



中国移动通信
CHINA MOBILE

China Mobile (Hong Kong) Limited

April 28, 2004

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 of these forward-looking statements.

China Mobile (Hong Kong) Senior Management



Name

Title

Mr. WANG Xiaochu

Chairman and CEO

Mr. LU Xiangdong

Executive Director and Vice President

Mr. XUE Taohai

Executive Director, Vice President and CFO

Mr. HE Ning

Executive Director and Vice President

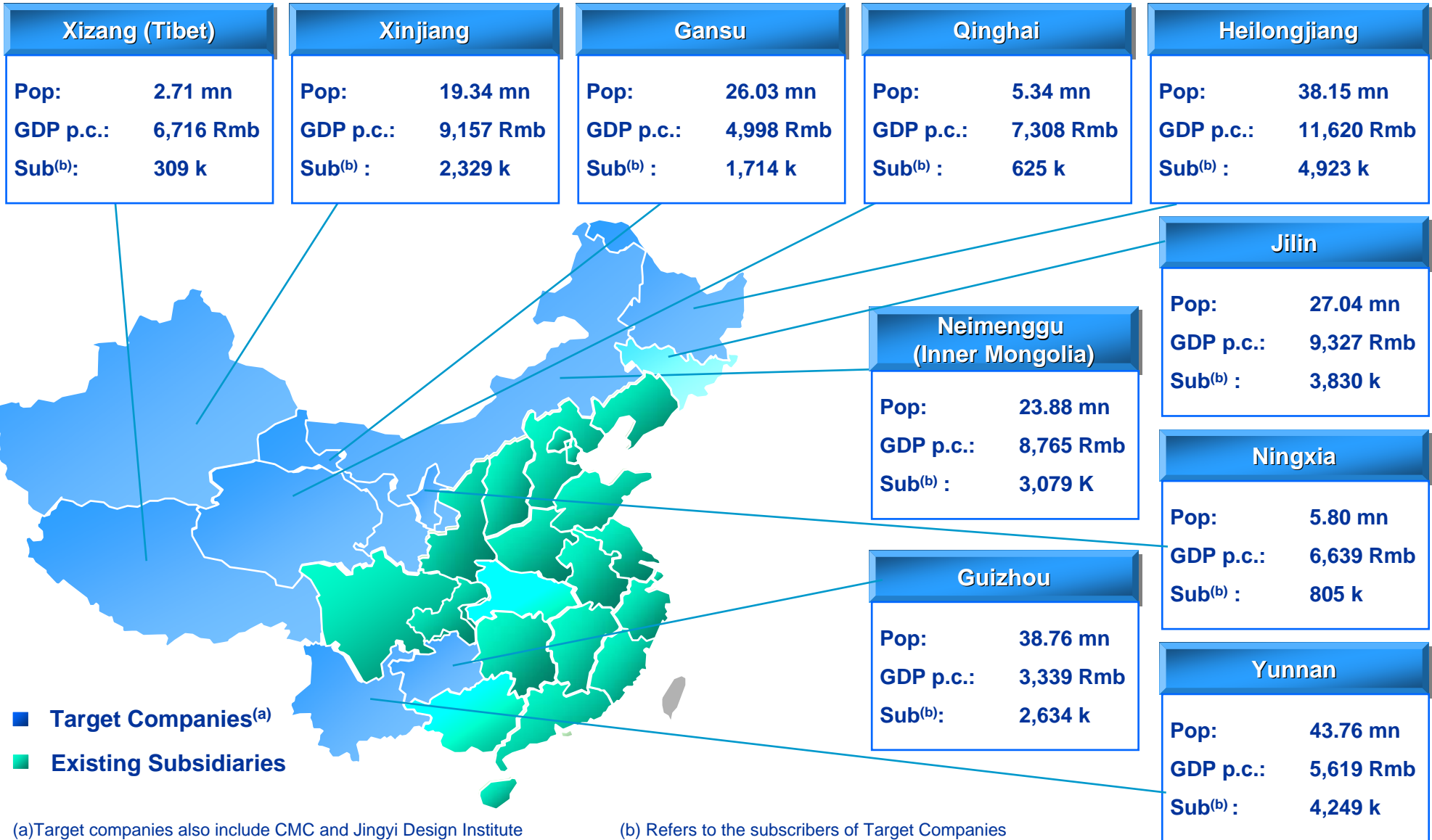
- **Overview of the Acquisition**
- **The Target Companies**
- **Benefits of the Acquisition**



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Overview of the Acquisition

China Mobile (Hong Kong)'s Acquisition of ...



Key Elements of the Acquisition

Acquisition Consideration

- **Consideration of US\$3.65 billion**
 - **Initial Payment:** US\$2.0 billion in cash
 - **Deferred Payment:** US\$1.65 billion as loan from the seller
- **Assumed net debt of US\$0.47 billion**
- **Enterprise value of US\$4.12 billion**

Principal Pre-condition for the Acquisition

- **Approval by independent shareholders (EGM scheduled on June 16, 2004)**

Financial Advisors to the Company

- **China International Capital Corporation (Hong Kong) Ltd**
- **Goldman Sachs (Asia) L.L.C.**
- **UBS Investment Bank**

