

2001 Interim Results



中国移动通信
CHINA MOBILE

China Mobile (Hong Kong) Limited

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China Mobile (Hong Kong) Limited

August 16, 2001



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Agenda

Major Achievements for the First Half of 2001

Operating Results for the First Half of 2001

Financial Results for the First Half of 2001



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Major Achievements for the First Half of 2001

✦ Strong Business Growth and Financial Performance

✦ Outstanding Synergies

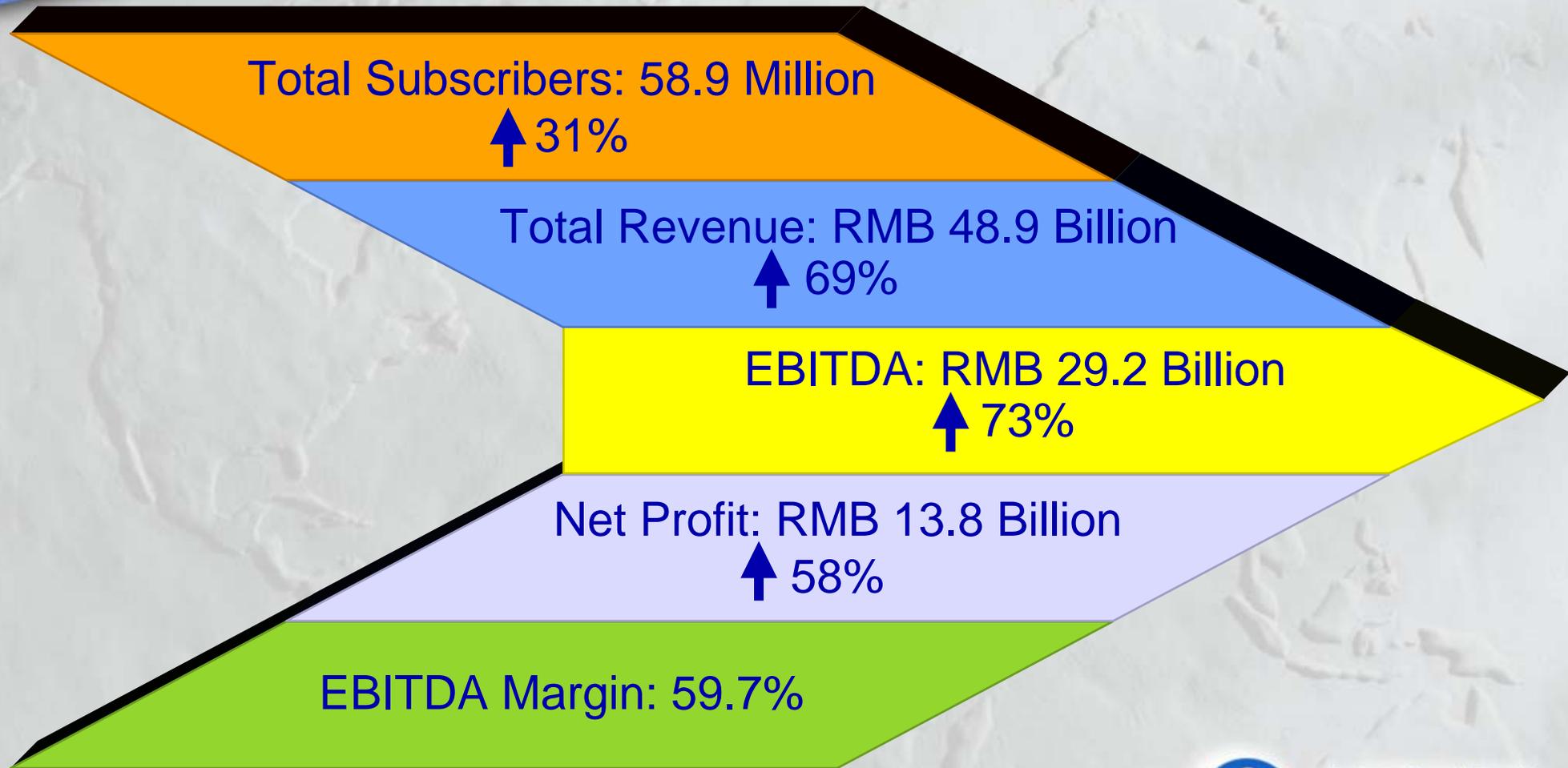
✦ Enhanced Competitive Edge

1st Half of 2001



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Strong Business Growth and Financial Performance



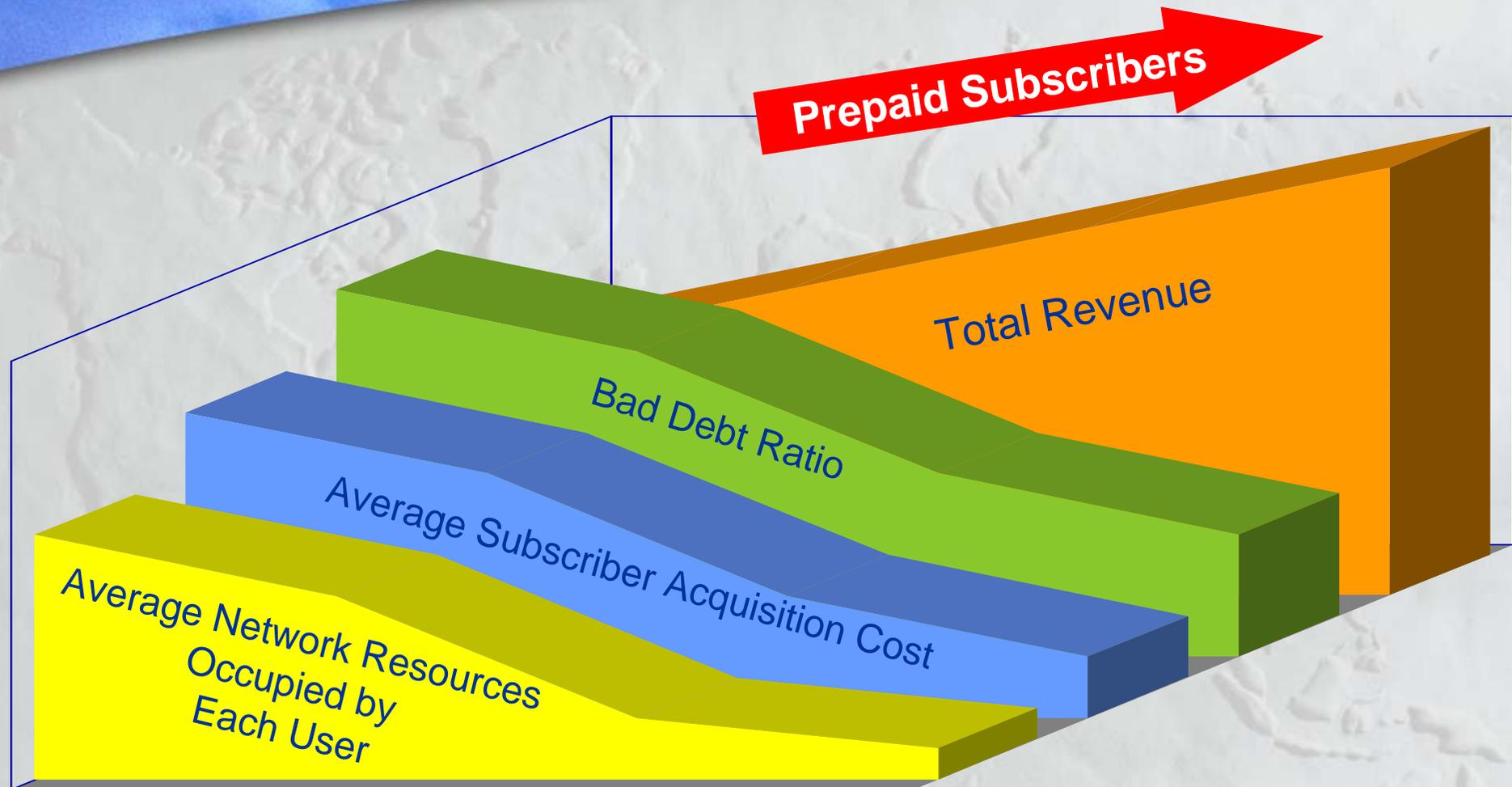
Note: The above subscriber number is compared with Dec., 2000.

All other financial data is compared with first half of 2000.



