



中国移动通信  
CHINA MOBILE

# CHINA MOBILE (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

## 2002 ANNOUNCEMENT OF INTERIM RESULTS

- Turnover reached RMB55.1 billion, up by 13%
- EBITDA of RMB33.4 billion, up by 15%
- Sustained high EBITDA margin 60.6%
- Net profit of RMB15.2 billion, up by 10%
- Total subscribers exceeded 80.30 million, up by 10.66 million

### CHAIRMAN'S STATEMENT

Dear Shareholders,

I am gratified to tell you that, during the first half of year 2002, the Company's businesses continued to grow steadily, achieving satisfactory operating results, while maintaining stable and strong cash flow. Concurrently, we successfully completed the acquisition of mobile telecommunications assets in Mainland China, which have immense development potential. While sharing this pleasing news with you, allow me to take this opportunity to thank you for your continued support of the Company.

The financial performance of the Group for the past six months was satisfactory. Excluding the eight recently acquired subsidiaries, the Group's operating revenue reached RMB55.1 billion, representing an increase of 13 per cent. over the same period in year 2001. EBITDA reached RMB33.4 billion, representing an increase of 15 per cent. over the same period last year. The Group's EBITDA margin was 60.6 per cent. Net profit reached RMB15.2 billion, representing an increase of 10 per cent. from the same period in year 2001. Earnings per share reached RMB0.82.

During the same period, the Company's businesses continued their steady and sustained growth. The number of mobile subscribers continued to grow rapidly. As at 30 June 2002, the Company's thirteen subsidiaries had 80.30 million subscribers, representing a net increase of 10.66 million subscribers from the subscriber base as at year-end 2001. Aggregate usage volume reached 92.7 billion minutes. Average minutes of usage per user per month (MOU) was 209 minutes. Owing to the Group's stable high-value customer segment and the significant increase in revenue from new businesses, as well as the relatively orderly market environment, the Group's average revenue per user per month (ARPU) was RMB124. Although this represents a small decline from RMB127 recorded in the fourth quarter of 2001, nonetheless, the rate of decline slowed. We are delighted to note that the development of our new businesses achieved the results we had projected, and particularly that the trend of development of mobile data services is quite positive. The promotion of the "Monternet" brand has achieved initial success. The number of mobile data subscribers exceeded 40 million. Volume of SMS (Short Message Services) exceeded 12.6 billion messages. Revenue from new businesses increased by 152 per cent. over the same period in year 2001, and its proportion to total revenue increased by 2.4 percentage points to 5.4 per cent. compared to year 2001. At the same time, GPRS (General Packet Radio Service) was commercially launched in the first half of year 2002. This secured the foundation for the future development of data business applications such as MMS (Multimedia Messaging Services).

During the past six months, given the Group's favourable network coverage and in light of the actual traffic volume, the Group has optimised its network and continued to expand network construction in high-density voice traffic areas, such as major commercial districts, traffic arteries and tourist attractions. Voice quality and network efficiency were improved, thereby utilising the Group's high quality, efficient, and unified all-digital networks to their fullest advantage. We focused on the construction of support networks and actively promoted customer-oriented management systems, thereby enhancing customer resources and customer relationship management and effectively supporting and achieving personalised and customized services. We also made considerable efforts to advance the Group's internal management analysis systems to ensure that the Group maintains and improves its business management and policy making standards.

The steady development of the Company's business bore a close correlation to the Company's clear and concise strategies, strict internal controls and its comprehensively improved management capabilities. During the first half of 2002, in order to consolidate the Group's competitive advantages and leading market position and maintain the Group's sustained development, we unwaveringly pursued our general development strategy of combining organic and external growth. We confirmed the continuing utility of our established business and competitive strategies, implemented additional controls to maintain investments and advanced the pace of our human resources management in response to environmental and market changes. To ensure the effective realization of our business objectives, the Company undertook systematic training and development of mid to senior-level management within the subsidiaries, using budgeting and performance management tools to cascade its operational objectives through the different strata of management, even reaching individual employees. We further refined the Company's internal controls and internal audit process and enhanced the Company's financial management and risk controls, with continued emphasis on the management principles of credibility, regularity and transparency, as well as prudent and stable financial and accounting policies, with a view to ensuring the truthfulness, accuracy and timeliness of disclosure data.

