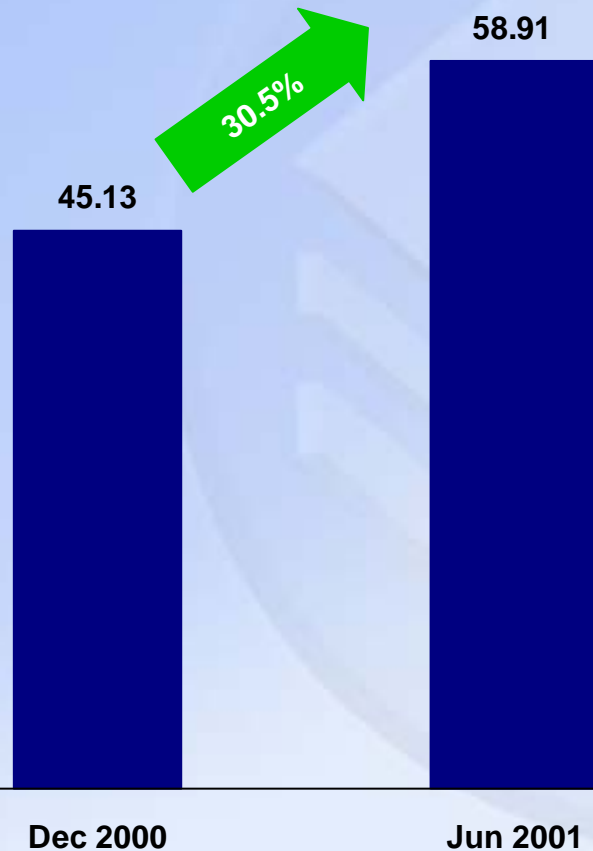
- **CMHK is the leading mobile operator in China, the largest wireless market in the world**
 - ◆ Our service area covers 13 of the most economically developed regions in China
 - ◆ 75% subscriber market share in our service area and 50% of all subscribers in China as of June 30, 2001
- **2nd largest mobile operator in the world in terms of subscribers**
 - ◆ 61.8 million subscribers as of August 2001
- **Significant growth (1997 - 2000)**
 - ◆ Revenue CAGR (61%)
 - ◆ EBITDA CAGR (66%)

Robust Subscriber and Usage Growth in 1H 2001



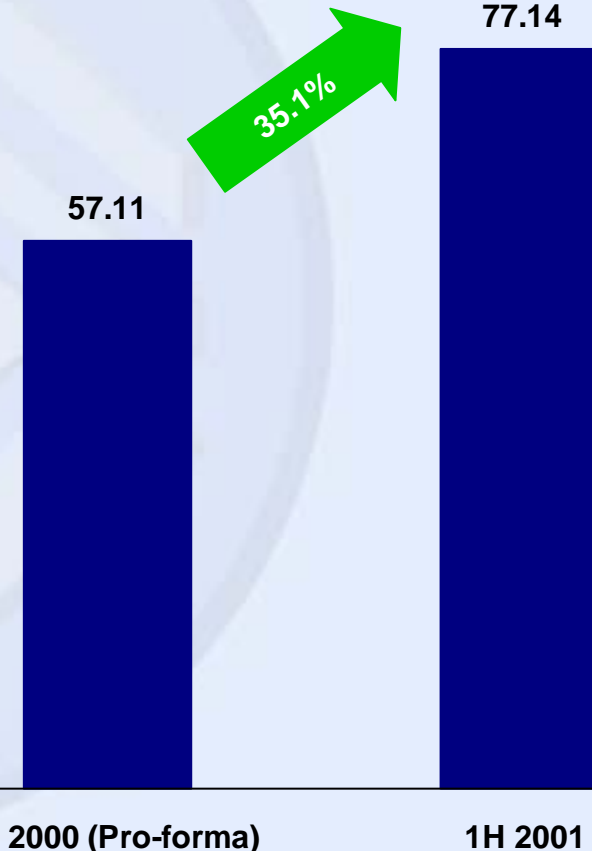
Total Subscribers

(Million)



Total MOU

(Billion Minutes)



Note: Pro-forma figures have been prepared on the assumption that the current Group structure (including 13 operating subsidiaries) has always been in existence since 1 January 2000.

