

2002 Interim Results

中國移動(香港)有限公司
China Mobile (Hong Kong) Limited
www.chinamobilehk.com



2002 Interim Results

China Mobile (Hong Kong) Limited

August 14, 2002

Management

Mr. Wang Xiaochu

Chairman & Chief Executive Officer

Mr. Xue Taohai

Vice Chairman & Chief Financial Officer

Mr. Li Zhenqun

Vice Chairman & Chief Operating Officer



Agenda

**Major Achievements
for 1H2002**

**Operating Performance
for 1H2002**

**Financial Results
for 1H2002**

Major Achievements



Solid Results

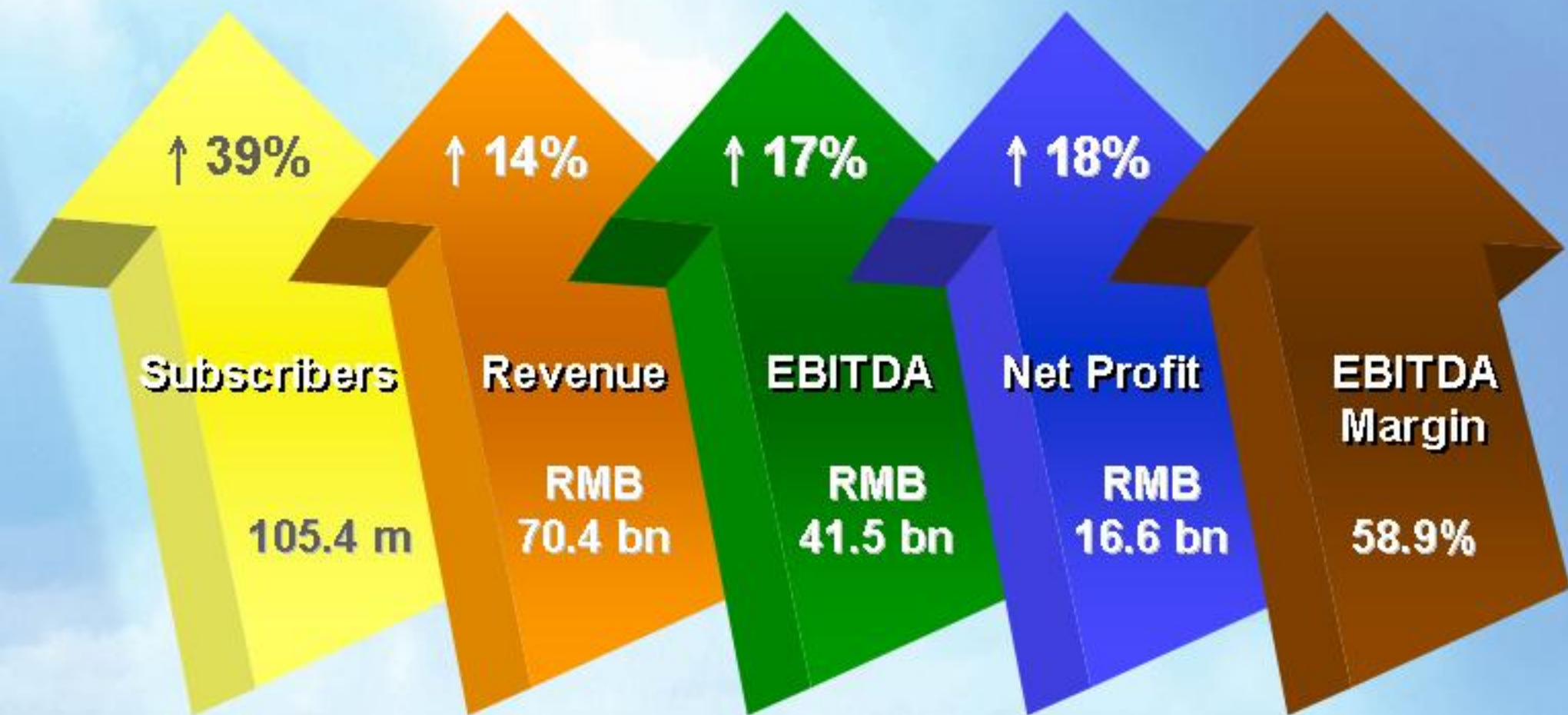


Note: Unless otherwise specified, the data in this presentation do not include the results of the 8 newly acquired subsidiaries.