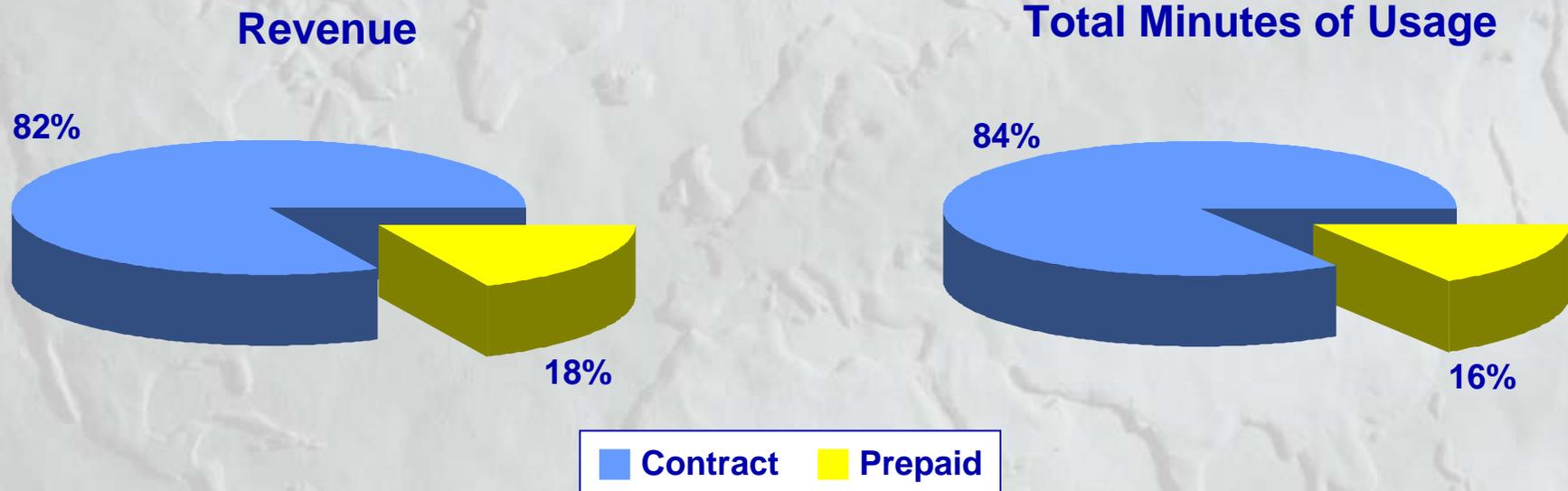
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Enhancement by Prepaid Service



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Contribution by Prepaid Service



Note: Above are first half 2001 data

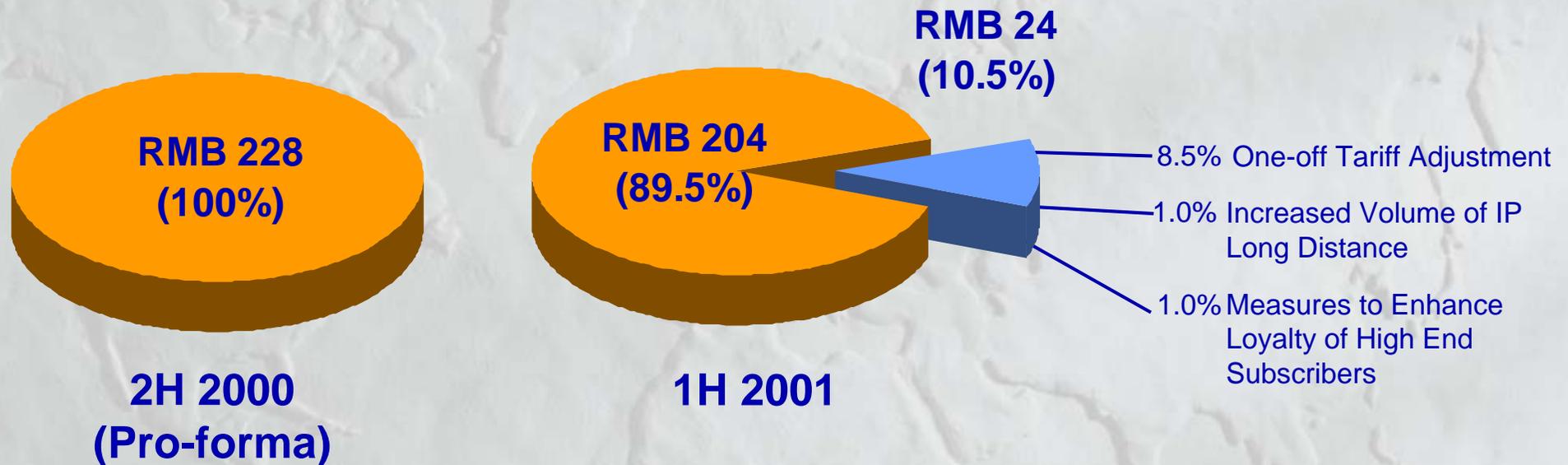
ARPU Analysis

Main Reasons for ARPU Decline:

- ⊕ Increase in low end subscribers
- ⊕ One-off tariff adjustment
- ⊕ Increased volume of IP long distance (of higher profitability)
- ⊕ Measures to enhance loyalty of high end subscribers



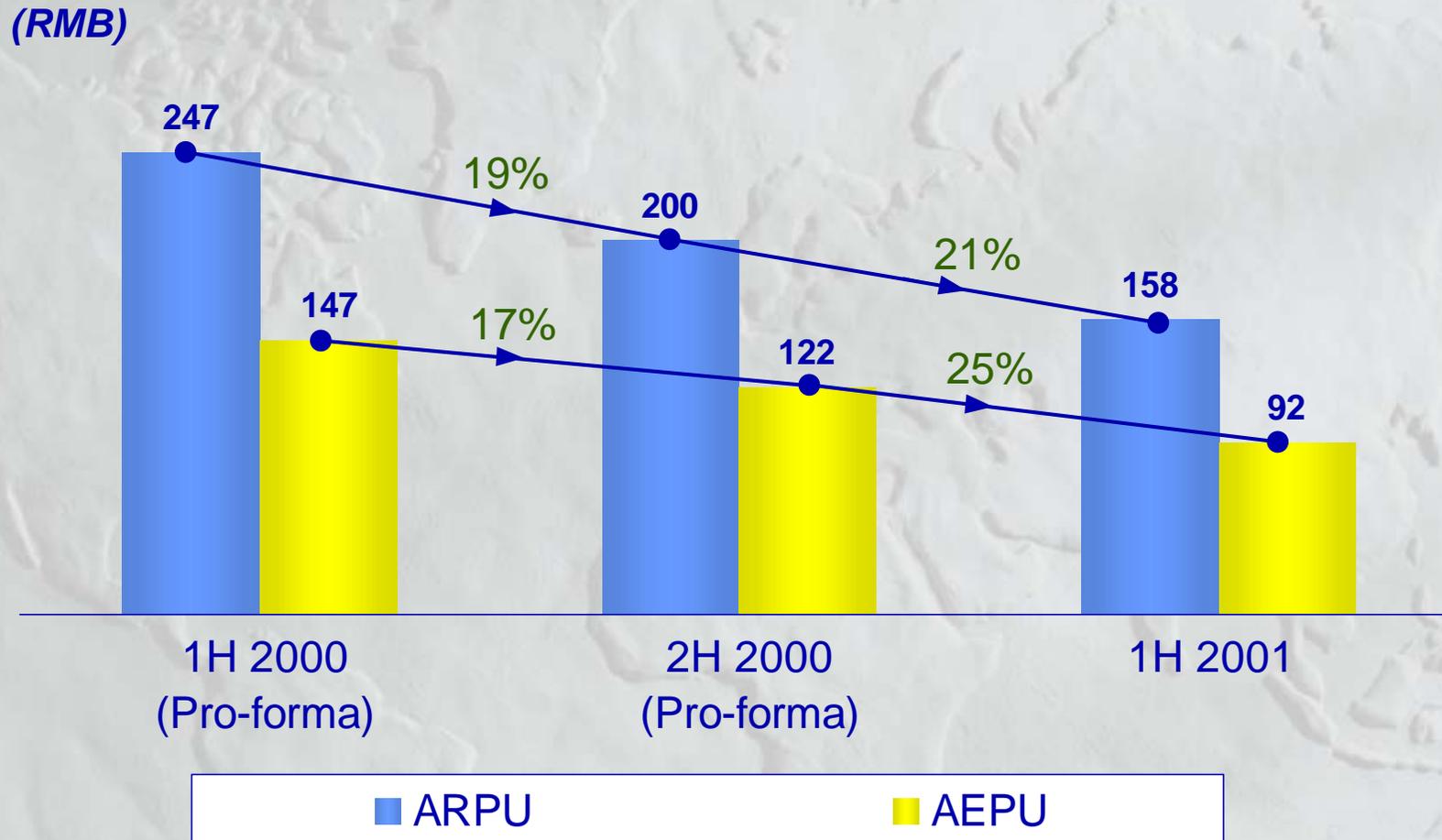
Impact of One-off Tariff Adjustment on Contract ARPU



Note: (1) One-off tariff adjustment mainly comprised with removal of base usage fee surcharges, changing of billing unit of long distance calls and reduction of long distance tariff.

(2) 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.

Steady Improvement of Operational Efficiency



Note: AEPU (average expenses per user per month)

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

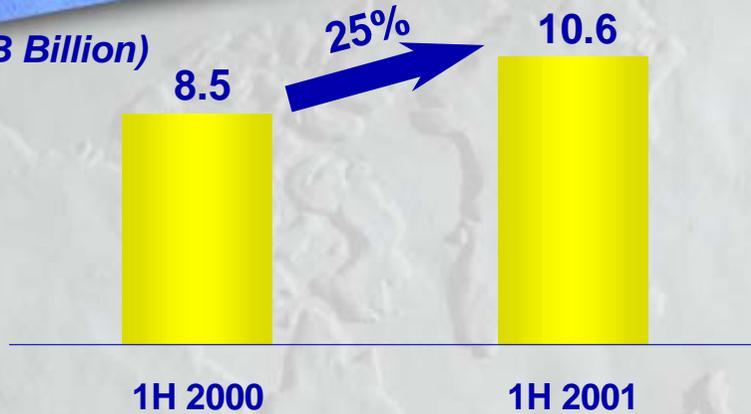


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Outstanding Performance of Newly Acquired Subsidiaries

EBITDA

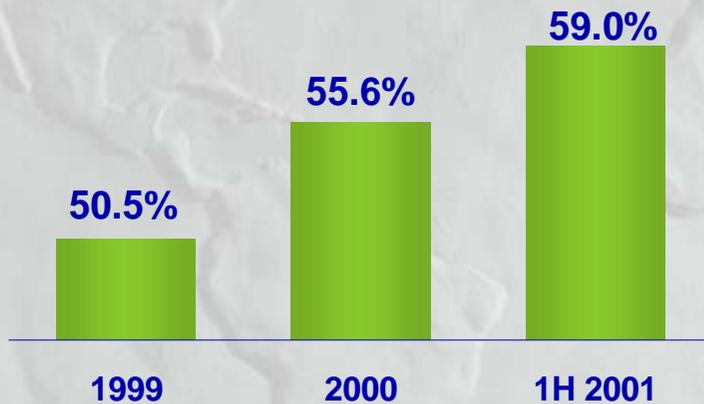
(RMB Billion)