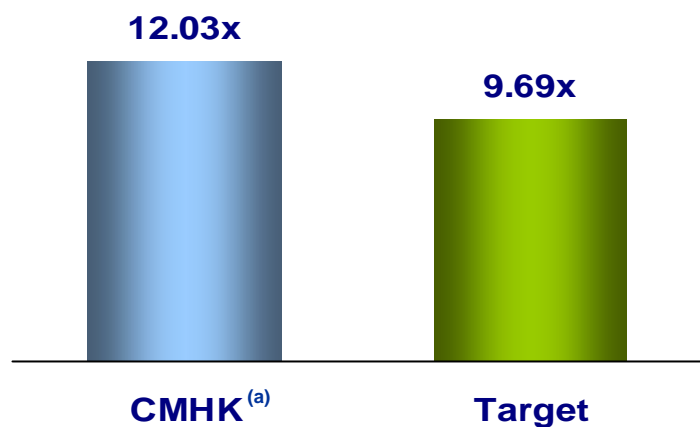
Independent Financial Advisor

- **N.M. Rothschild & Sons (Hong Kong) Ltd**

Attractive Valuation

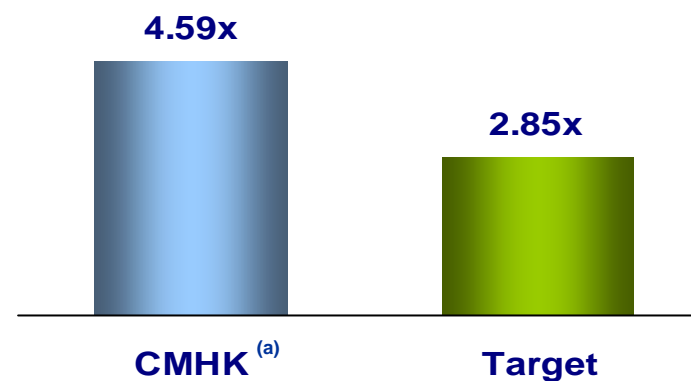
P/E (x)

19.5% discount



EV/EBITDA (x)

37.9% discount



2004E Net Profit (Target): US\$376.6 mn

2004E EBITDA (Target): US\$1,446.3 mn

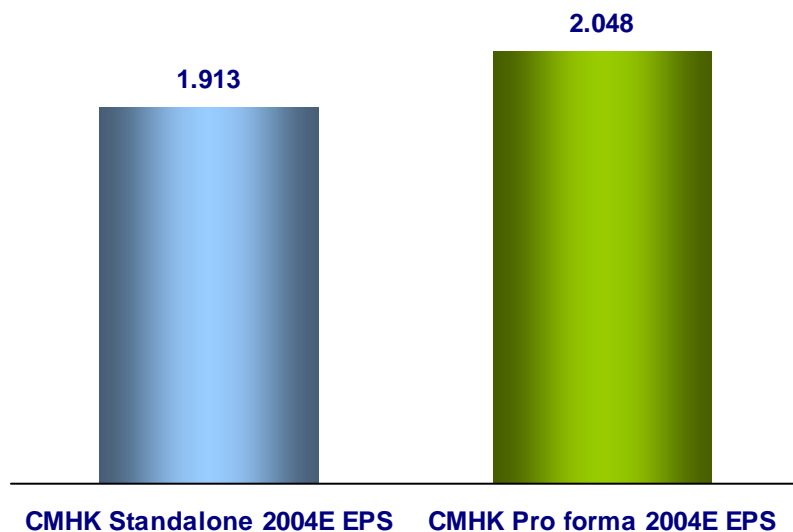
(a) Based on CMHK's per share price of HK\$21.69, which was the average daily closing price during the 10-day period ended April 27th, 2004. CMHK's 2004E EBITDA per share (RMB4.89) and EPS(RMB1.913) are based on the average research forecasts by CICC, GS and UBS, for illustration only

We expect the Acquisition to be EPS accretive for 2004 and further enhance future earnings growth

EPS Pre-Goodwill Amortization^(a)

(RMB)

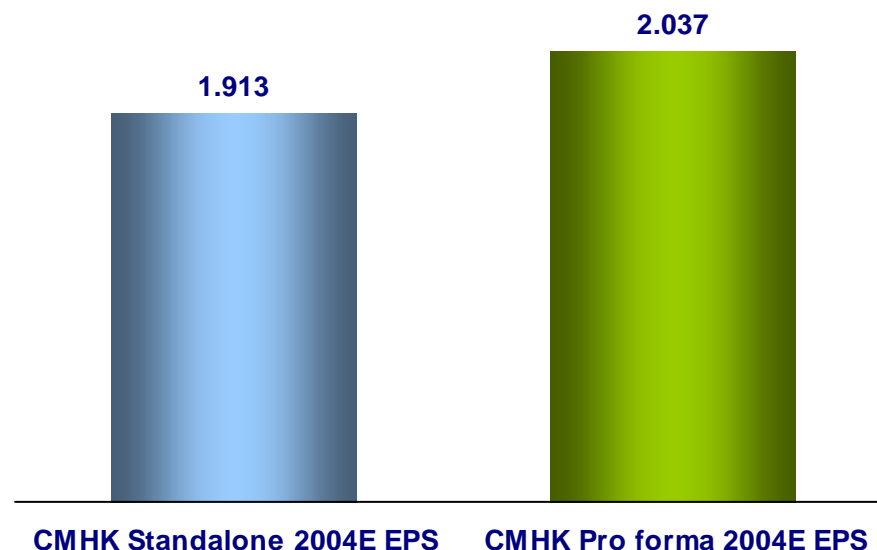
7.1% Accretion



EPS Post-Goodwill Amortization^(a)

(RMB)

6.5% Accretion



(a) For illustration only, does not reflect CMHK's guidance on its 2004 earnings; "Goodwill" as used here refers to the goodwill amount arising from this acquisition only.

Assumptions:

- 2004E EPS of RMB1.913 is based on the average research forecasts by CICC, GS and UBS of HK\$1.803 and HK\$ to RMB exchange rate of 1.0612
- Interest rate of 1.02% on CMHK's average cash and bank deposits
- 2-year USD LIBOR swap rate of 2.595% for deferred consideration
- Effective tax rate of 33% to derive tax savings on the forgone interest income
- Assumes the Acquisition was completed on January 1st, 2004

Total deferred payment: US\$1.65 billion

Key Terms

- 15-year subordinated debt, with no prepayment penalty
- Interest rate: 2-year USD LIBOR swap rate, 2.595% for the first two years
- Fixed exchange rates
- Flexible payment currency choices

Repayment

- CMHK intends to repay the deferred payment mainly through:
 - Internal cash resources
 - External financing, including possible bond issuance or other sources

Benefits of the Acquisition

- **Extending coverage to further secure market leadership position**
- **Capturing new growth potential**
- **Capitalizing on solid track record of integration success**
- **Enhancing EPS and improving capital structure**
- **Consolidating to ensure long-term growth**