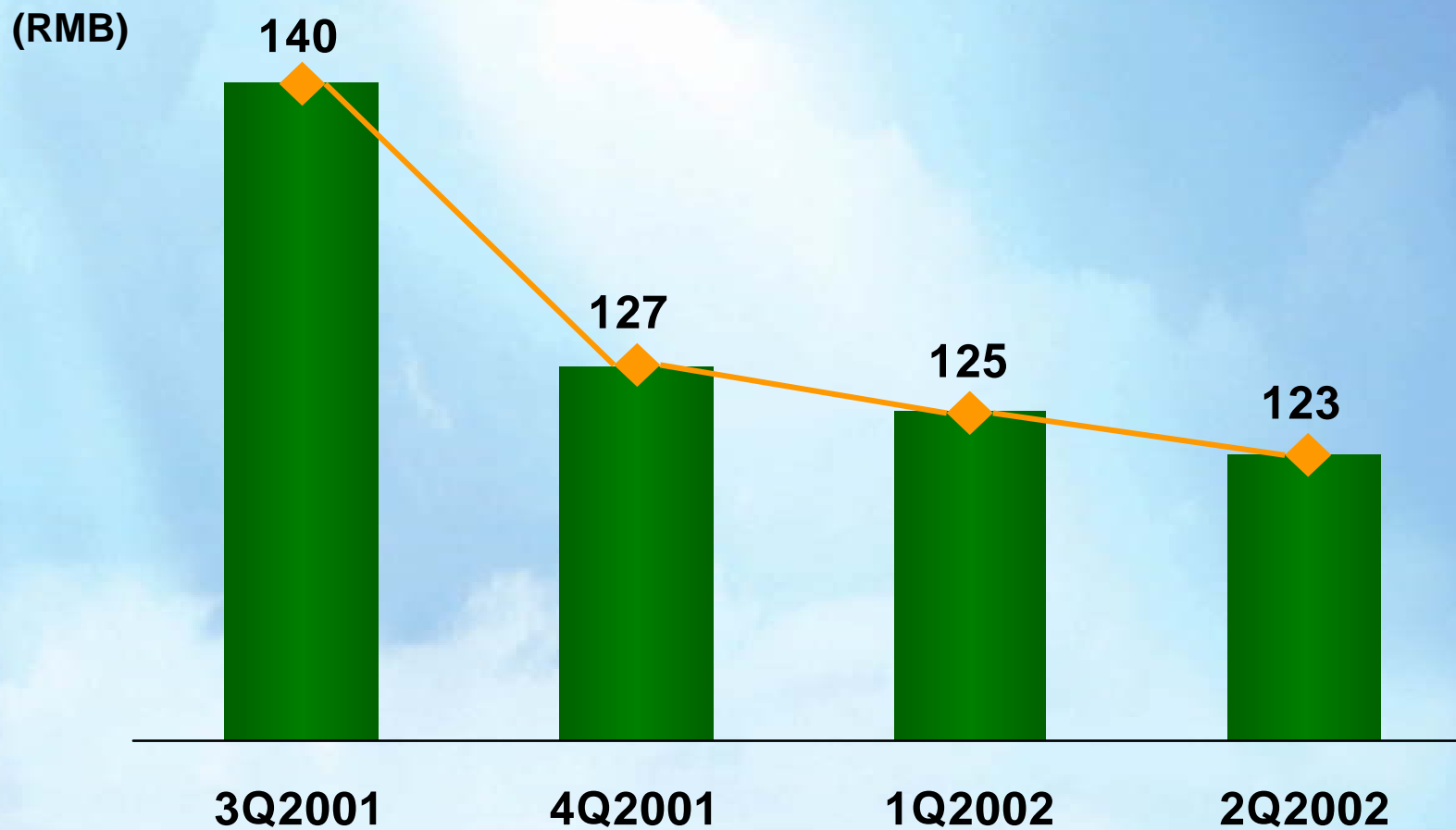
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Pro-forma Results