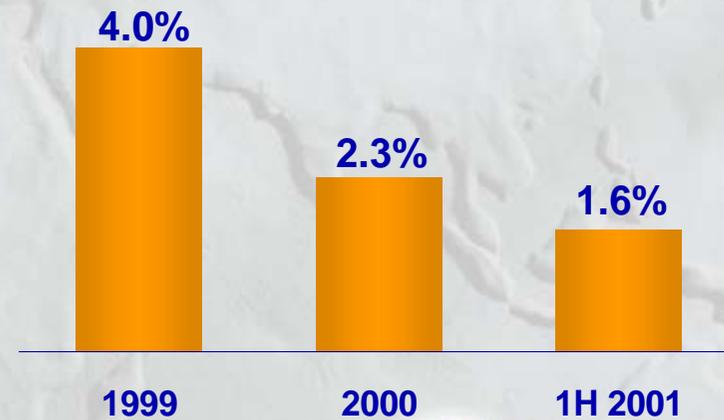
Labor Productivity



EBITDA Margin



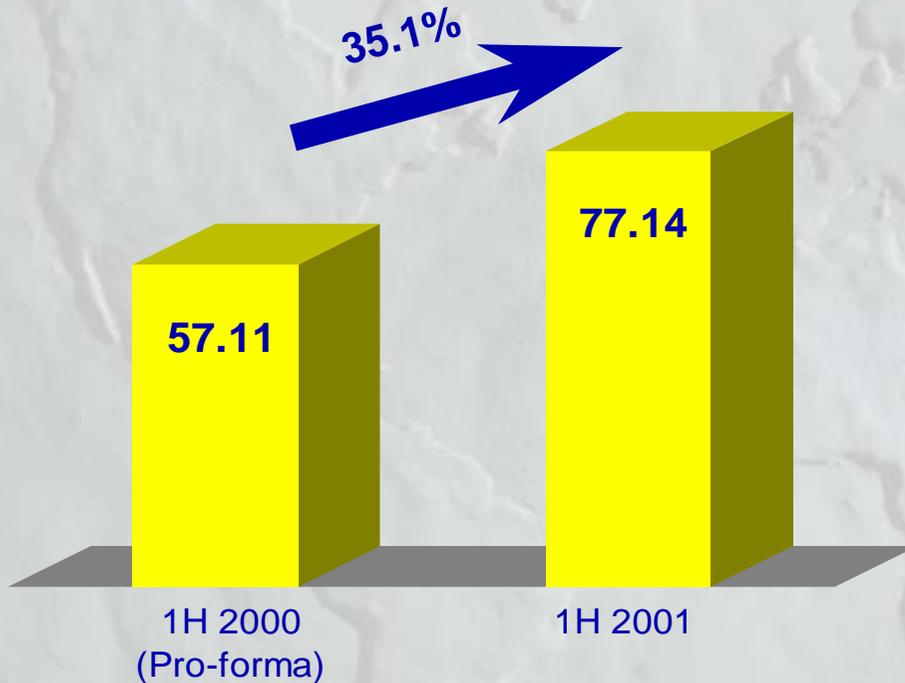
Bad Debt Ratio



Outstanding Synergies

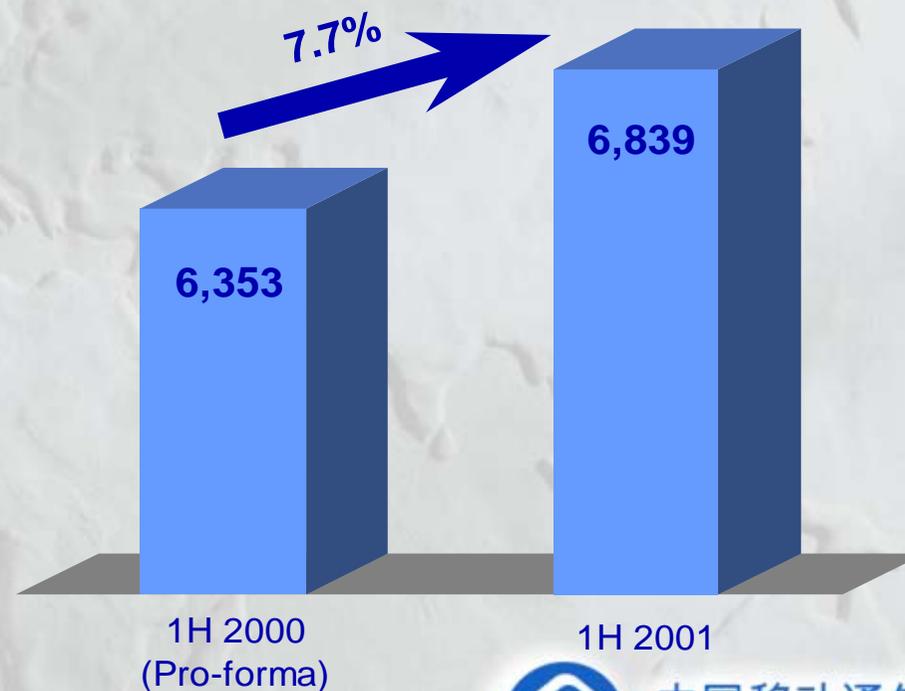
Total Minutes of Usage

(Billion Minutes)



Interconnection Expenses

(RMB Million)



Enhanced Competitive Edge

- ✦ Implementation of various training programmes to improve **staff quality** and **management skills**
- ✦ Maintain **leadership** on network coverage and quality
- ✦ Enhance **product differentiation** and systematic implementation of Monternet Program
- ✦ Focus on **customer service**
- ✦ Expand **low cost financing channels**
- ✦ Further implementation of MIS system to improve **management efficiency**



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Systematic Implementation of Monternet Program

- ✦ Established business model of wireless data services
- ✦ Strong growth trend for SMS with continued diversification of business types
- ✦ Progressive rolling out of MISC platform

Note: Mobile Information Service Center (MISC)



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Successful Entry into China's Capital Market



To improve capital structure

To expand channels of financing

To lower cost of capital

To broaden investor base



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A World-Class Global Wireless Multimedia Services Provider

Enhance Enterprise Value

Further Acquisition
Opportunities

Core Mobile
Business

New Opportunities
in the Broader
Telecom Market



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Business Review



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Operating Statistics

	1H 2001	2000
Total Number of Subscribers (Million)	58.91	45.13
⊕ Net Additional Subscribers (Million)	13.77	19.39
⊕ Subscriber Market Share	74.7%	77.5%
Total Usage (Billion Minutes)	77.14	125.14
⊕ MOU (All Users, Minutes)	249	299
⊕ ARPU (All Users, RMB)	158	221
Contract Subscribers		
⊕ Number of Subscribers (Million)	33.14	32.41
⊕ MOU (Minutes)	329	326
⊕ ARPU (RMB)	204	241
Prepaid Subscribers		
⊕ Number of Subscribers (Million)	25.77	12.73
⊕ MOU (Minutes)	111	125
⊕ ARPU (RMB)	78	87

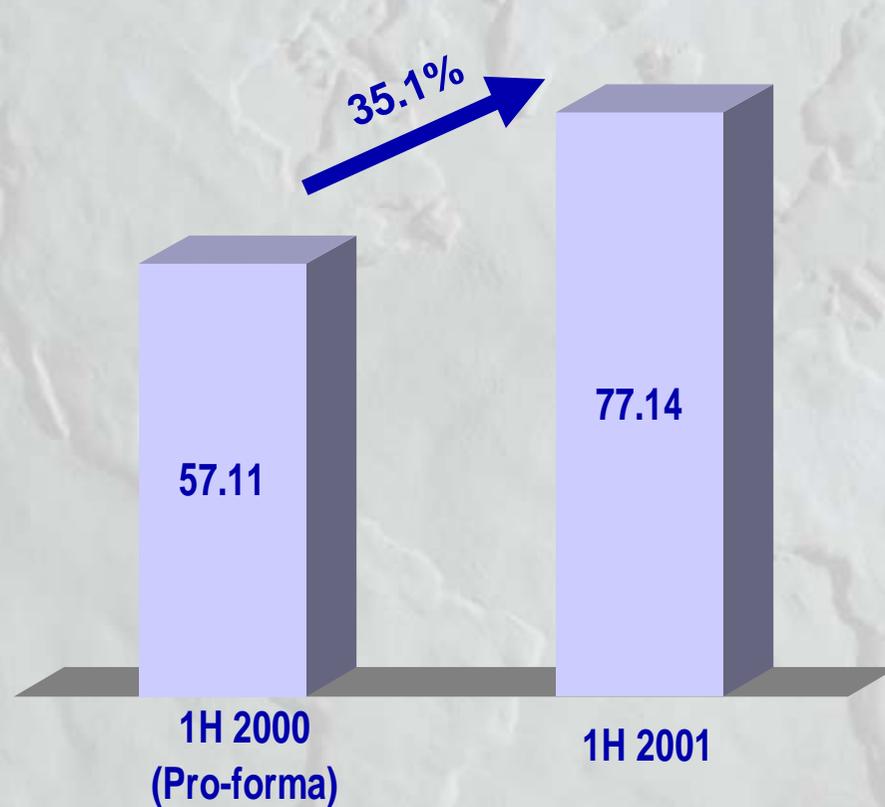
Note: Above 2000 data is on a pro-forma basis.