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The Target Companies

The Target Assets

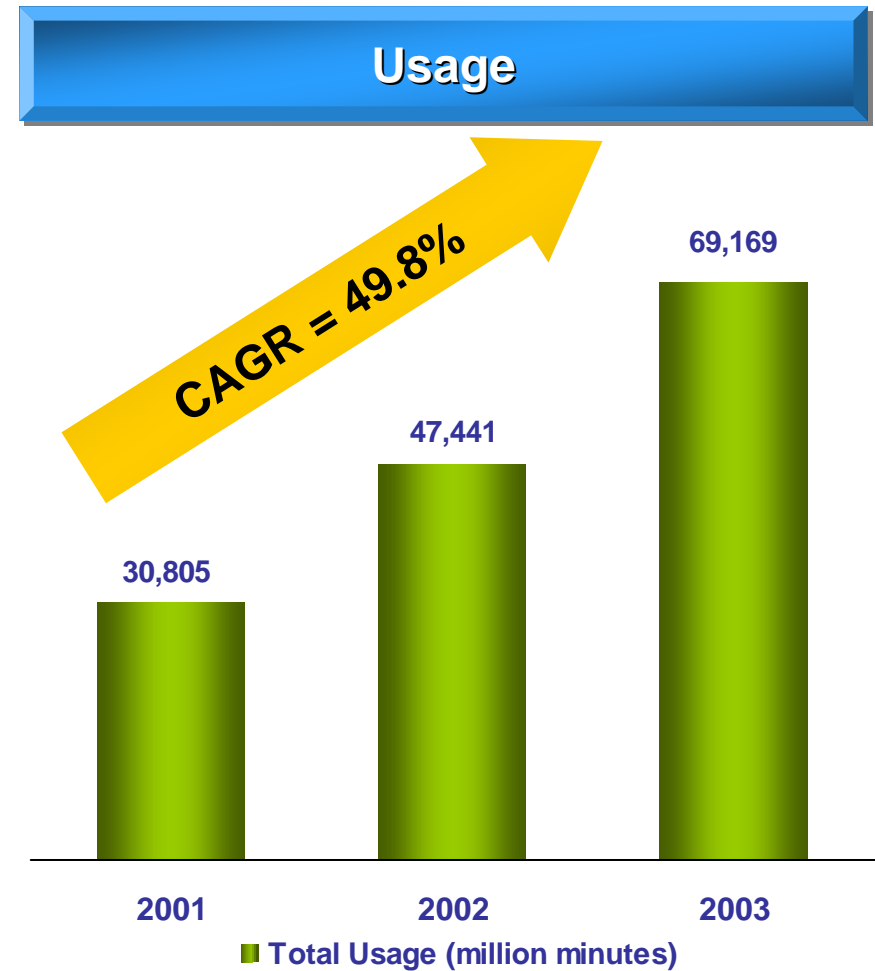
	2002	2003
Population (mn) ^(a)	229.3	230.8
GDP per capita (RMB) ^(a)	6,486	7,292
Mobile penetration (%) ^(b)	12.8	16.8
China Mobile Subscribers ('000)	18,928	24,497
Contract ^(c)	6,955	6,990
Prepaid ^(c)	11,973	17,507
Market Share (%)	66.2	64.3
MOU (minutes)	241	265
Contract ^(c)	364	425
Prepaid ^(c)	152	190
ARPU (RMB)	91	79
Contract ^(c)	143	141
Prepaid ^(c)	53	50
Monthly Churn (%)	1.28	1.33

(a) 2002 Provincial Statistical Yearbooks with respect to the 2002 data. 2003 data are estimated by the target companies