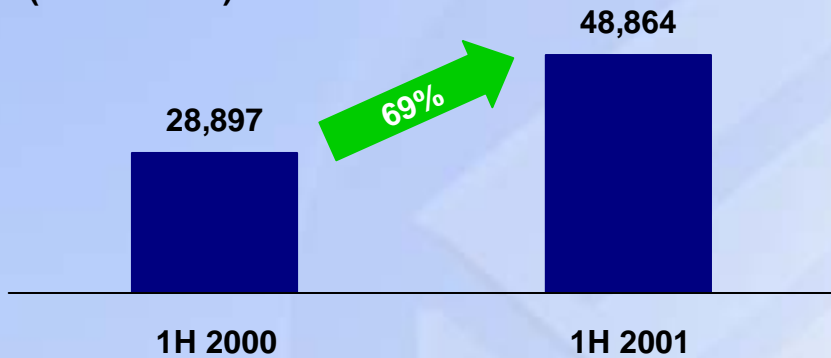
Strong Financial Performance



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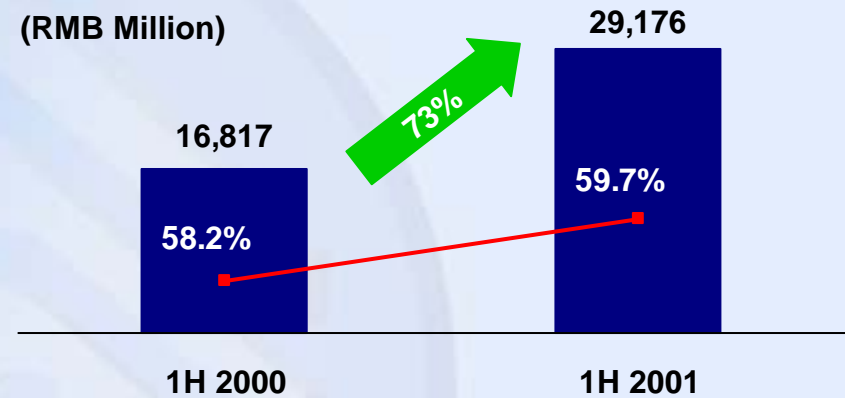
Revenue

(RMB Million)



EBITDA

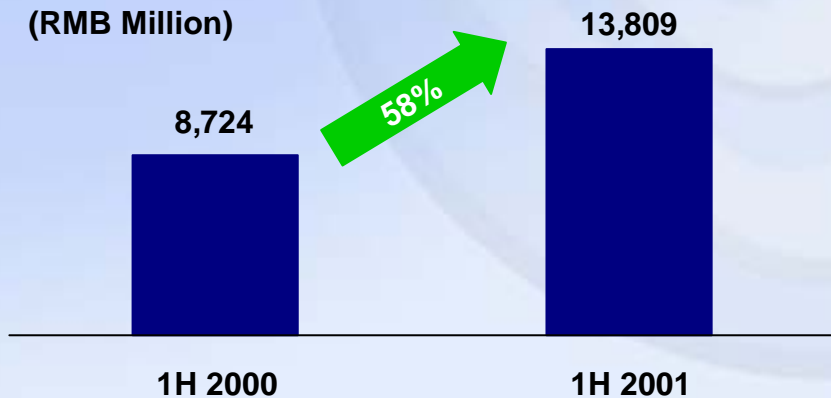
(RMB Million)



— EBITDA Margin

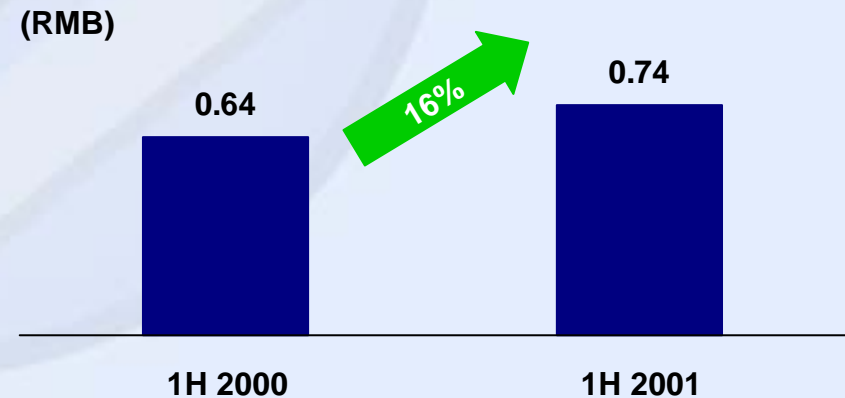
Net Profit

(RMB Million)



EPS

(RMB)



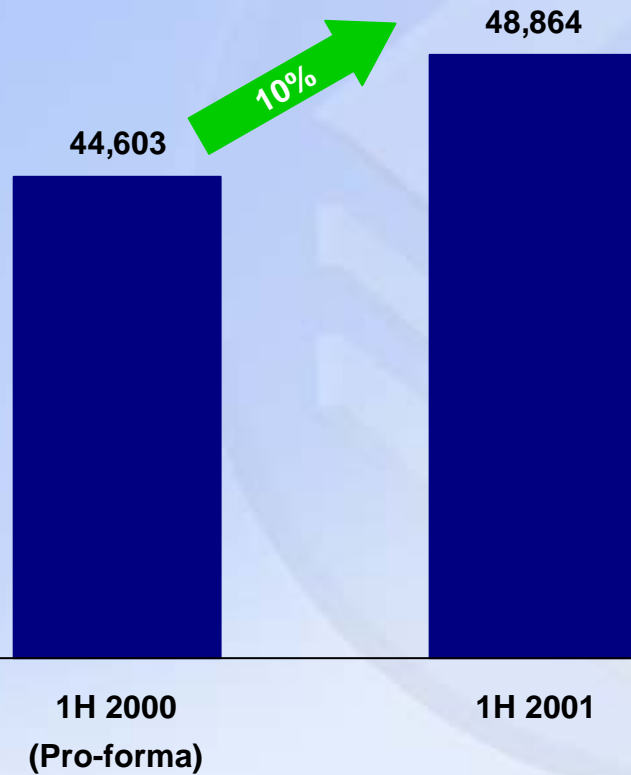
Satisfactory Pro-Forma Growth after One-off Tariff Reduction