On 1 July 2002, the Company completed the acquisition of Anhui Mobile and the rest of the eight mobile telecommunications companies. The eight acquired companies, all situated in areas with high rates of economic growth, have vast market potential. As at the end of June 2002, the overall mobile telephone penetration rate in these areas was only 8.6 per cent., which provides enormous room for the Group's future growth. Following the completion of the acquisition, the Company attained contiguous coverage over twenty-one of the economically more advanced provinces, municipalities and autonomous region in China, with a total population in excess of one billion residing in its service area. This greatly enhanced the Company's overall business growth potential. Through the process of restructuring during the acquisition, the Company availed itself of the opportunity to advance enterprise reforms within the newly acquired companies. Various training programs were organized to speed the transformation of the subsidiaries' management structures and management philosophy. This proactive integration of the subsidiaries allowed the full benefits of economies of scale and synergies from the acquisition to be realized more quickly and completely. As at 30 June 2002, the eight newly acquired companies' subscriber base totalled 25.14 million, representing a net increase of 4.22 million subscribers over the end of year 2001. Operating revenue reached RMB15.2 billion, representing an increase of 19 per cent. over the same period in year 2001. EBITDA reached RMB8.0 billion, representing an increase of 27 per cent. over the same period last year. Net profit reached RMB2.8 billion, representing an increase of 71 per cent. from the same period in year 2001. Furthermore, EBITDA margin was 52.8 per cent. and the rate of decrease in ARPU slowed. Assuming that the acquisition of the eight companies had been completed on 1 January 2002, the pro-forma combined subscriber base of the Group's twenty-one subsidiaries would have been 105 million, and the pro-forma combined operating revenue, EBITDA and net profit would have been RMB70.4 billion, RMB41.5 billion and RMB16.6 billion, respectively. The Company will continue to endeavor to optimize the operating synergies of the Group and, hence, the overall enterprise value of the Company.

The Company has always focused on investing in opportunities in China's telecommunications market that offer high growth in order to create shareholder value. The Company has not distributed any dividends in the past. Having comprehensively considered all relevant factors, including the fact that the Company utilized US\$3.15 billion to satisfy the cash portion of the consideration for the Company's recently completed acquisition of Anhui Mobile and the rest of the eight mobile telecommunications companies, the Board does not recommend the payment of an interim dividend for year 2002. The Board believes that the Company's robust cash flow can support the realization of the Company's long-term development objectives, while at the same time also permitting the distribution of appropriate dividends to our shareholders. Therefore, barring unforeseen circumstances, the Company will pay a final dividend in respect of the financial year ending 31 December 2002. Depending on the Company's overall operational and cash flow positions at the relevant time, the specific amounts of such dividends will be recommended by the Board to our shareholders.

The performance of the Company won popular recognition from various sectors. In the last six months, the Company was awarded "Best in Corporate Governance, China" by *The Asset*; ranked first in the "Best Financial Management" in the China division by *FinanceAsia*; ranked first again in the China Division in the "Asia's Best Credits 2002" survey by *The Asset*; and ranked first in "The Top 200 Emerging-Market Companies" in 2002 by *Business Week* (which ranks companies by market capitalisation), marking the third time in a row that the Company has received this latter award. The Company also ranked third in terms of revenue in *FORTUNE*'s list of "The China 100", and for the first time was included as one of "The World's 400 A-List Companies 2002" in a listing compiled by *Forbes*. China Mobile was the only Chinese company to be so listed.

On 3 July 2002, Mr. Ding Donghua, former Director and Chief Financial Officer of the Company, retired. Further, Professor Arthur Li Kwok Cheung resigned as an independent non-executive director on 1 August 2002, as he assumed the key post of Secretary for Education and Manpower of the Government of the Hong Kong Special Administrative Region. On behalf of the Board, I take this opportunity to acknowledge Mr. Ding's and Professor Li's diligence and commitment throughout these years, and to extend the highest regard and deepest gratitude for their outstanding achievements and contributions to the Company. On 3 July 2002, Mr. Xue Taohai was appointed as Director, Vice Chairman and Chief Financial Officer of the Company. Mr. Xue has over 23 years of experience in the telecommunications industry and financial management. The Company believes that Mr. Xue's appointment will be of great benefit to the Company. I take this opportunity to welcome Mr. Xue Taohai as a member of the Board.