(b) Penetration rates have been derived from published MII reports

(c) Classification for management reference purposes only

Significant Business Growth

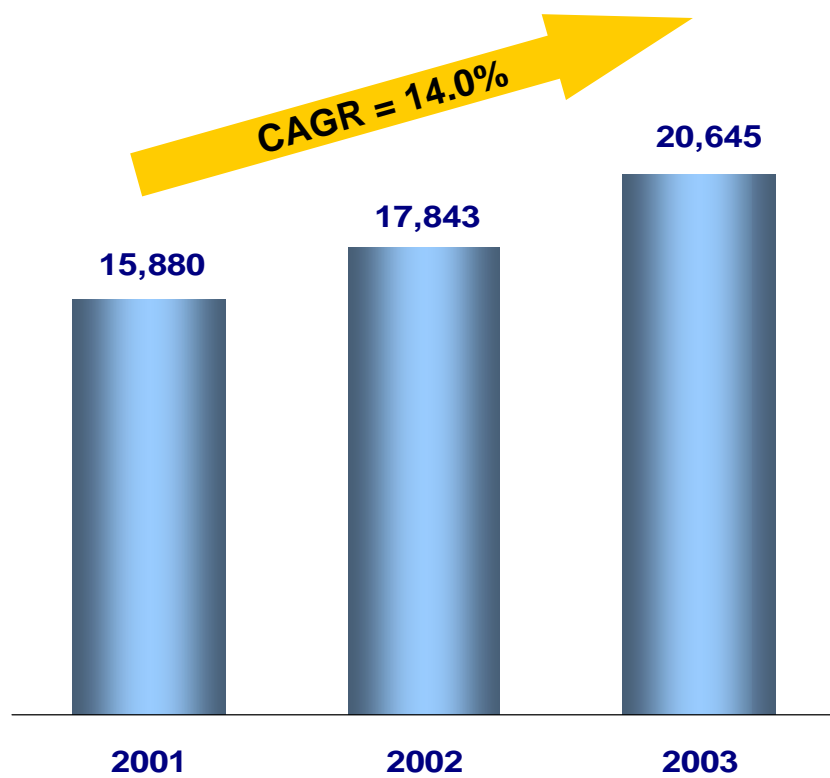


(a) Penetration rates have been derived from published MII reports

Solid Revenue and EBITDA Growth

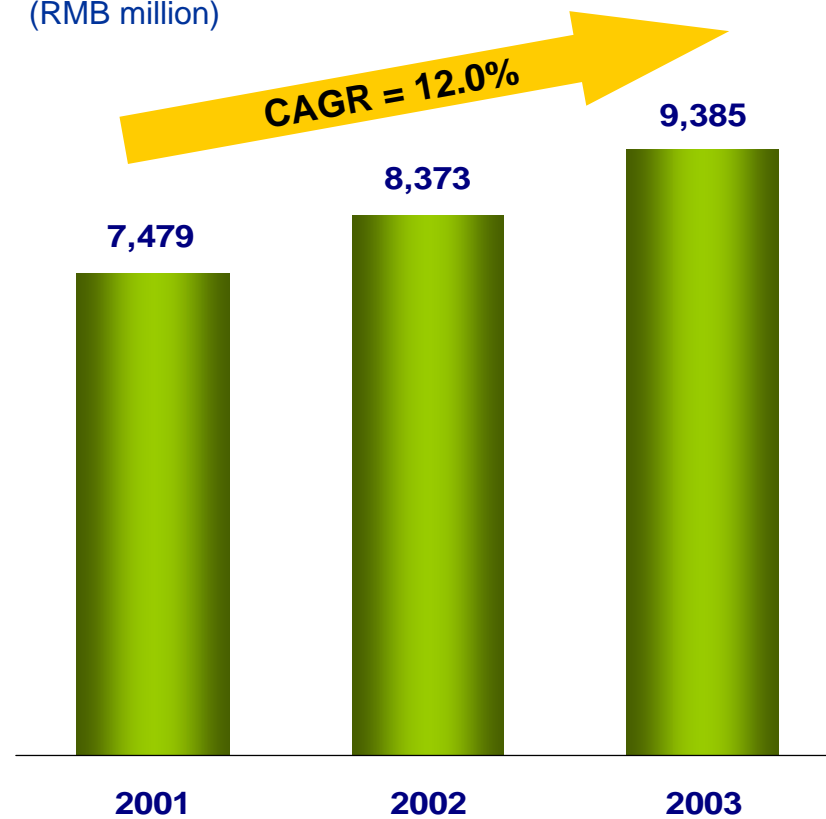
Revenue

(RMB million)



EBITDA

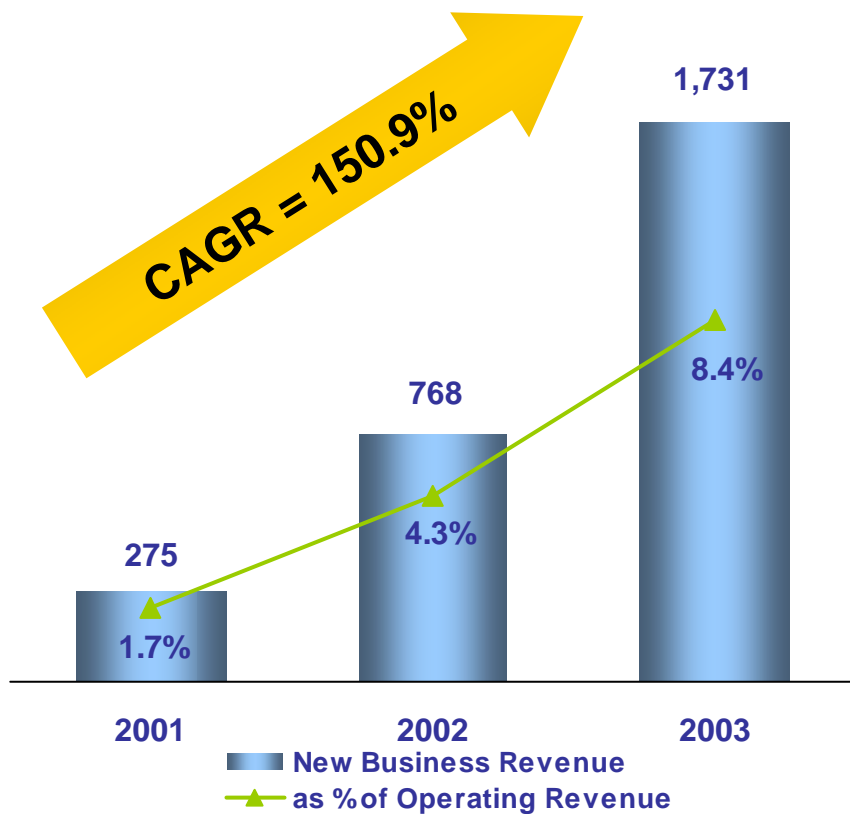
(RMB million)



New Business - Key Growth Driver

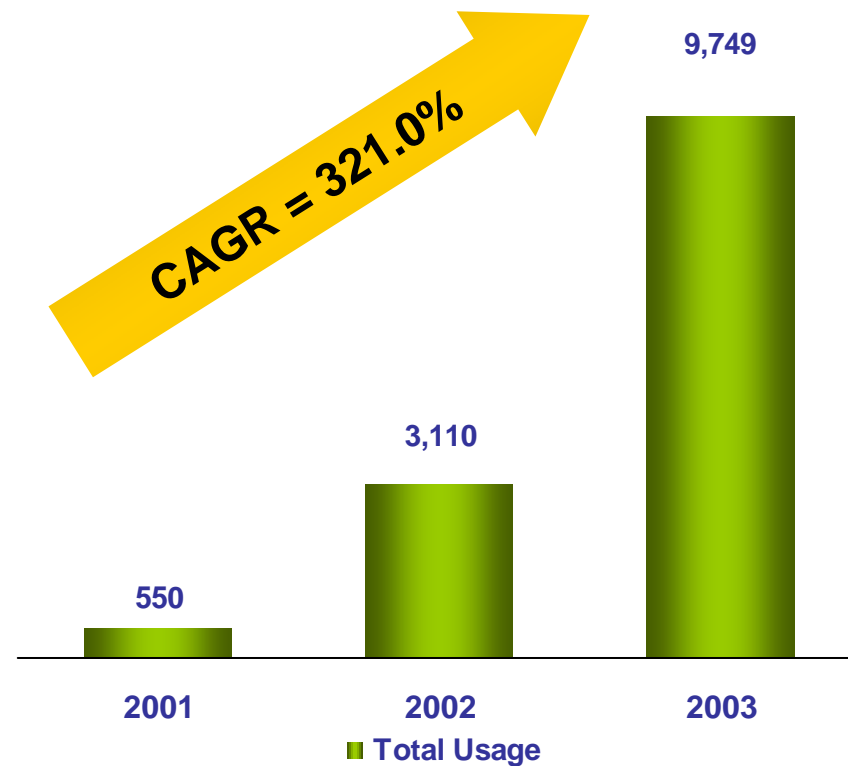
New Business Revenue

(RMB million)