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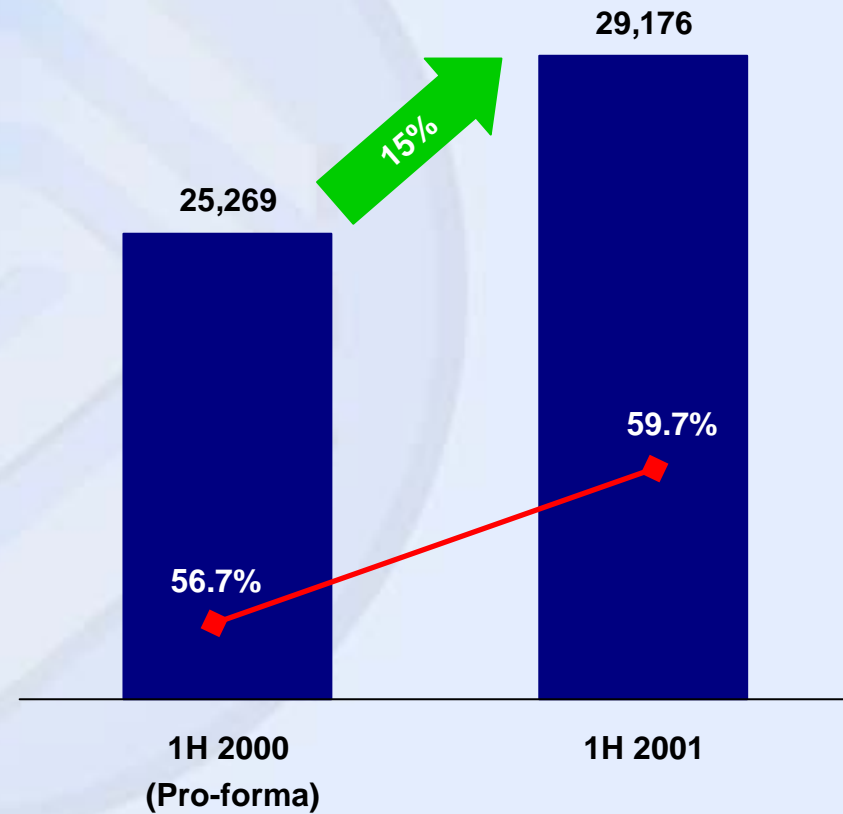
Revenue

(RMB Million)



EBITDA

(RMB Million)



EBITDA Margin

Major Achievements for the First Half of 2001



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- **Strong fundamental business growth and financial performance**
- **Enhanced product differentiation and customer service**
- **Systematic implementation of Monternet Mobile Data Program and established business model of wireless data services**
- **Successful entry into China's domestic capital market with expanded channels of financing and wider investor base**
- **Implementation of comprehensive training programs and management incentive scheme**



II. Investor Focus and Outlook

Significant Subscriber Growth Potential in China

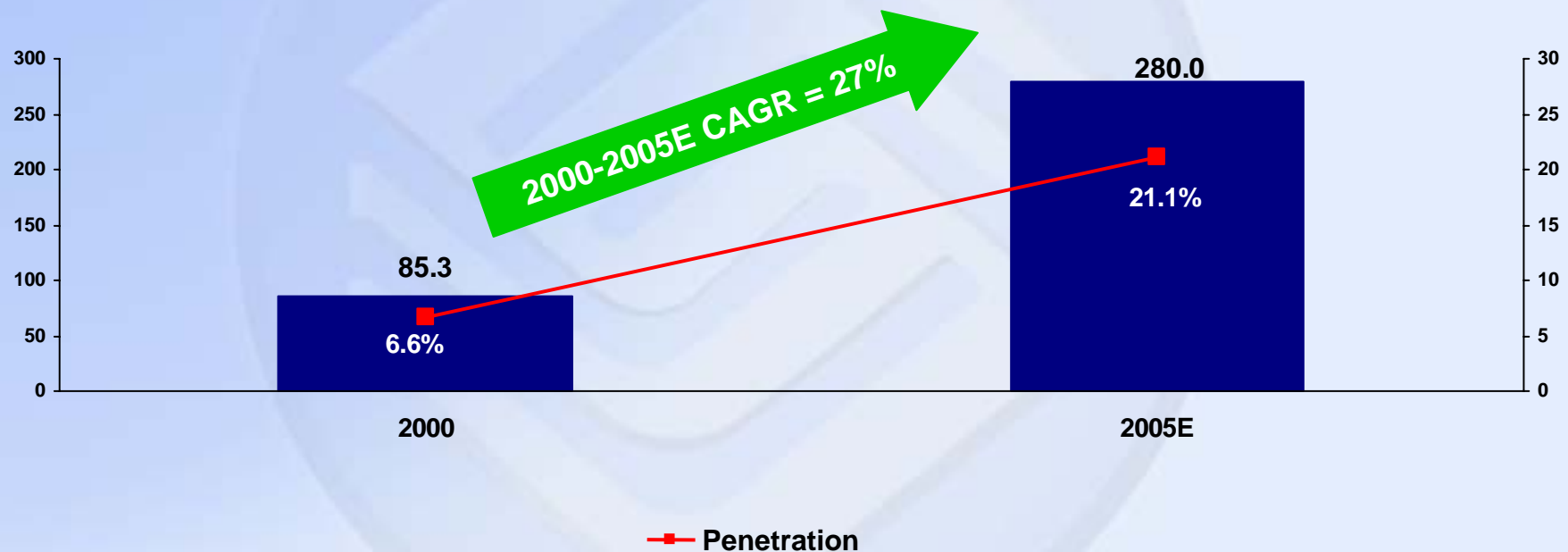


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National Mobile Subscribers

Subscriber
(Millions)

(Penetration %)