Growth of Subscribers and Usage

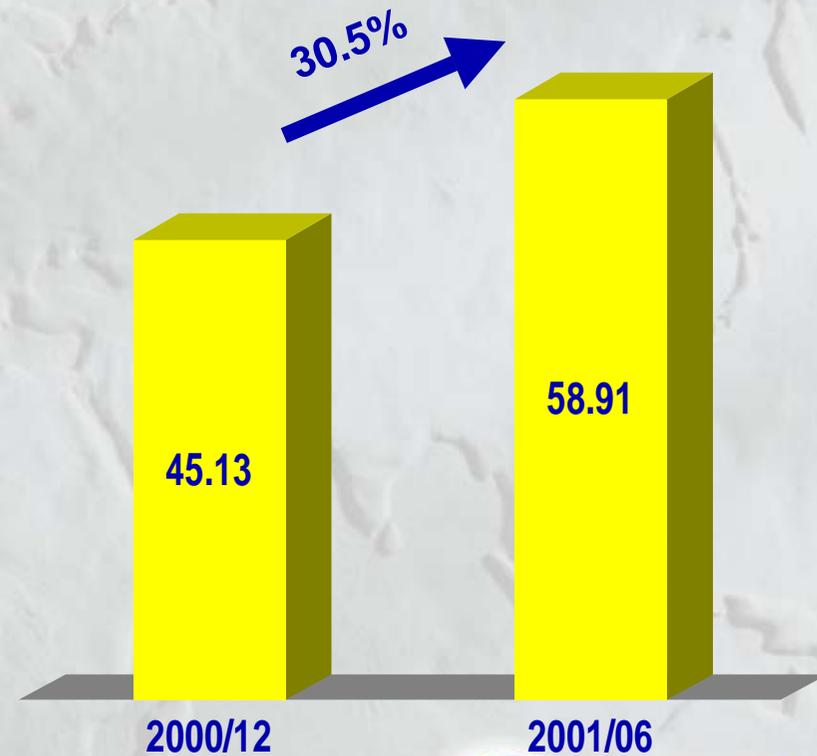
Total Minutes of Usage

(Billion Minutes)



Total Subscribers

(Million)



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Network Quality

- ✦ Continue to enhance network quality
- ✦ Optimize network utilisation
- ✦ Further improved indoor coverage in commercial buildings
- ✦ Extensive installation of micro cells in bustling streets



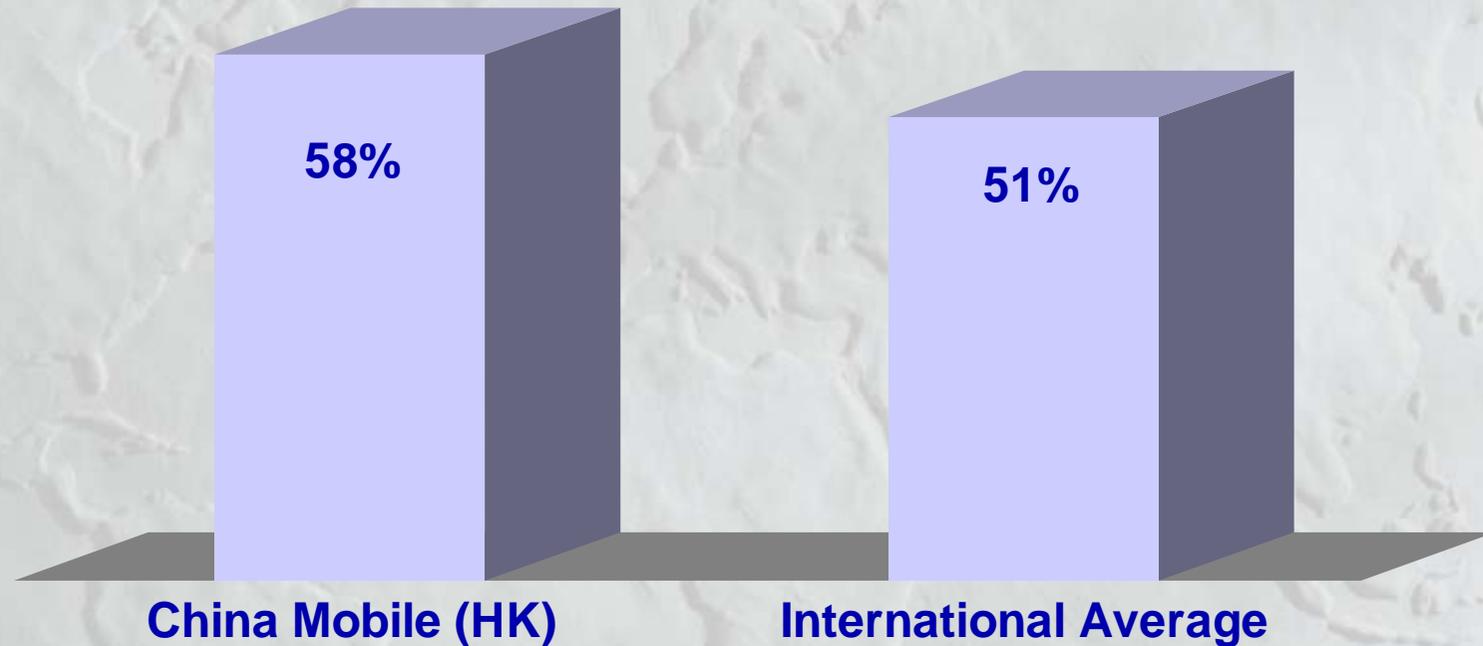
Sales Network Enhancement

- ✦ Expansion of distribution network in particular for dedicated retail outlets
- ✦ Streamline customer service flow
- ✦ Upgrade of Business Operating Support System functionality and point of sales service quality



Enhanced Customer Relationship Management

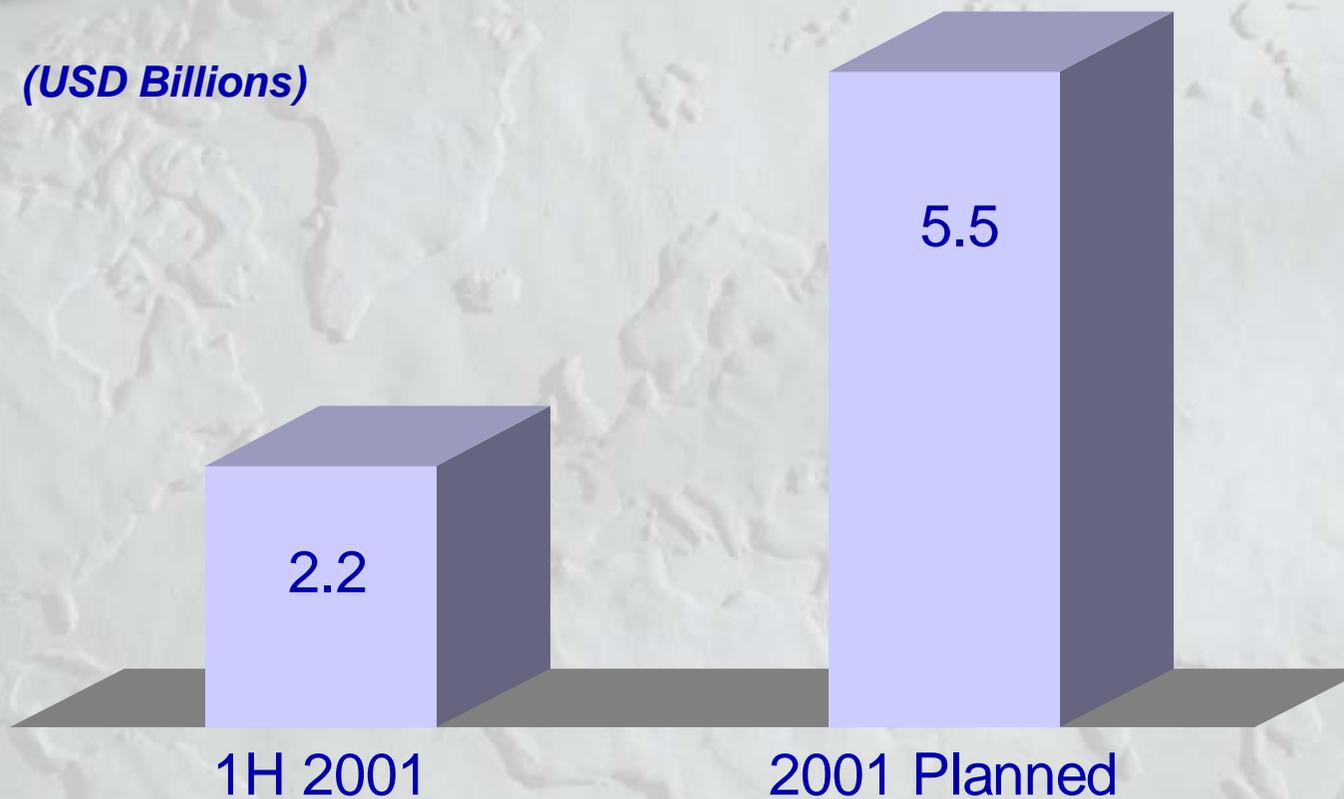
Customer Loyalty



Note: Above figures are based on a survey conducted from April to May 2001 by a reputable consultancy firm.