SMS

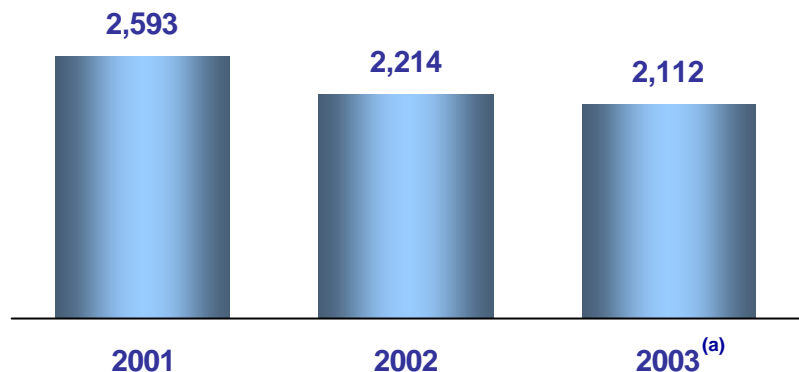
(million messages)



Ample Room for Cost Reduction to Improve Profitability

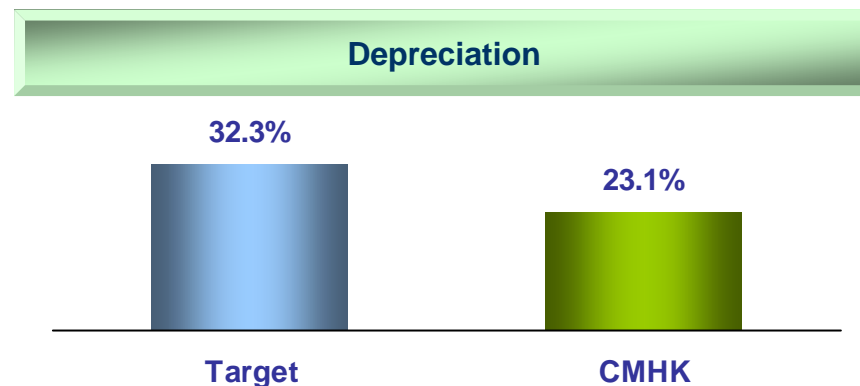
Net Profit

(RMB million)



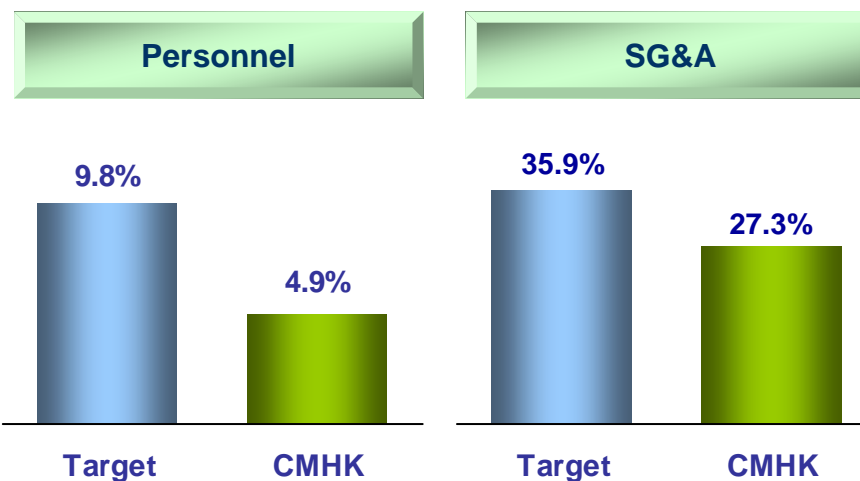
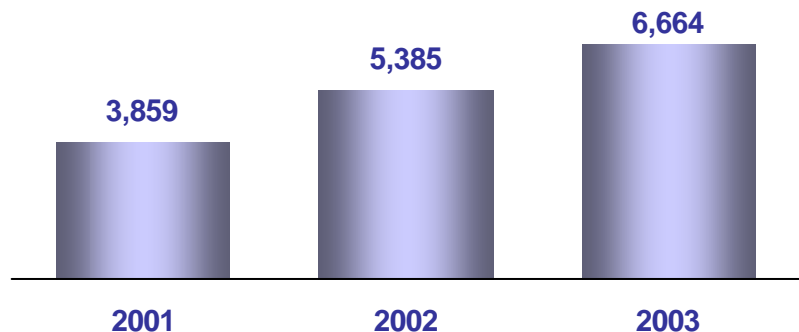
2003 Cost Structure

(as % of operating revenue)



Depreciation

(RMB million)

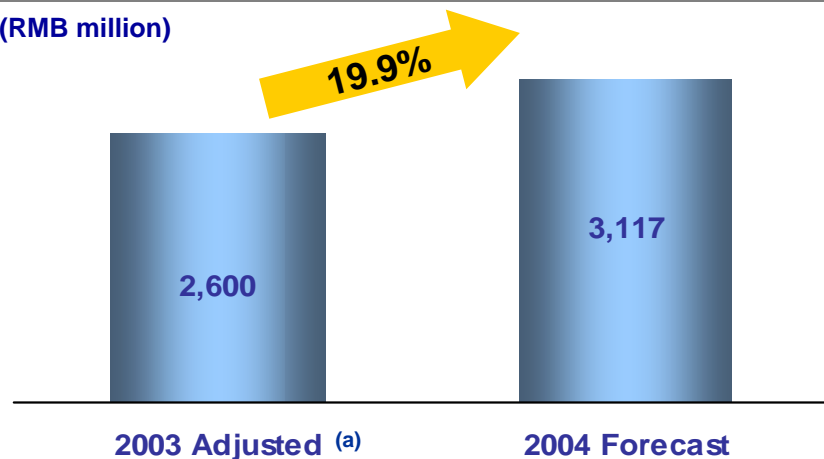


(a) Before revaluation deficit of RMB3.47 bn. After revaluation deficit will be net loss of RMB1.36 bn