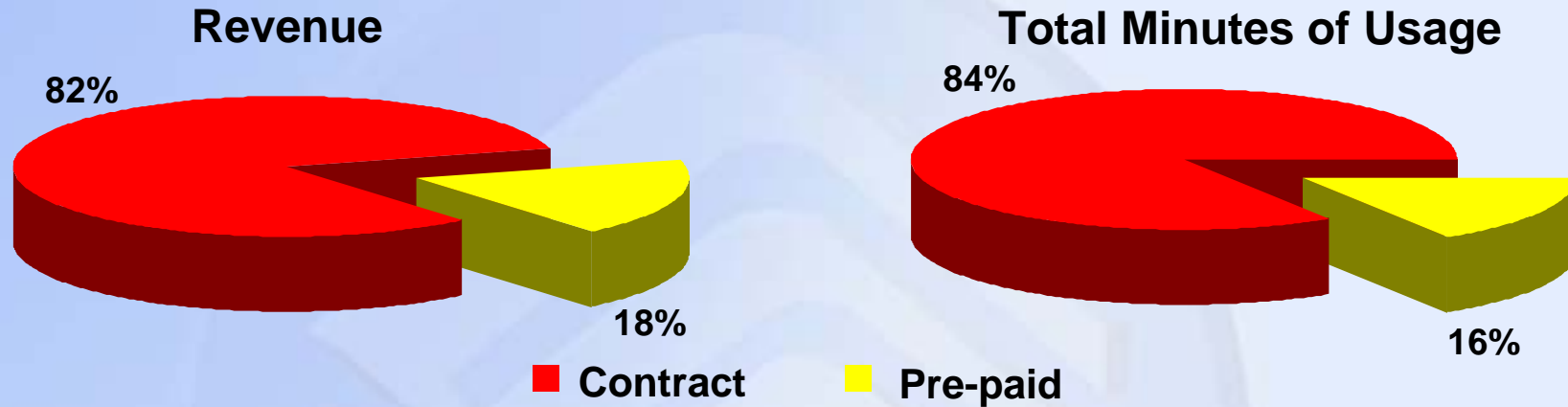


Source: MII forecast is 260-290 million subscribers as of 2005

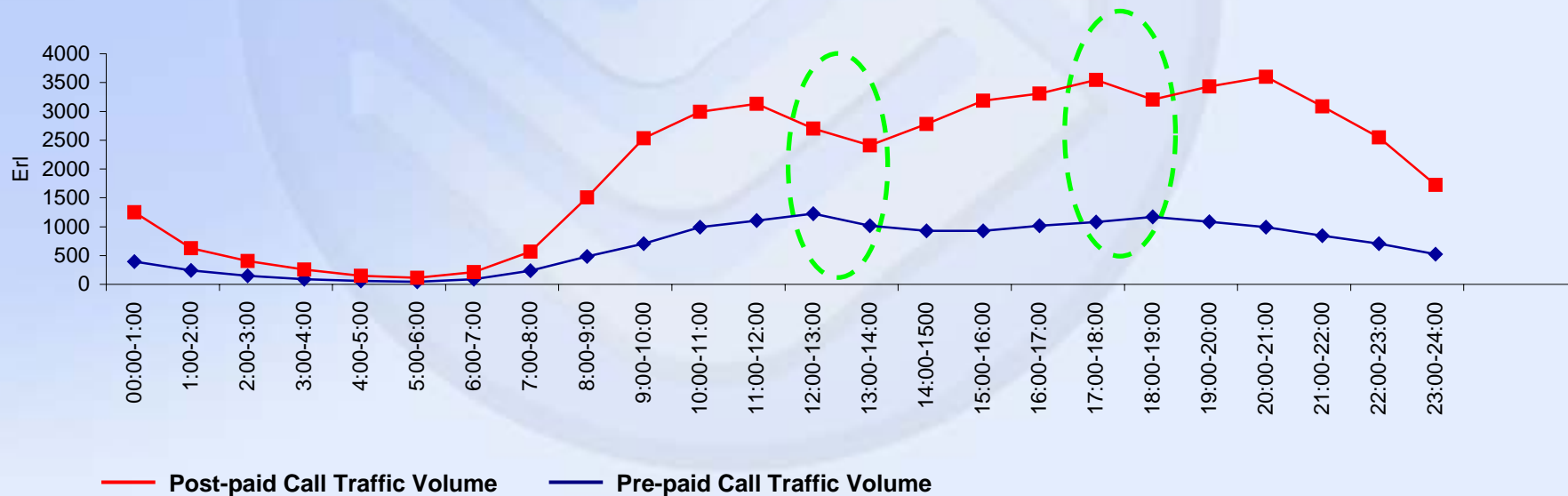
2000 population data from the Fifth National Population Survey, as of Nov 1, 2000