Looking to the future, despite the slowdown in the global economy, China's economy continues to develop at a pace faster than that of many other areas around the globe. The growth of China's economy will continue to actively promote the growth of the telecommunications business. With the substantial development potential of Mainland China's telecommunications market, the steady enhancement of the Company's management capabilities and the economies of scale achieved by the Company through the recent acquisition, I am confident about the Company's stable and sustained development. I am also confident about enhancing the management capabilities and operating results of the eight newly acquired companies. I believe the growth in voice mobile businesses will continue to represent the mainstream of the Group's business development, and that it provides a solid foundation. Other mobile value-added businesses, in particular, data services, will become the main areas for growth among our new businesses. Despite the changing competitive environment ahead, the Company will, as always, persevere in pursuing established development strategies; focus on developing its core businesses; and accelerating the integration of the newly acquired subsidiaries. The Company will also enhance internal management and enterprise reforms, control investments and economize on expenses, enhance efficiency and benefits, bolster core competitiveness, maintain sustainable enterprise development, provide quality services to our customers and generate greater returns to our shareholders.

Wang Xiaochu

Chairman and Chief Executive Officer

Hong Kong, 14 August 2002

### UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2002

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2002 RMB million	2001 RMB million
<b>Operating revenue (Turnover)</b>	3		
Usage fees		40,875	35,457
Monthly fees		6,940	7,020
Connection fees		—	711
Other operating revenue	4	7,331	5,676
		<u>55,146</u>	<u>48,864</u>
<b>Operating expenses</b>			
Leased lines		2,767	2,196
Interconnection		6,615	6,839
Depreciation		10,465	8,083
Personnel		3,002	2,792
Other operating expenses		10,184	8,598
		<u>33,033</u>	<u>28,508</u>
<b>Profit from operations</b>		<u>22,113</u>	<u>20,356</u>
<b>Other net income</b>		<u>855</u>	<u>737</u>
<b>Non-operating net income</b>		<u>474</u>	<u>124</u>
<b>Interest income</b>		<u>235</u>	<u>457</u>
<b>Finance costs</b>		<u>(664)</u>	<u>(956)</u>
<b>Profit from ordinary activities before taxation</b>	5	<u>23,013</u>	<u>20,718</u>
<b>Taxation</b>	6	<u>(7,800)</u>	<u>(6,909)</u>
<b>Profit from ordinary activities after taxation</b>		<u>15,213</u>	<u>13,809</u>
<b>Minority interest</b>		<u>2</u>	<u>—</u>
<b>Profit attributable to shareholders</b>		<u>15,215</u>	<u>13,809</u>

Earnings per share	Basic		Diluted	
	7(a)	RMB82 cents	7(b)	RMB74 cents
EBITDA (RMB million)	8	33,433		29,176

### UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2002

(Expressed in Renminbi)

	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	General reserve RMB million	PRC statutory reserves RMB million	Retained profits RMB million	Total RMB million
At 1 January 2002	1,986	347,011	(296,470)	72	17,676	41,504	111,779
Issue of new shares	25	6,180	—	—	—	—	6,205
Expenses incurred for issuance of new shares	—	(236)	—	—	—	—	(236)
Net profit for the period	—	—	—	—	—	15,215	15,215
<b>At 30 June 2002</b>	<b>2,011</b>	<b>352,955</b>	<b>(296,470)</b>	<b>72</b>	<b>17,676</b>	<b>56,719</b>	<b>132,963</b>
	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	General reserve RMB million	PRC statutory reserves RMB million	Retained profits RMB million	Total RMB million
At 1 January 2001	1,986	347,007	(296,470)	72	12,643	18,522	83,760
Shares issued under share option scheme	—	2	—	—	—	—	2
Net profit for the period	—	—	—	—	—	13,809	13,809
<b>At 30 June 2001</b>	<b>1,986</b>	<b>347,009</b>	<b>(296,470)</b>	<b>72</b>	<b>12,643</b>	<b>32,331</b>	<b>97,571</b>

### UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2002

(Expressed in Renminbi)