Expecting an Improvement in Profitability in 2004

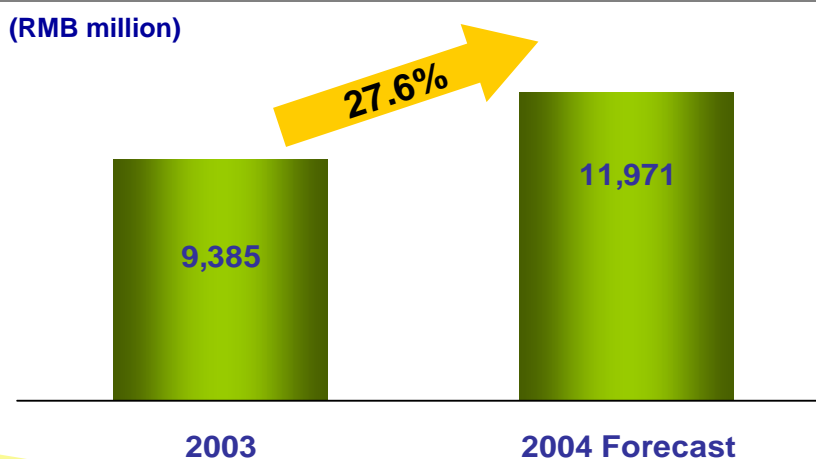
Net Profit

(RMB million)



EBITDA

(RMB million)



Change of management focus from business scale to profitability

Maintain double-digit revenue growth

Increased employee productivity through HR restructuring and training

Efficient management through rationalizing SG&A per subscriber

Tighter control of capital expenditure

- (a) Assumes the asset revaluation result was recorded on December 31st, 2002. Detailed adjustment is as follows:
2003 reported net profit (RMB-1,358 mn)+reduction of depreciation(RMB633 mn)*(1-effective tax rate(22.9%))+reversal of revaluation deficit(RMB3,470 mn)=2003 adjusted net profit (RMB2,600 mn)

■ Infrastructure

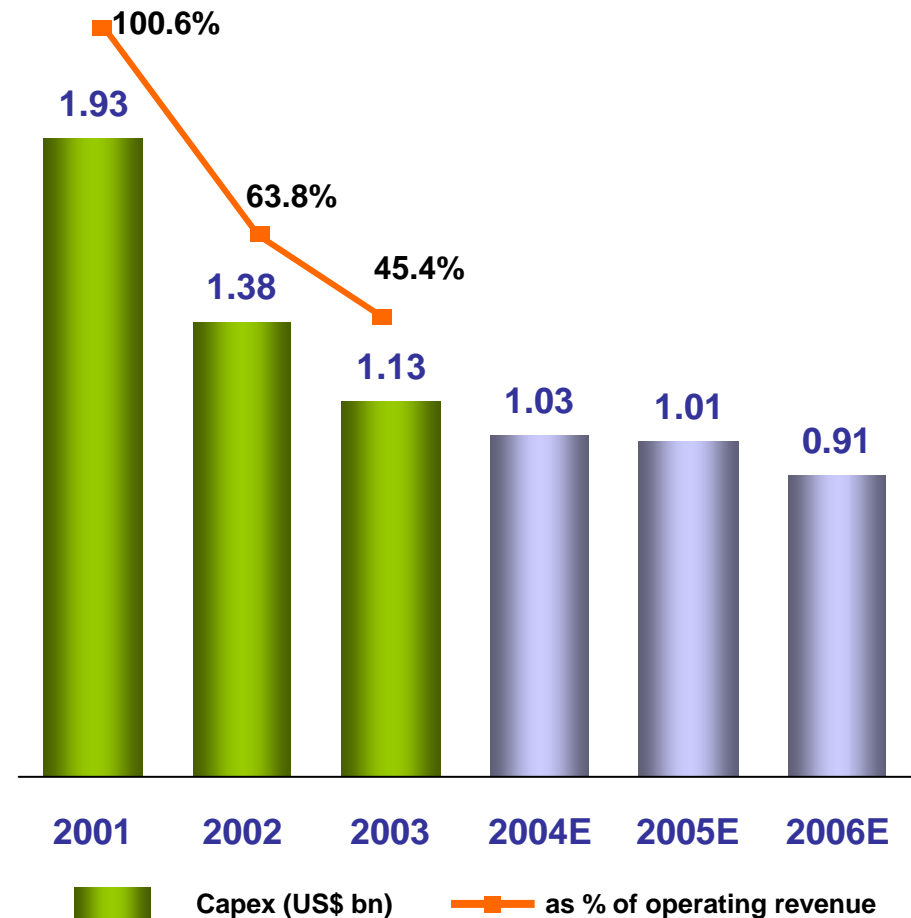
- All digital, fully integrated GSM network
 - Average population coverage rate of 80%
 - 182 mobile switching centers; 20,847 base stations
 - Network capacity of 29 million; average utilization rate of 84%
- Well-established intra and inter provincial backbone transmission

■ Distribution

- Extensive network of sales and distribution channels
 - 1,409 proprietary sales outlets
 - 29,383 other retail outlets

Capital Expenditure Plan

- Planned capital expenditures significantly below historical levels
- Total expected capital expenditure for '04-'06 approximately US\$2.95 billion
- Network infrastructure similar to CMHK's existing operations
- Increased economies of scale and improved utilization expected to lead to higher return on investments