Note: Assume population growth rate is 0.5% from 2000 to 2005E

Attractive Business Proposition of Prepaid



Difference in Call Pattern between Contract and Prepaid Subscribers

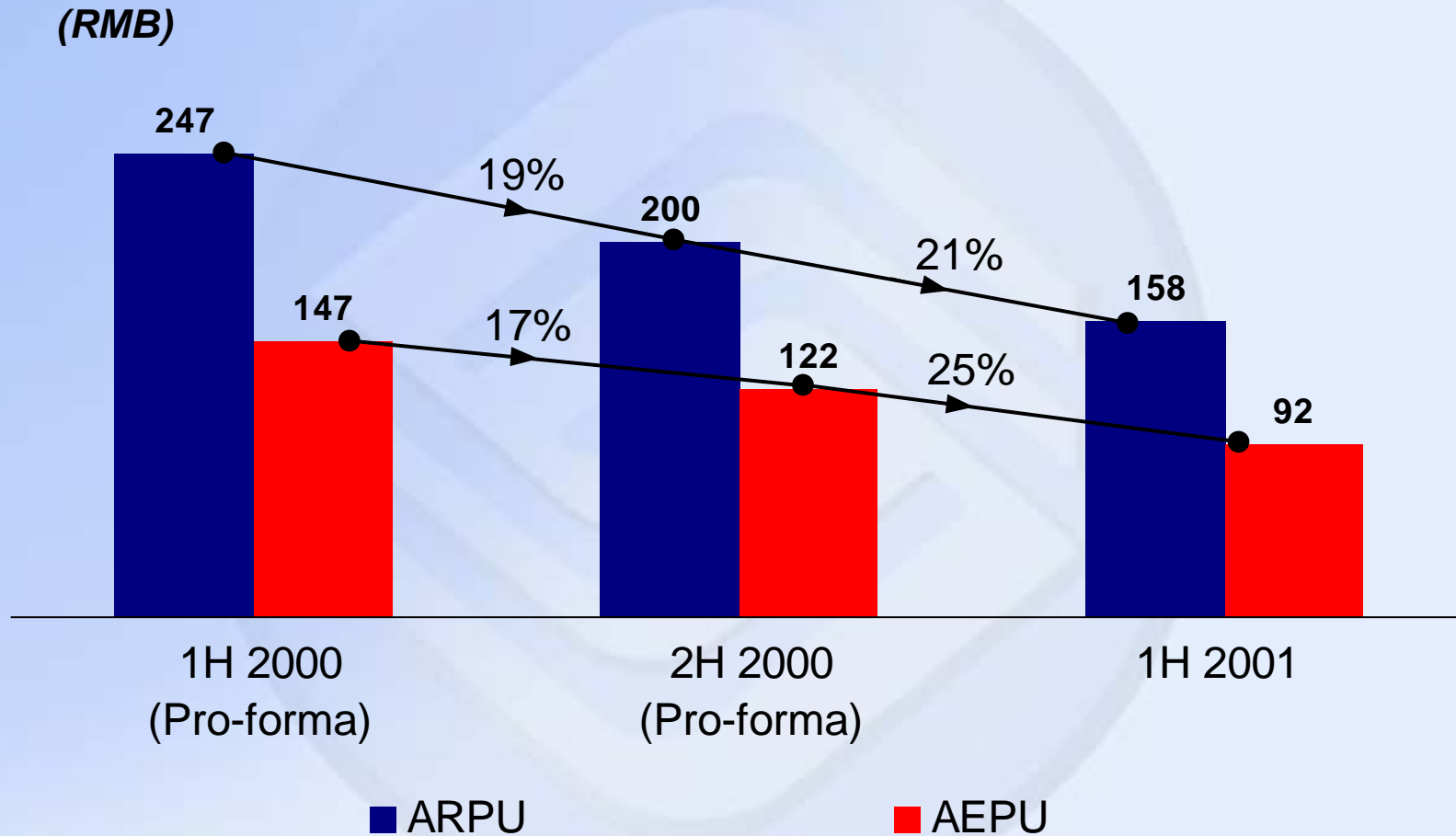


Note: Above call pattern is the result of the survey carried out in one of the largest cities in Guangdong in April 2001.

Steady Improvement of Operational Efficiency



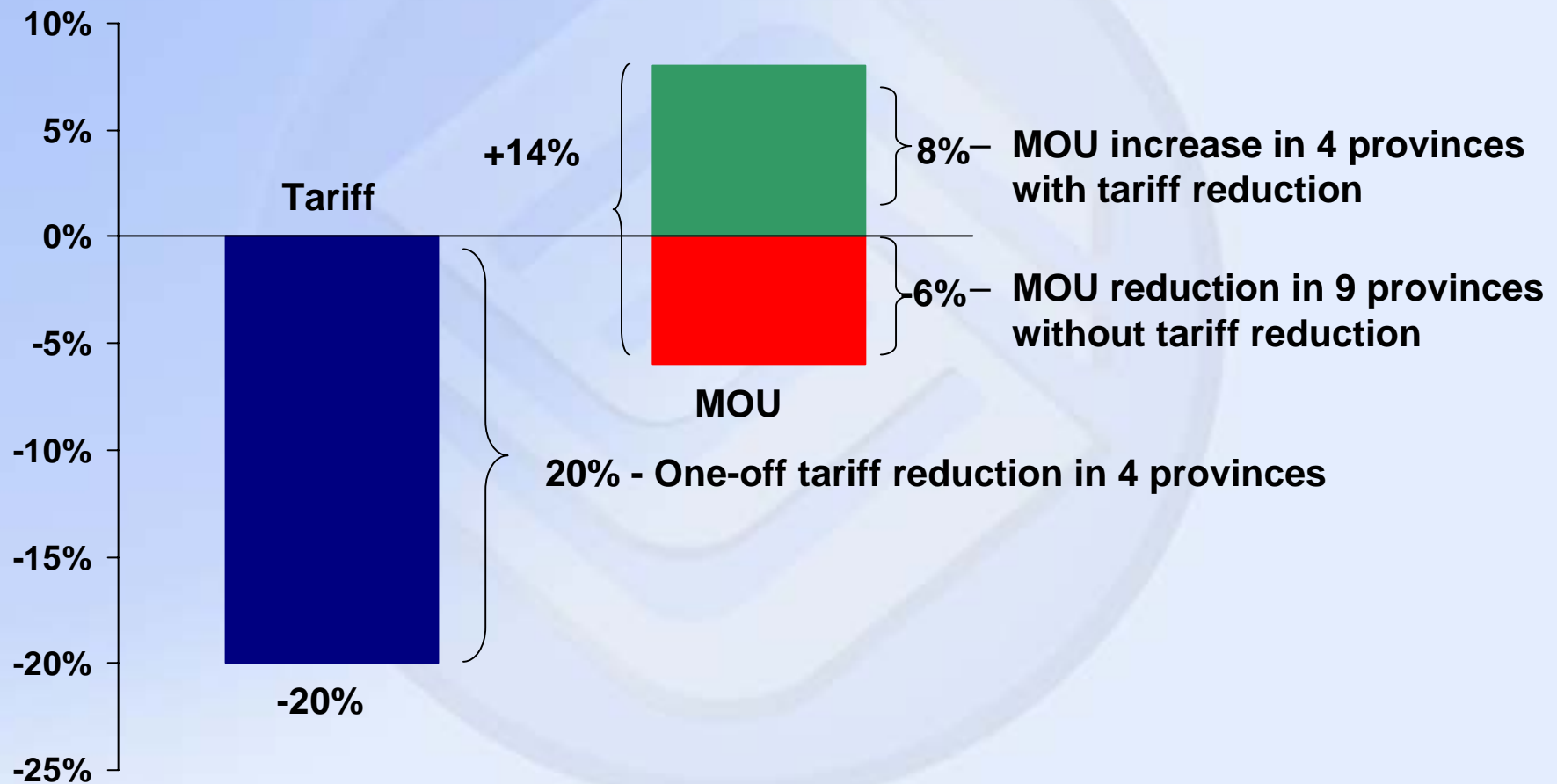
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Note: AEPU (Average expenses per user per month)