	Note	Unaudited At 30 June 2002 RMB million	Audited At 31 December 2001 RMB million
<b>Non-current assets</b>			
Fixed assets		104,128	105,208
Construction in progress		21,172	19,981
Interest in associates		16	16
Investment securities		78	77
Deferred tax assets		1,339	1,476
Deferred expenses		159	180
		<u>126,892</u>	<u>126,938</u>
<b>Current assets</b>			
Inventories		906	1,029
Amount due from ultimate holding company	9	1,416	503
Accounts receivable	10	5,324	5,728
Other receivables	11	1,284	1,189
Prepayments and other current assets		1,691	1,571
Deposits with banks		4,709	14,970
Cash and cash equivalents	12	51,159	21,821
		<u>66,489</u>	<u>46,811</u>
<b>Current liabilities</b>			
Bank loans and other interest-bearing borrowings	13	(3,828)	(4,531)
Bills payable		(1,226)	(1,458)
Current instalments of obligations under finance leases		(869)	(908)
Amount due to ultimate holding company	9	(834)	(241)
Accounts payable	14	(10,237)	(11,317)
Accrued expenses and other payables		(11,809)	(10,840)
Taxation		(4,891)	(6,003)
		<u>(33,694)</u>	<u>(35,298)</u>
<b>Net current assets</b>		<u>32,795</u>	<u>11,513</u>
<b>Total assets less current liabilities</b>		<u>159,687</u>	<u>138,451</u>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	13	(21,415)	(21,591)
Obligations under finance leases, excluding current instalments		(406)	(812)
Deferred revenue		(4,712)	(4,237)
		<u>(26,533)</u>	<u>(26,640)</u>
<b>Minority interests</b>		<u>(191)</u>	<u>(32)</u>
<b>NET ASSETS</b>		<u>132,963</u>	<u>111,779</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	2,011	1,986
Reserves		130,952	109,793
		<u>132,963</u>	<u>111,779</u>

### UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2002

(Expressed in Renminbi)

	Six months ended 30 June	
	2002 RMB million	2001 RMB million
<b>Net cash from operating activities</b>	<u>30,612</u>	<u>25,467</u>
<b>Net cash used in investing activities</b>	<u>(5,241)</u>	<u>(21,445)</u>
<b>Net cash from/(used in) financing activities</b>	<u>3,967</u>	<u>(1,317)</u>
<b>Net increase in cash and cash equivalents</b>	<u>29,338</u>	<u>2,705</u>
<b>Cash and cash equivalents at 1 January</b>	<u>21,821</u>	<u>27,702</u>
<b>Cash and cash equivalents at 30 June</b>	<u>51,159</u>	<u>30,407</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Deposits with banks maturing within three months when placed	26,827	8,897
Cash and bank balances	24,332	21,510
	<u>51,159</u>	<u>30,407</u>

### NOTES ON THE UNAUDITED INTERIM ACCOUNTS

(Expressed in Renminbi)

- Basis of preparation**

The unaudited interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The interim results are unaudited, but have been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the HKSA. KPMG's unmodified independent review report to the board of directors is included in the interim report to be sent to shareholders.

The unaudited consolidated financial information for the six months ended 30 June 2002 and 2001 includes the financial information of the Company and its subsidiaries, Guangdong Mobile Communication Company Limited, Zhejiang Mobile Communication Company Limited, Jiangsu Mobile Communication Company Limited, Fujian Mobile Communication Company Limited, Henan Mobile Communication Company Limited, Hainan Mobile Communication Company Limited, Beijing Mobile Communication Company Limited, Shanghai Mobile Communication Company Limited, Tianjin Mobile Communication Company Limited, Hebei Mobile Communication Company Limited ("Hebei Mobile"), Liaoning Mobile Communication Company Limited, Shandong Mobile Communication Company Limited, Guangxi Mobile Communication Company Limited, China Mobile (Shenzhen) Limited, Aspire Holdings Limited and Aspire Technologies (Shenzhen) Limited, (the "Group"), for the six months ended 30 June 2002 and 2001.

The financial information relating to the financial year ended 31 December 2001 included in the interim accounts does not constitute the Group's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 18 March 2002.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim consolidated accounts.
- Segment reporting**

No analysis of the Group's turnover and contribution to profit from operations by geographical segment or business segment has been presented as all the Group's operating activities are carried out in the People's Republic of China (the "PRC") and less than 10 per cent. of the Group's turnover and contribution to profit from operations were derived from activities outside the Group's cellular telephone and related services activities. There is no other geographical or business segment with segment assets equal to or greater than 10 per cent. of the Group's total assets.