2001 CAPEX

(USD Billions)

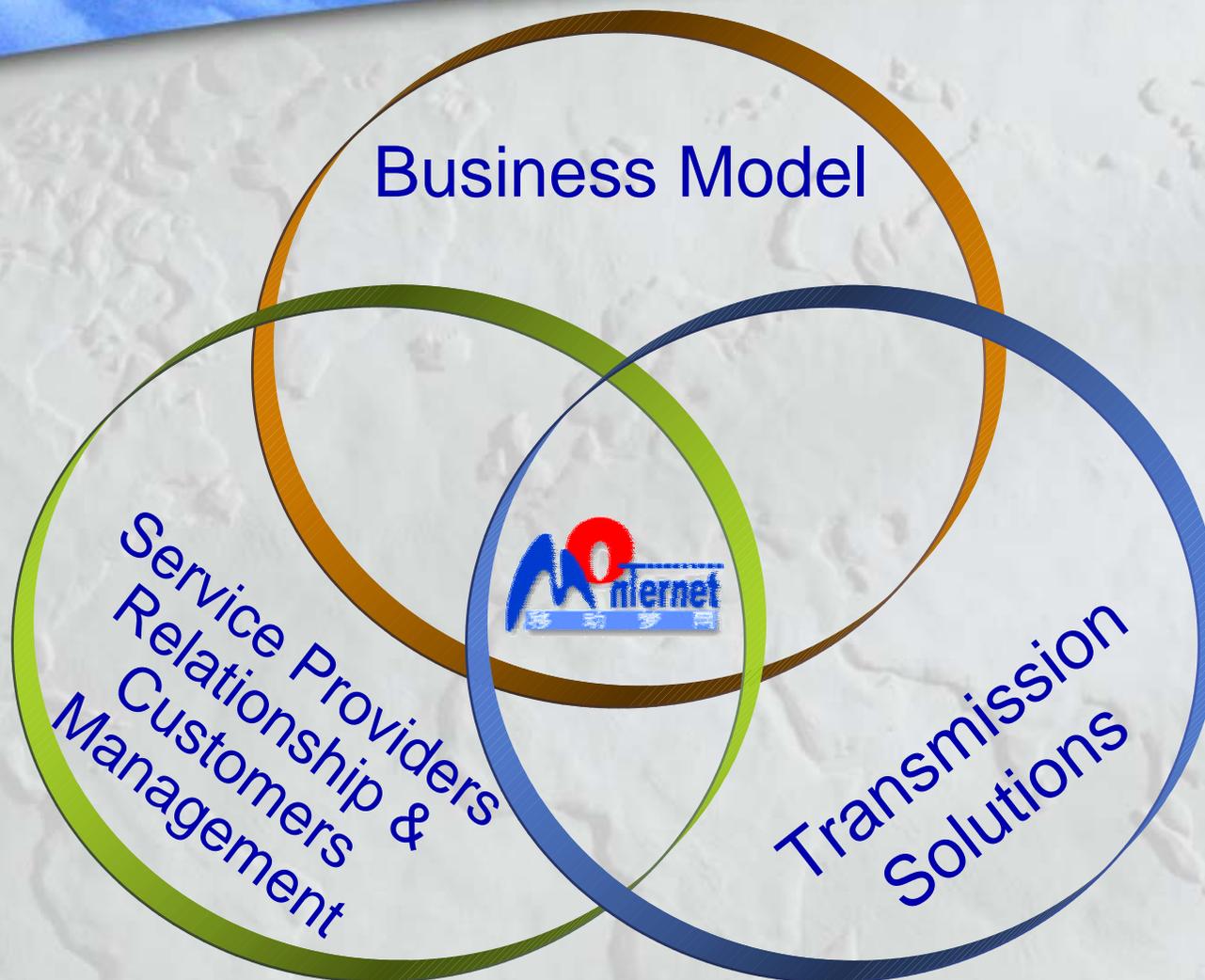


- Note: (1) Unit price of core equipment has fallen by approximately 15% in the first half of 2001.
(2) CAPEX for first half of 2001 mainly invested in network expansion, transmission line build-out and construction of infrastructure buildings.



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Monternet Program

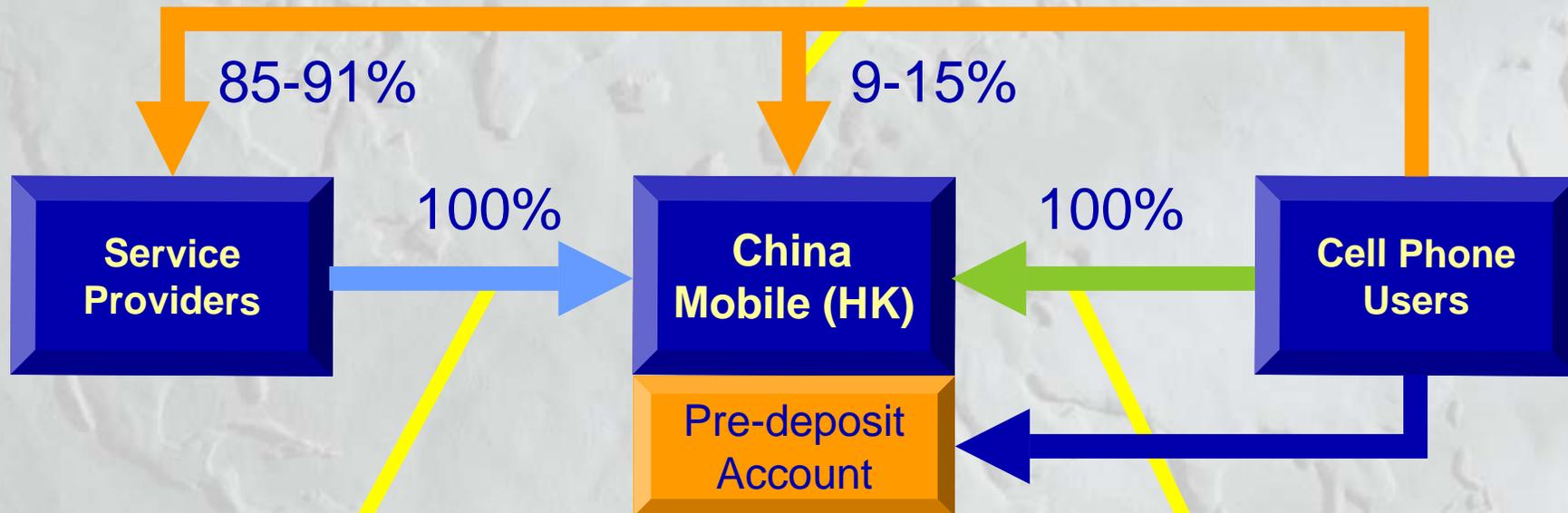


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Business Model of Monternet Program

B 2 B 2 C

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.



SP downstream communication fees: RMB 0.05 per message

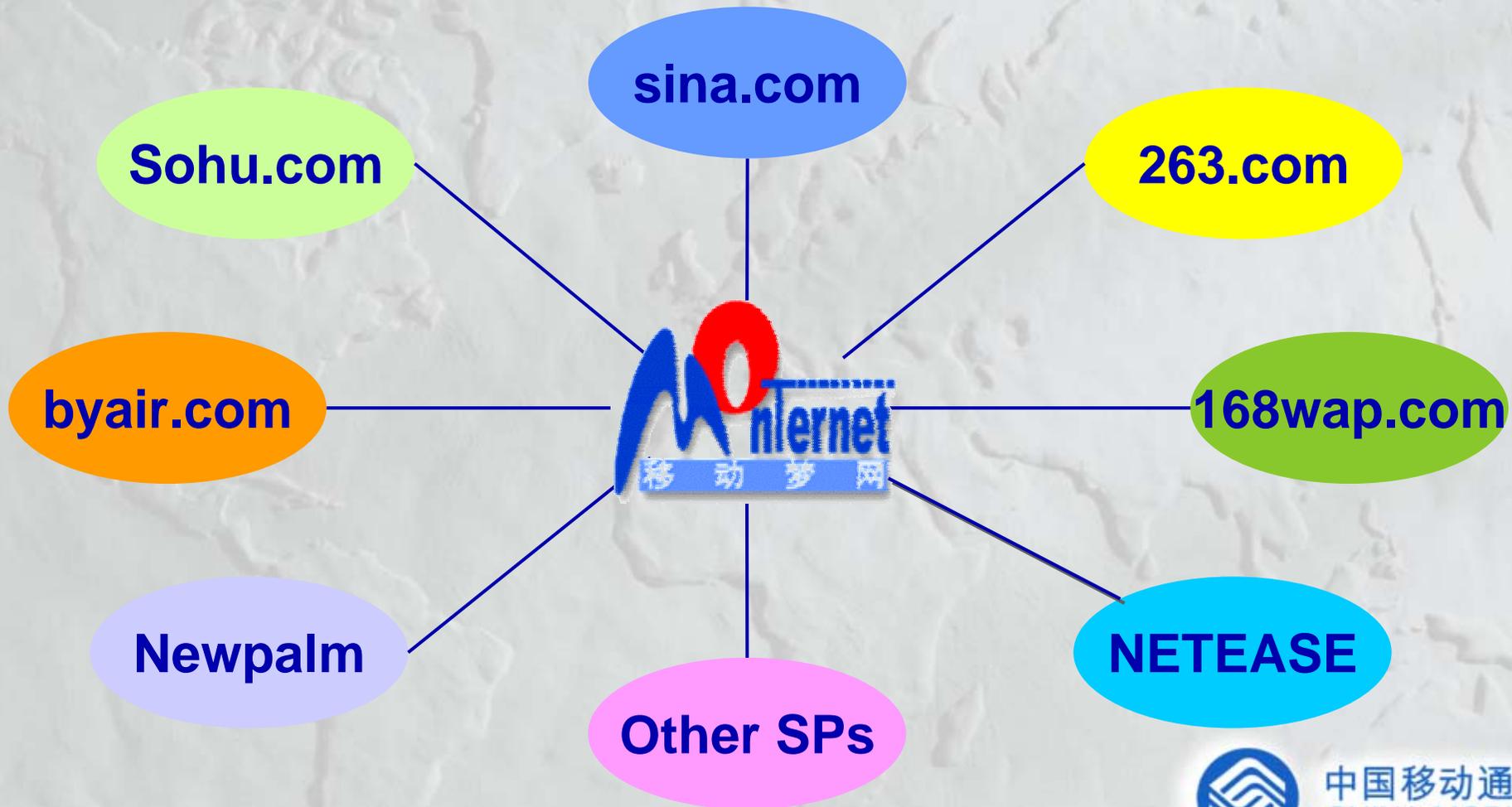
Upstream users communication fees: RMB 0.10 – 0.15 per message

Note: Above is an illustrative example



Extensive Cooperation with Service Providers

SP Connected: 195



Transmission Solutions

	GSM/GPRS	CDMA2000 1xRTT
Max Achievable Data Speed	High	High
Always-On Data Services	Yes	Not available
International Roaming	Widely available	Limited deployment
Handset Availability	Available	Limited availability
Frequency Efficiency	High	Relatively higher
Construction Costs to CMHK	Low	High

Note: Future overlay application of AMR or EDGE will further enhance transmission rate on GSM.