Significant Price Elasticity

Effect of One-off Tariff Reduction on MOU (1H2001)

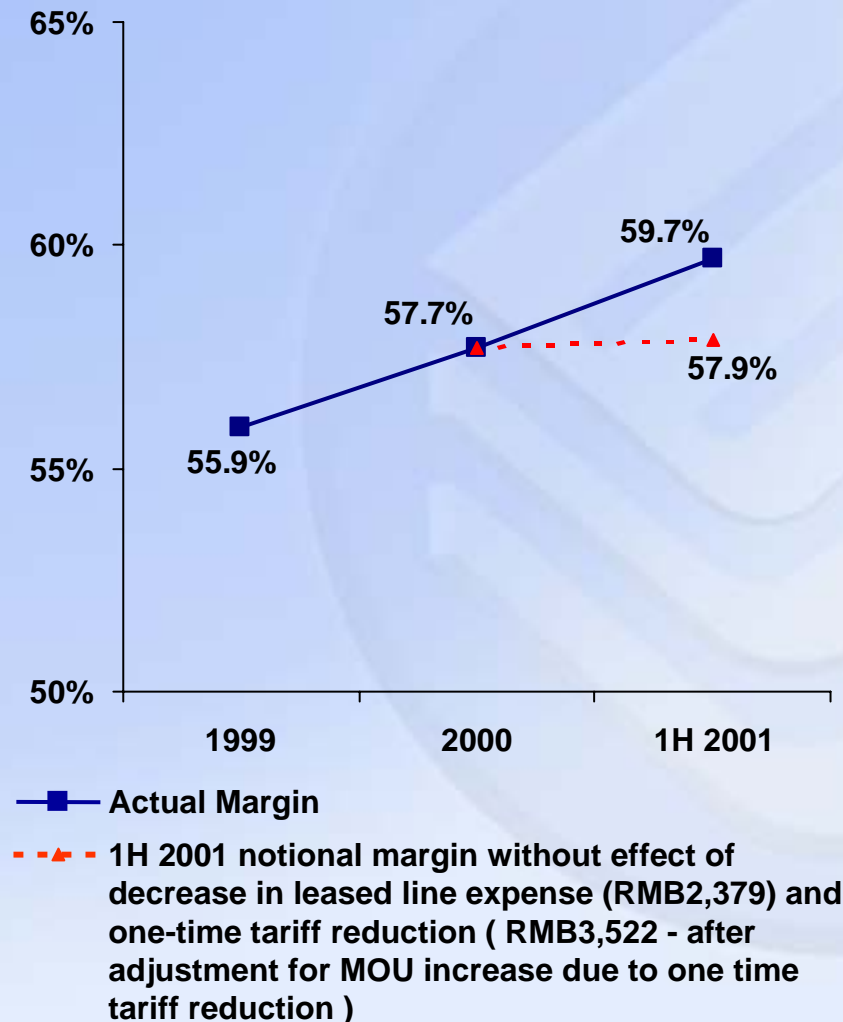


Steady and Healthy Margin



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EBITDA Margin



- Steady improvement of operational efficiency
- Effective control of bad debt
 - ◆ 2.28% of revenue (2000) to 1.94% (1H 2001)
- Optimization of network utilization
 - ◆ 76% (2000) to 81% (1H 2001)
- Enhanced labor productivity
 - ◆ # of subs per employee 1,177 (EOY 2000) to 1,538 (Mid 2001)
- Realization of significant synergy

Solid Capital Structure



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(RMB Million)