Note: The above data is based on the assumption that the current group structure (including 8 newly acquired subsidiaries) existed since 1 Jan 2001.

ARPU Decline is Moderating



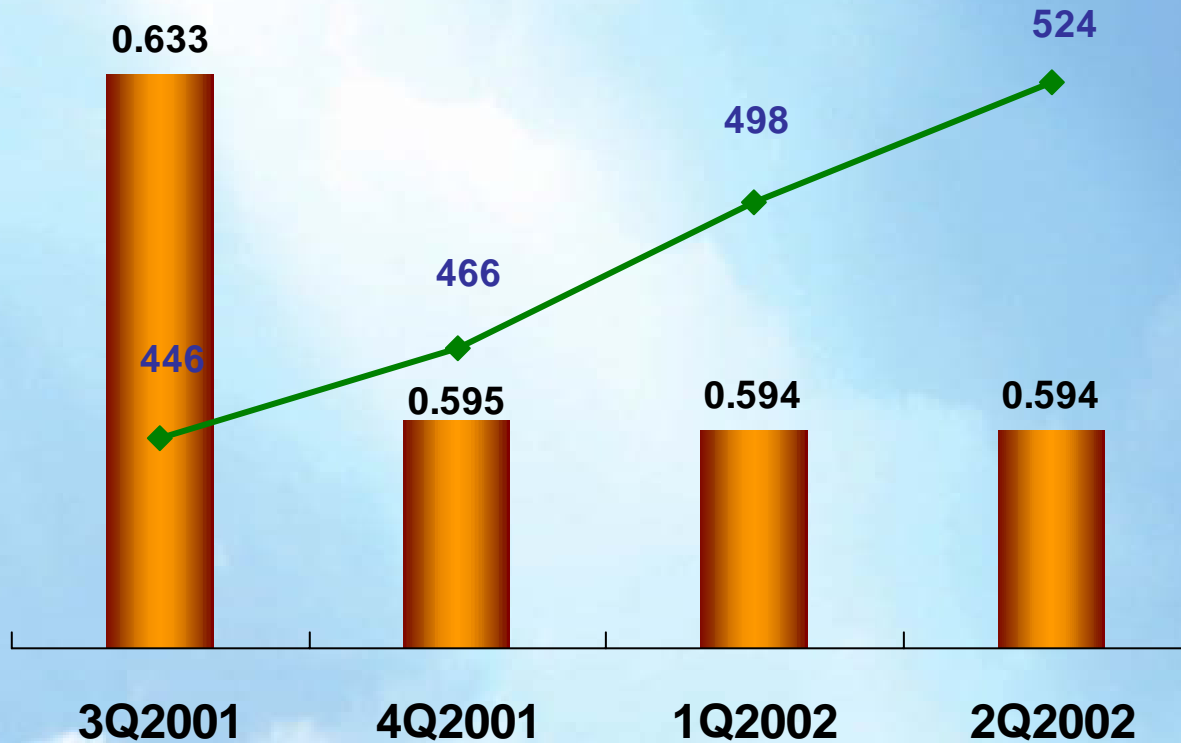
Favorable Revenue Growth

Average Revenue per Minute

(RMB)

◆ Average Daily Usage

(Million Minutes)