Targets Combined as of Dec. 31st, 2003

	RMB million
Total Debt	5,174
Owners' Equity	<u>25,766</u>
Total Book Capitalization	30,940
Cash and Bank Deposits	1,296
Net Debt	3,878
Total Debt /Total Capitalization	16.7%



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Benefits of the Acquisition

Further Consolidating Market Leadership Position

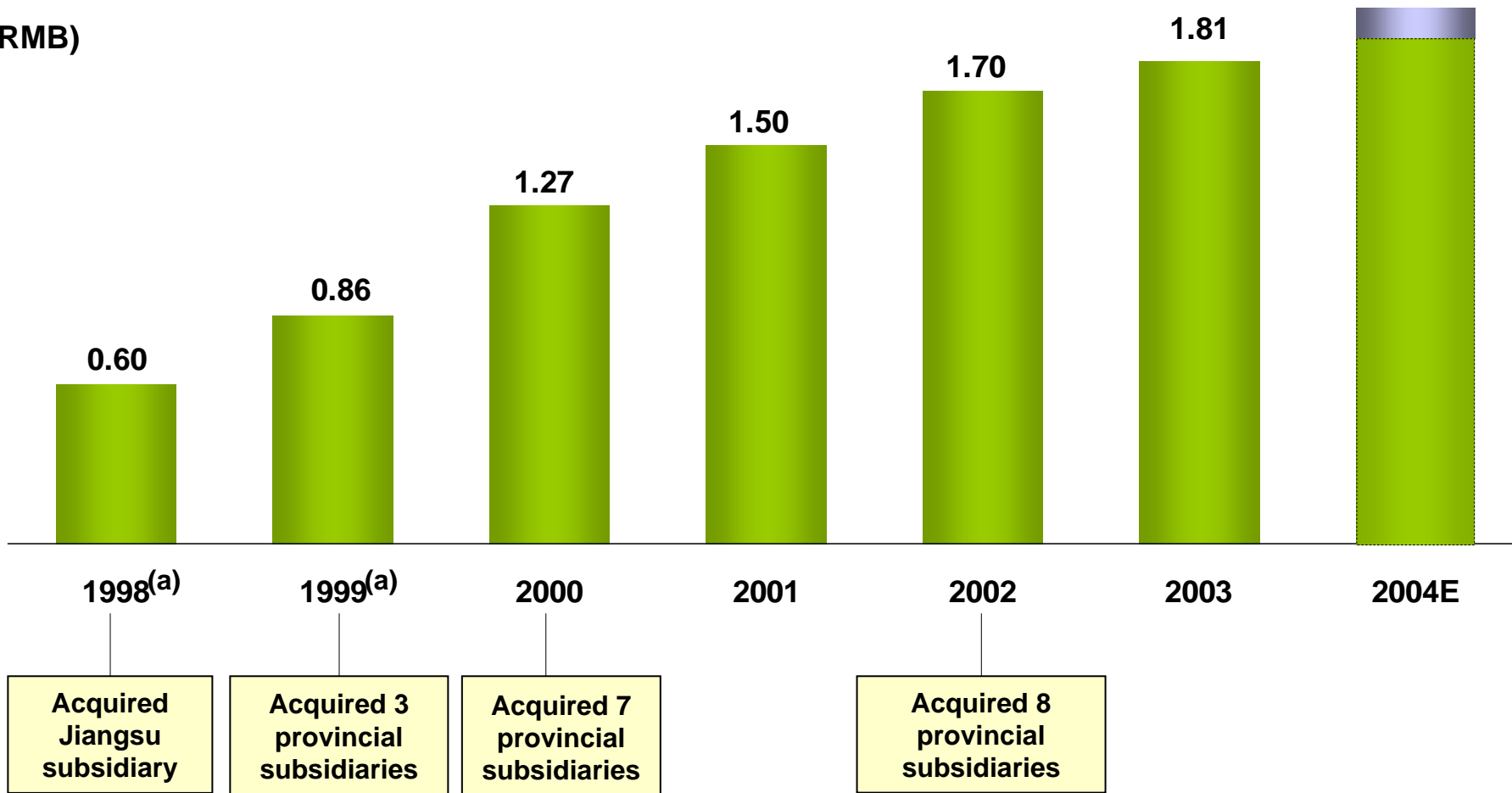


(a) Assumes the Acquisition was completed on January 1st, 2003

Successful Path Towards Shareholder Value Creation

EPS^(b)

(RMB)



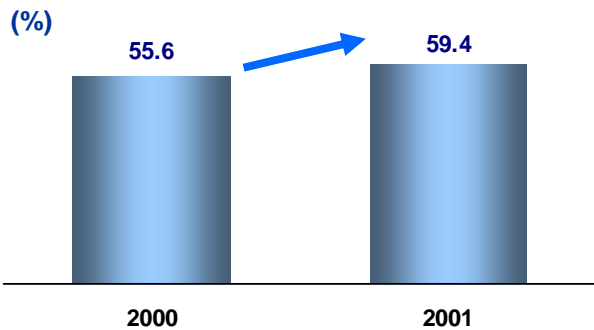
(a) Prior to the write-down and write-off of analog assets

(b) Includes both organic growth and value creation through acquisition

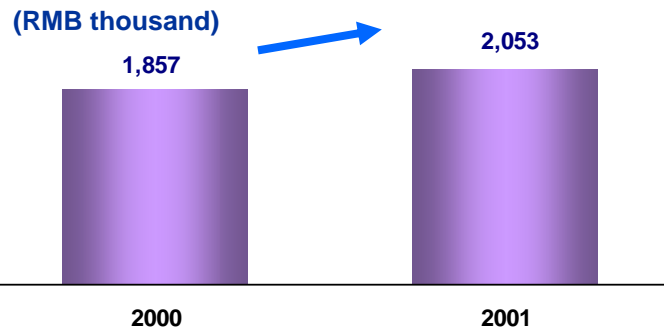
Capitalizing on Solid Track Record of Integration Successes