Cash and Cash Equivalent

Short Term Debt

Long Term Debt

Total Debt

Shareholders Equity

Total Book Capitalization

Net Cash Position

Total Debt/Total Book Capitalization

	Dec 2000	June 2001
Cash and Cash Equivalent	39,906	45,135
Short Term Debt	13,100	7,337
Long Term Debt	24,369	31,674
Total Debt	37,469	39,011
Shareholders Equity	83,760	97,571
Total Book Capitalization	121,229	136,582
Net Cash Position	2,437	6,124
Total Debt/Total Book Capitalization	30.9%	28.6%

Our Goal: Maximization of Enterprise Value



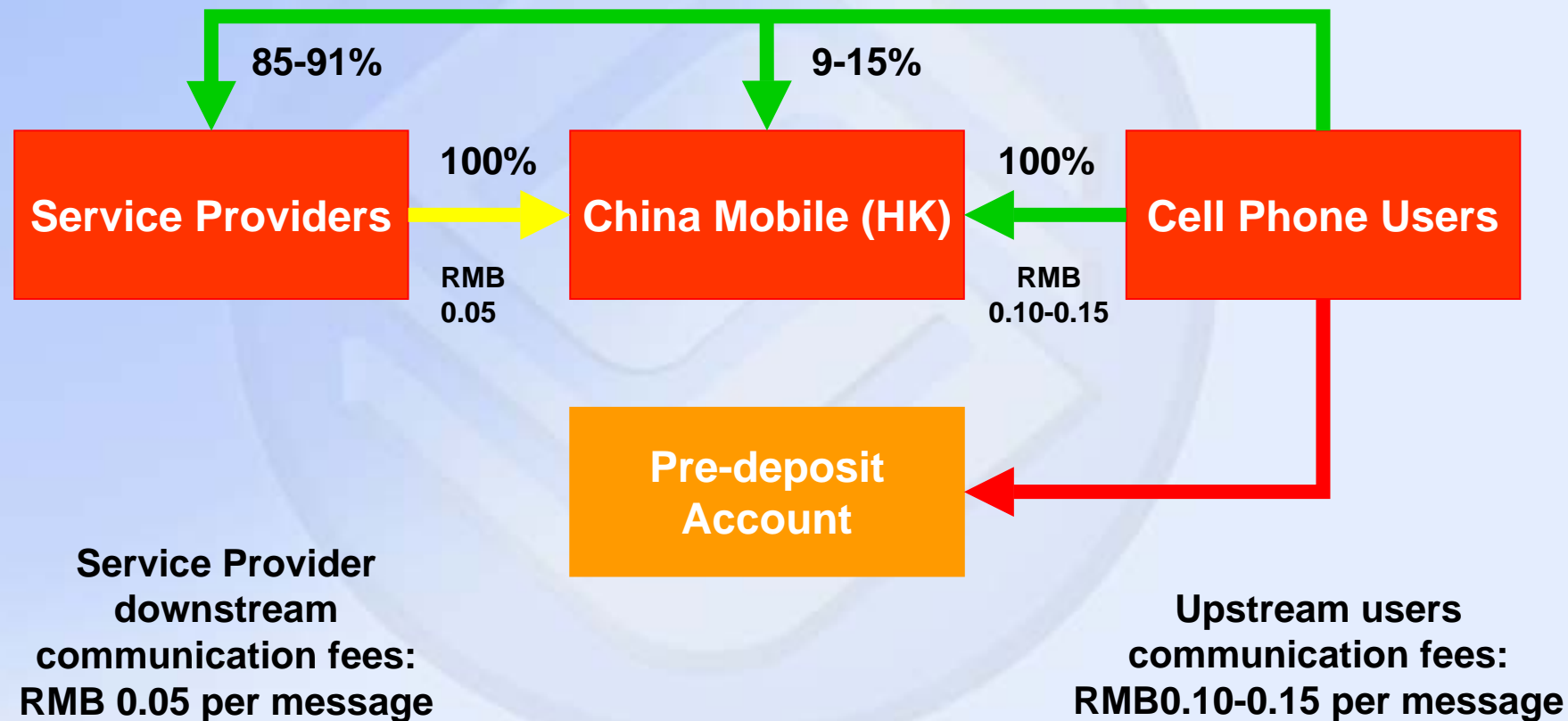
- **Sustainable, long term healthy development of the Group**
- **Steady and reasonable growth of EBITDA, net cash flow and net profit**
- **Appropriate EBITDA margin**

Business Model of Monternet



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Message fees: service charges paid to service providers by users on either monthly basis or actual usage. Our Company keeps 9%-15% of the total fees received