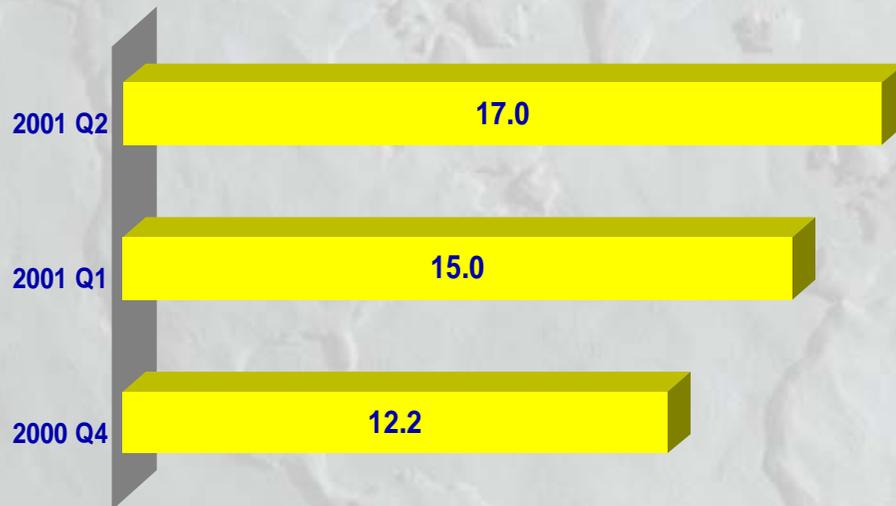


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Promising Prospect of Wireless Data Services

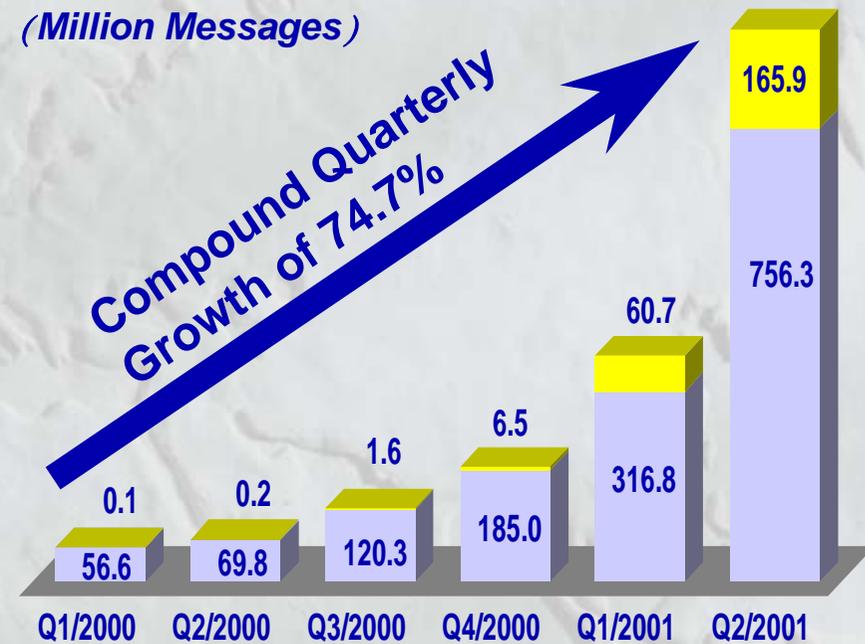
Rapid Growth of Data Subscribers

Mobile Data Users (Million)



Tremendous Increase in SMS Usage

(Million Messages)



Point-to-Point SMS Information on Demand and e-commerce SMS



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Financial Results

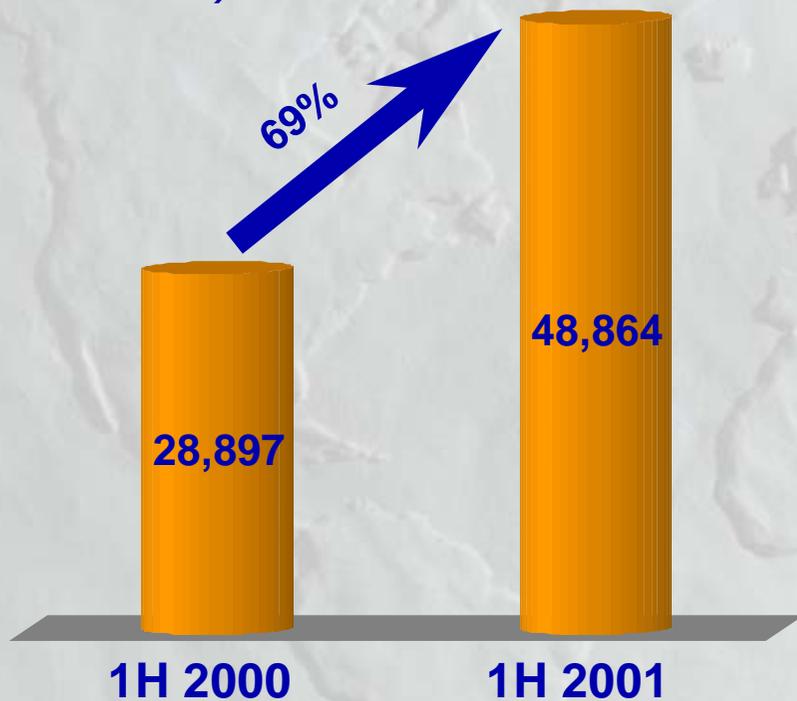


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Revenue and EBITDA

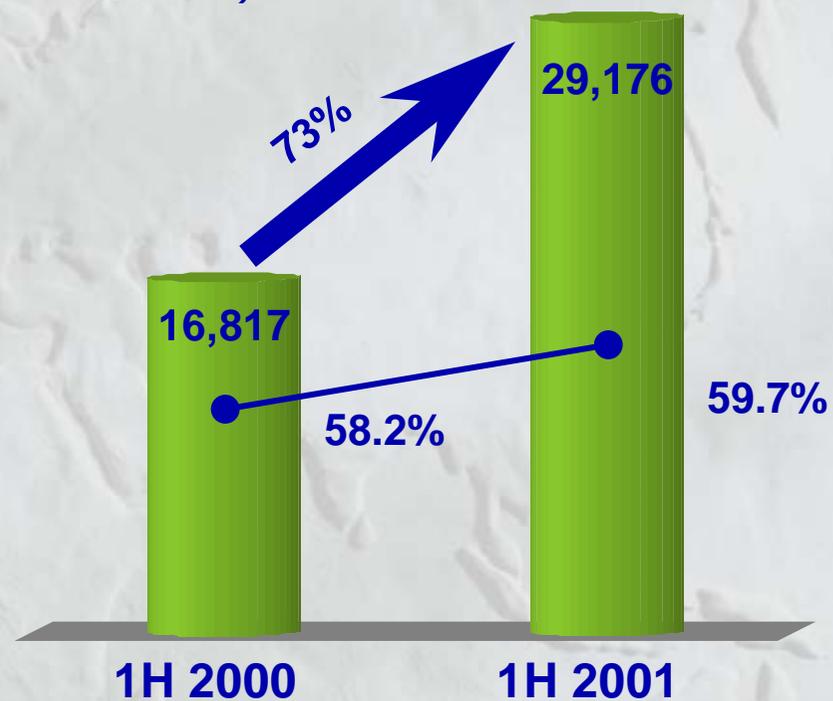
Revenue

(RMB Million)



EBITDA

(RMB Million)



● EBITDA Margin



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Net Profit and Earnings Per Share

Net Profit

(RMB Million)



Earnings Per Share

(RMB)