7 Acquired Subsidiaries

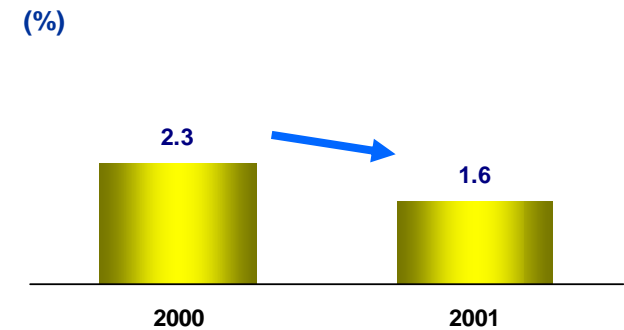
EBITDA Margin



Revenue per Employee

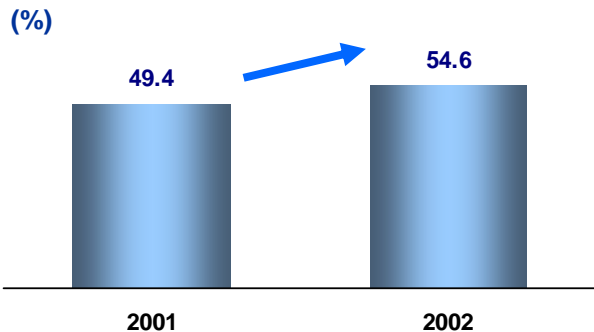


Bad Debt Ratio

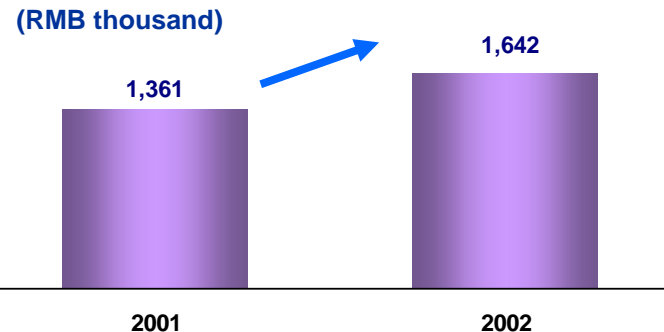


8 Acquired Subsidiaries

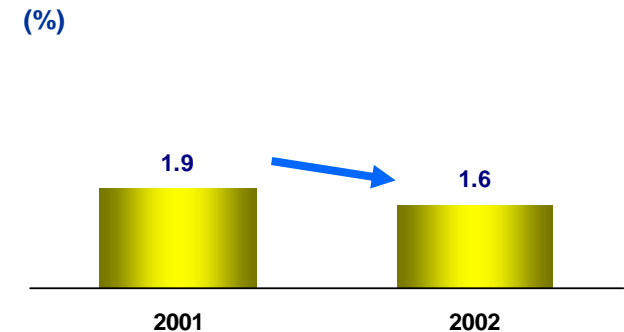
EBITDA Margin



Revenue per Employee



Bad Debt Ratio



Improving Capital Structure

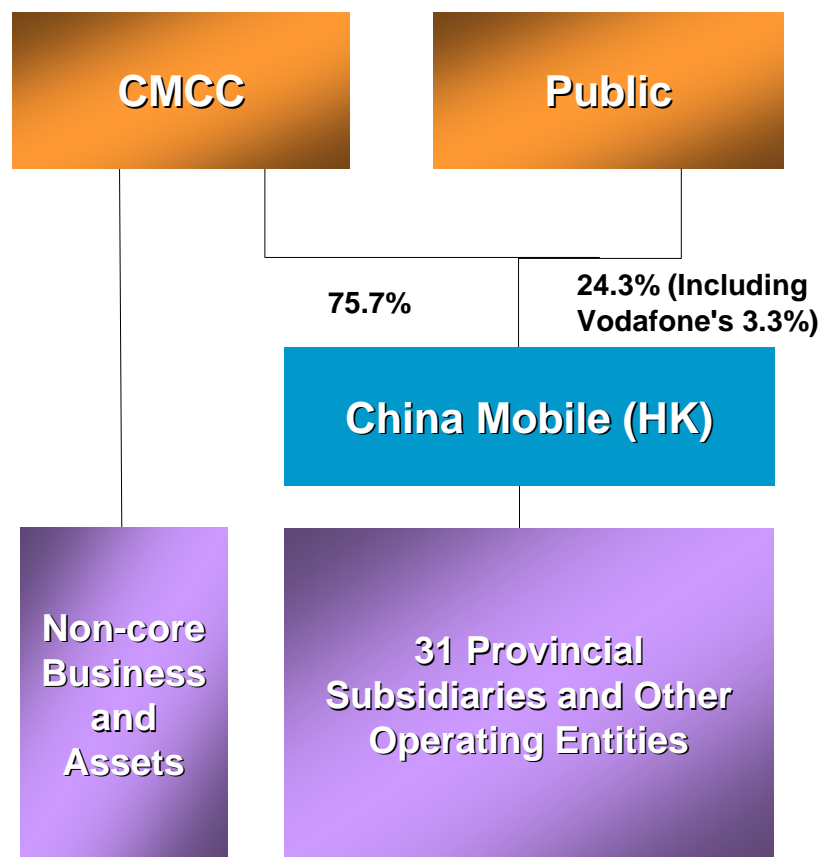
	As of December 31 st , 2003	
(RMB billion)	CMHK	Pro forma Combined ^(a)
Cash and Bank Deposits	56.4	41.1
Total Debt	44.6	63.4
Total Capitalization	243.4	262.2
Total Debt/Total Capitalization	18.3%	24.2%
Total Debt/EBITDA	0.48x	0.62x

(a) Assumes the Acquisition was completed on December 31st, 2003

More Efficient Corporate Structure

CMCC:

- CMCC's role primarily defined as controlling shareholder
- Operates non-core businesses



CMHK:

- China Mobile's core businesses and assets all under CMHK
- Responsible for all strategic and operational decisions and execution

Connected transactions significantly reduced

World-Class Wireless Multi-Media Services Provider

- 
- **World's largest wireless operator by subscriber number**
 - **In the world's most dynamic and fast growing economy**
 - **With ample financial strength to capture future growth potential in wireless multi-media services**



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Thank You