Note: Above is an illustrative example

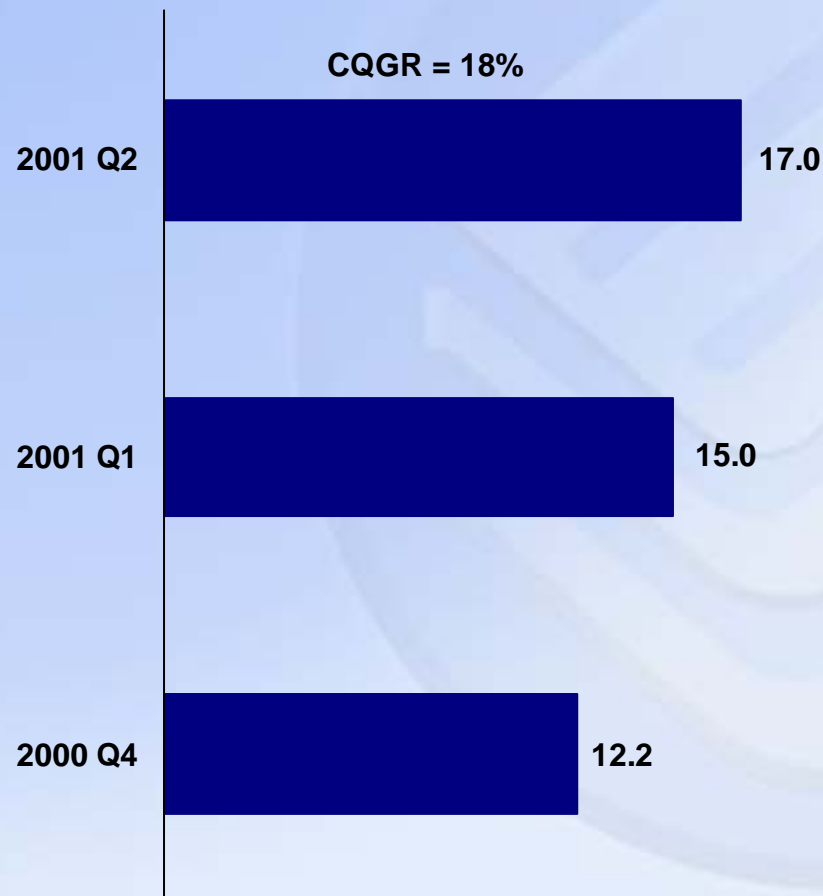
Promising Prospect of Wireless Data Services



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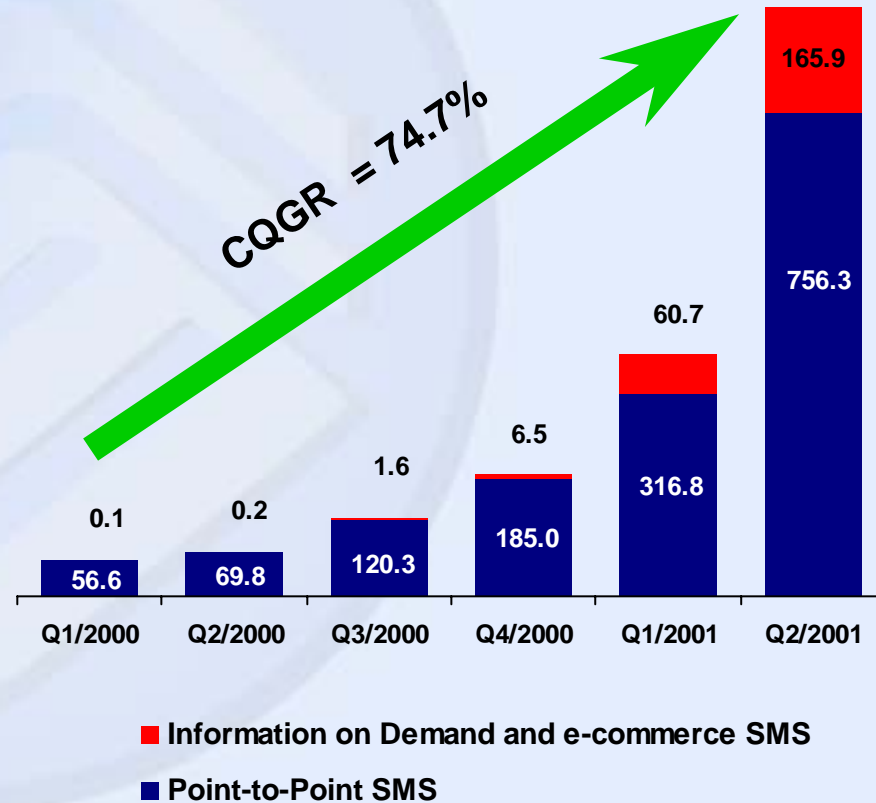
Rapid Growth of Data Subscribers

Mobile Data Users (Million)



Tremendous Increase in SMS Usage

(Million Messages)



Note: CQGR = Compound Quarterly Growth Rate



Why not CDMA?

- **CDMA - relatively more efficient utilization of spectrum resources, better network coverage and faster transmission speed; but call quality may deteriorate sharply in high call traffic areas**
- **Roaming capability is far less robust than with GSM**
- **No “always on” capability**
- **High network build-out costs**
- **Operating both GSM & CDMA networks may result in “Cannibalization”**
- **Customer concerns: service quality and price, rather than technology standard**

Promoting Excellence in Corporate Governance



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- **Implemented broad-based performance appraisal schemes for subsidiaries and staff**
 - ◆ Comprehensive financial performance-based evaluation
 - ◆ Evaluation results determine adjustment in management personnel
- **Major performance evaluation benchmarks include:**
 - ◆ EBITDA growth, Net profit growth, Revenue growth, EVA
- **Enhanced market-oriented, performance-based incentive scheme**
 - ◆ Decrease the relative proportion of fixed salary
 - ◆ Increase the relative proportion of performance-linked bonus and other compensation
 - ◆ Wider participation by staff in share option scheme

Key Business Strategy



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- Continue to take advantage of market opportunities to achieve further subscriber growth
- Focus on service differentiation and stimulate usage to stabilize ARPU
- Strengthen sales and distribution network with focused marketing strategy
- Improve operational efficiency to maintain healthy and sustainable margin
- Capture opportunities in the data market and move up the value chain
- Optimize capital structure and effective use of internal resources to seek growth opportunities
- Promote excellence in corporate governance
- Enhance investors communication program



A World-Class Global Wireless Multimedia Services Provider

Enhance Enterprise Value

Further Acquisition
Opportunities

Core Mobile
Business

New Opportunities in
the Broader Telecom
Market