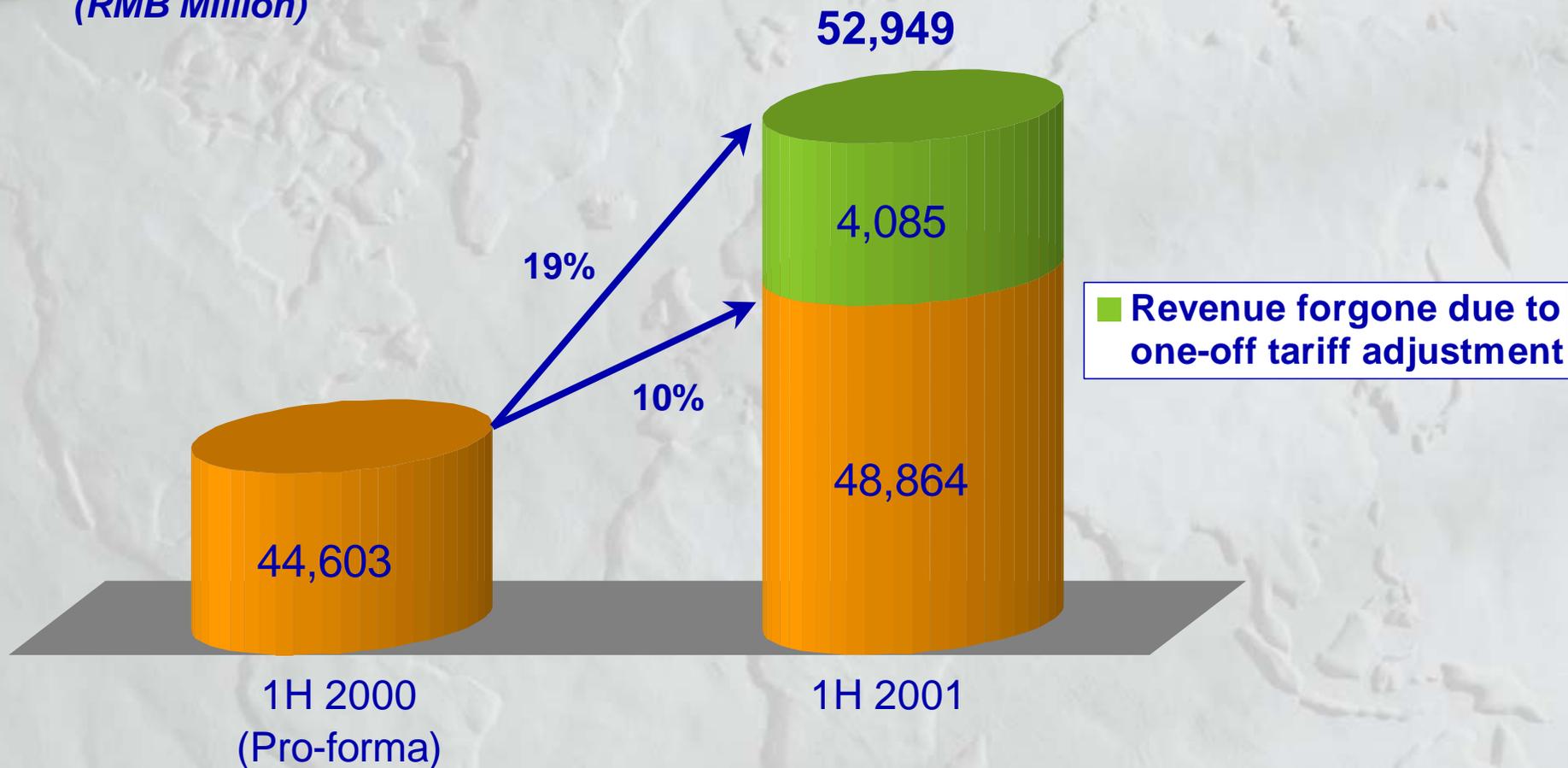
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Key Financial Data

	1H 2000 Pro-forma	1H 2001	Comparison
	RMB Million	RMB Million	%
Operating Revenue			
Usage Fees	30,361	35,457	17%
Monthly Fees	7,030	7,020	-
Connection Fees	2,080	711	(66%)
Others	<u>5,132</u>	<u>5,676</u>	11%
	44,603	48,864	10%
Operating Expenses			
Leased Lines	4,246	2,196	(48%)
Interconnection	6,353	6,839	8%
Depreciation	6,817	8,083	19%
Personnel	1,802	2,792	55%
SG&A	<u>7,313</u>	<u>8,598</u>	18%
	26,531	28,508	7%
Operating Profit	<u>18,072</u>	<u>20,356</u>	13%

Impact of One-off Tariff Adjustment on Revenue

(RMB Million)

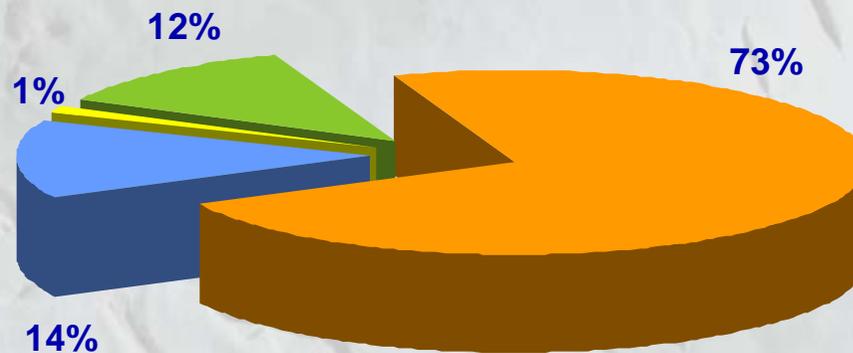
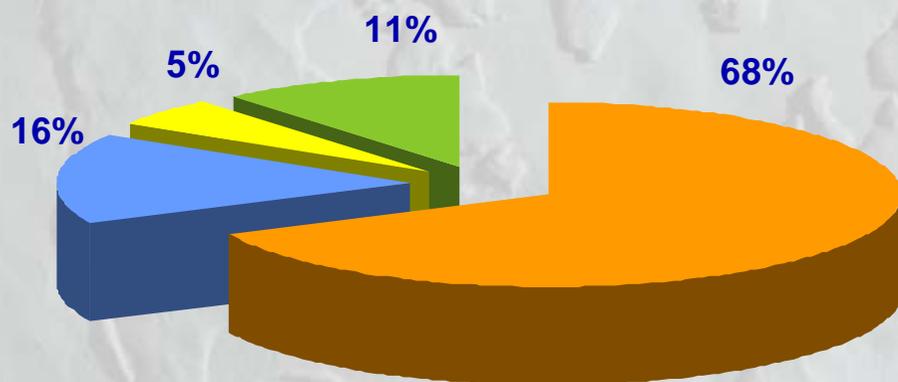


Note: Revenue forgone is calculated on the basis of call traffic pattern of first half 2001.

Revenue Composition

1H 2000 Pro-forma

1H 2001



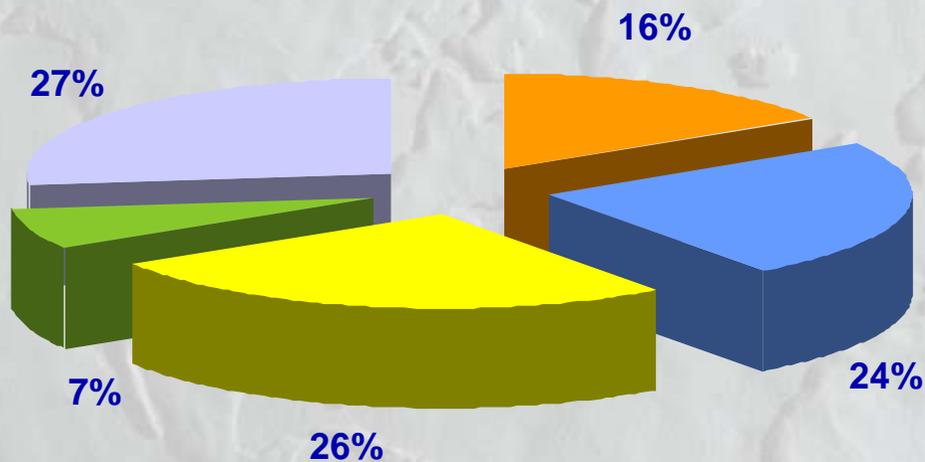
Total Revenue RMB 44,603 Million

Total Revenue RMB 48,864 Million

Usage Fees Monthly Fees Connection Fees Others

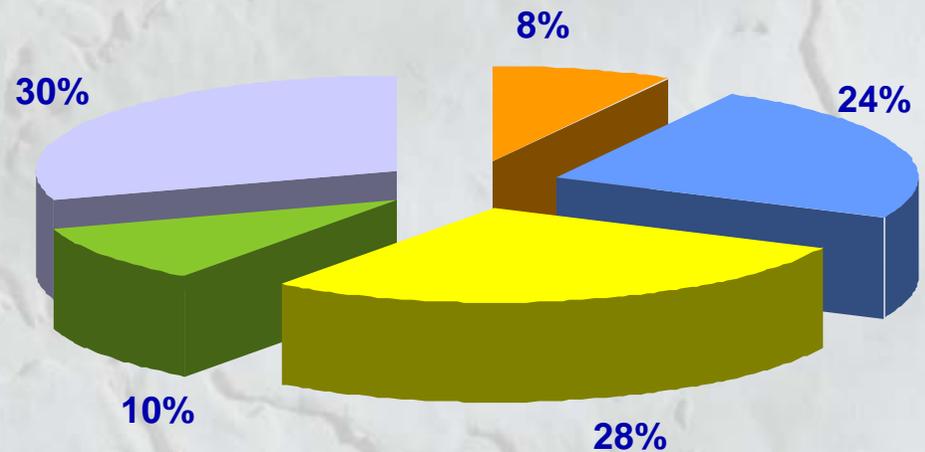
Cost Composition

1H 2000 Pro-forma



Total Expenses RMB 26,531 million

1H 2001

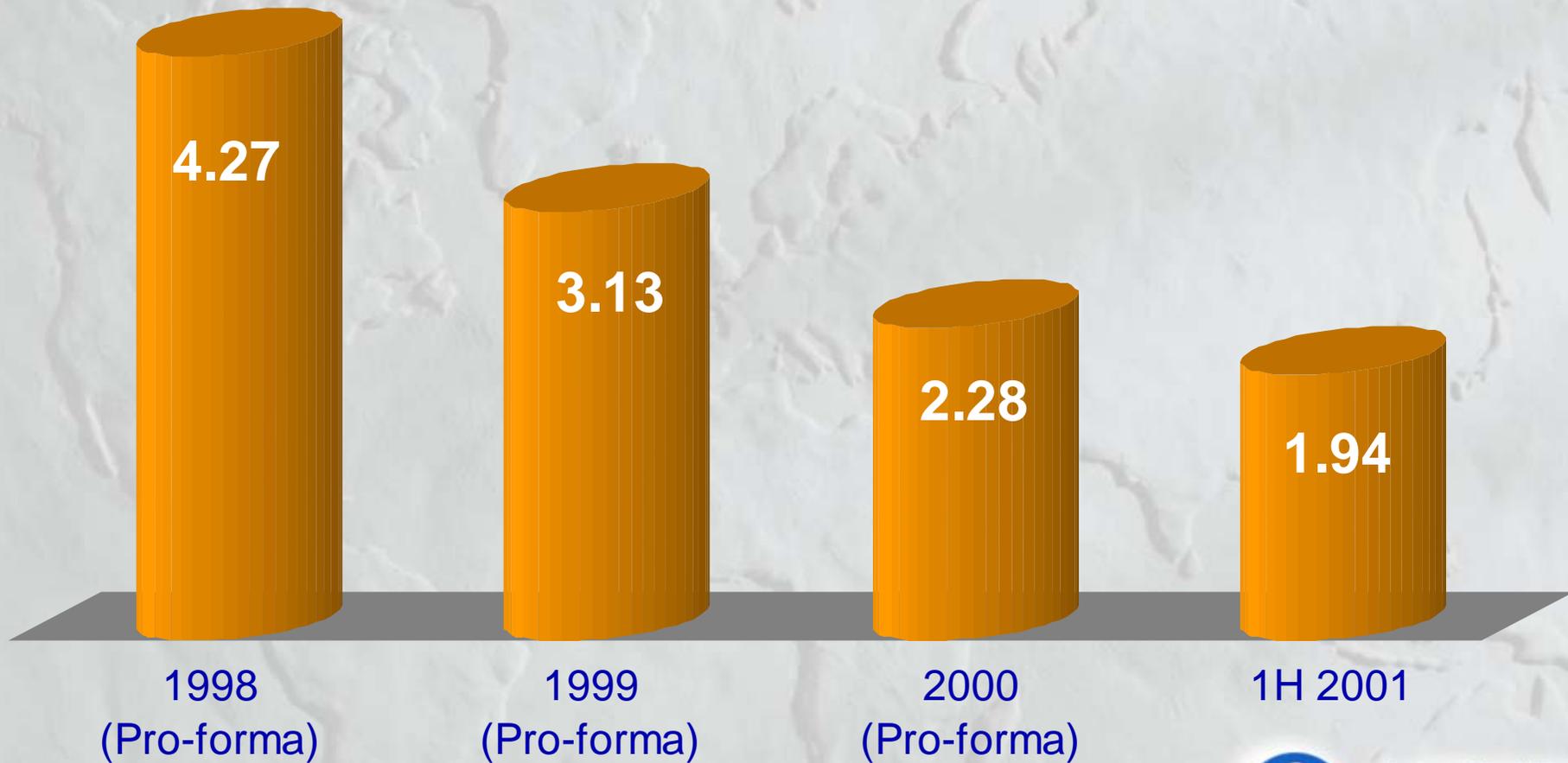


Total Expenses RMB 28,508 million

Legend: ■ Leased Lines ■ Interconnection ■ Depreciation ■ Personnel ■ SG & A

Effective Control of Bad Debt

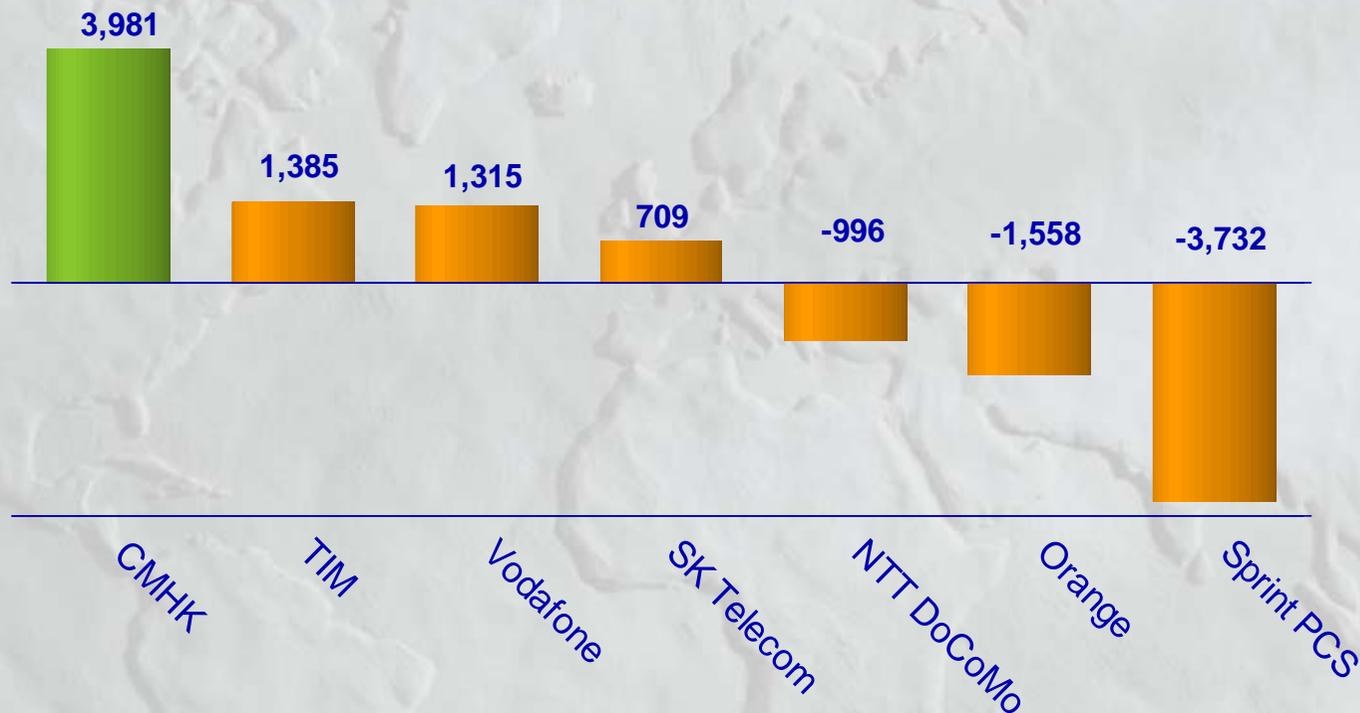
Bad Debt Ratio (%)



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Strong Net Cash Inflow from Operations (After CAPEX)

(USD Million)



Note: For CMHK and Sprint PCS, interim June 2001 figures have been annualized. For TIM, SK Telecom and Orange, December 2000 annual results have been used. For other mobile operators, March 2001 annual results have been used.



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Solid Capital Structure

(RMB million)

	2000.12	2001.6
Short Term Debt	13,100	7,337
Long Term Debt	<u>24,369</u>	<u>31,674</u>
Total Debt	37,469	39,011
Shareholders' Equity	<u>83,760</u>	<u>97,571</u>
Total Book Capitalization	<u>121,229</u>	<u>136,582</u>
Total Debt / Total Book Capitalization	30.9%	28.6%
Cash, Bank Balances and Deposits	39,906	45,135
Net Cash Position	2,437	6,124



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Breakdown of Subscriber Figures

Appendix 1

('000 Subscribers)	Contract	Prepaid	Total
Guangdong	8,328.5	7,179.2	15,507.7
Zhejiang	3,106.9	3,312.0	6,418.9
Jiangsu	1,515.2	4,643.8	6,159.0
Fujian	2,596.5	1,352.6	3,949.1
Henan	2,139.6	1,317.9	3,457.5
Hainan	327.4	175.2	502.6
Beijing	2,082.8	1,749.2	3,832.0
Shanghai	1,414.5	2,189.4	3,603.9
Tianjin	630.6	621.4	1,252.0
Hebei	2,518.8	647.8	3,166.6
Liaoning	3,573.1	731.4	4,304.5
Shandong	3,716.0	1,180.1	4,896.1
Guangxi	1,187.8	670.4	1,858.2
Total	33,137.7	25,770.4	58,908.1

As at June 30 2001

Note: In the above statistics, subscribers under all local brands with same tariff as the Group's "Shenzhouxing" are categorized under prepaid subscribers.



**Extract from unaudited consolidated profit and loss account
for the six months ended 30 June 2001
(Expressed in Renminbi)**

Appendix 2a

	Unaudited Six months ended 30 June 2001 RMB million	Audited Six months ended 30 June 2000 RMB million		Unaudited Six months ended 30 June 2001 RMB million	Audited Six months ended 30 June 2000 RMB million
Operating revenue (Turnover)			Profit from ordinary activities before taxation	20,718	12,742
Usage fees	35,457	20,143	Taxation	<u>(6,909)</u>	<u>(4,018)</u>
Monthly fees	7,020	4,250	Profit from ordinary activities after taxation	<u>13,809</u>	<u>8,724</u>
Connection fees	711	1,532			
Other operating revenue	<u>5,676</u>	<u>2,972</u>			
	<u>48,864</u>	<u>28,897</u>			
Operating expenses			Earnings per share		
Leased lines	2,196	2,714	Basic	RMB 74 cents	RMB 64 cents
Interconnection	6,839	3,604	Diluted	RMB 74 cents	RMB 64 cents
Depreciation	8,083	4,165	EBITDA (RMB million)	29,176	16,817
Personnel	2,792	1,476			
Other operating expenses	<u>8,598</u>	<u>4,616</u>			
	<u>28,508</u>	<u>16,575</u>			
Profit from operations	20,356	12,322			
Other net income	737	330			
Non-operating net income/(expenses)	124	(12)			
Interest income	457	437			
Finance costs	<u>(956)</u>	<u>(335)</u>			



Extract from unaudited consolidated balance sheet at 30 June 2001
(Expressed in Renminbi)

Appendix 2b

	Unaudited At 30 June 2001 RMB million	Audited At 31 December 2000 RMB million
Non-current assets	114,162	104,309
Current assets	57,489	52,129
Current liabilities	(39,183)	(44,638)
Non-current liabilities	(34,864)	(28,023)
Minority interests	<u>(33)</u>	<u>(17)</u>
NET ASSETS	<u><u>97,571</u></u>	<u><u>83,760</u></u>
Capital and Reserves	<u><u>97,571</u></u>	<u><u>83,760</u></u>



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