Favorable Revenue Growth

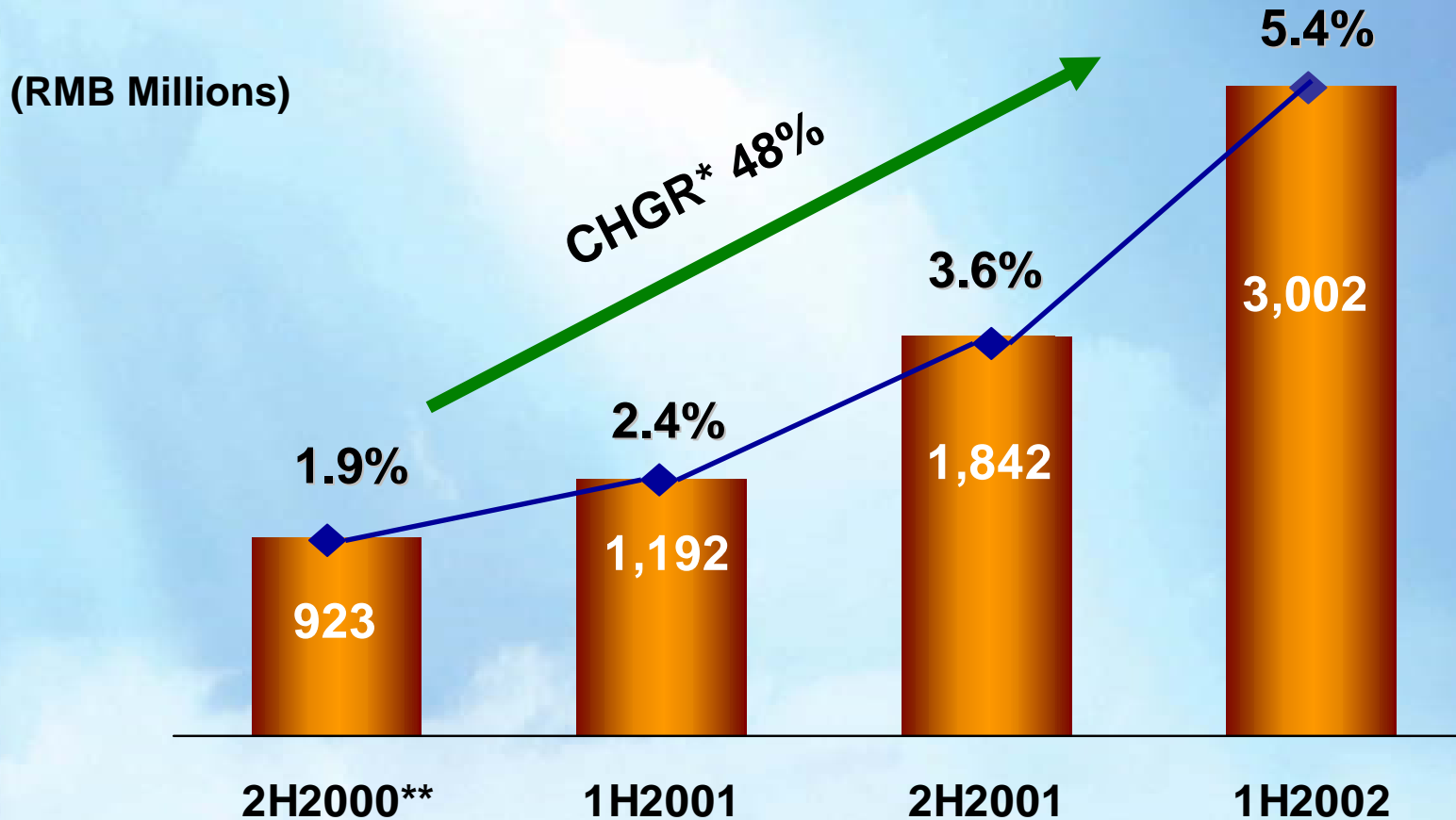
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Continuous Usage Growth

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Stable Revenue per Minute

New Business Revenue Growing



◆ New Business Revenue / Total Revenue

Note: *CHGR – Average Compound Half-yearly Growth Rate

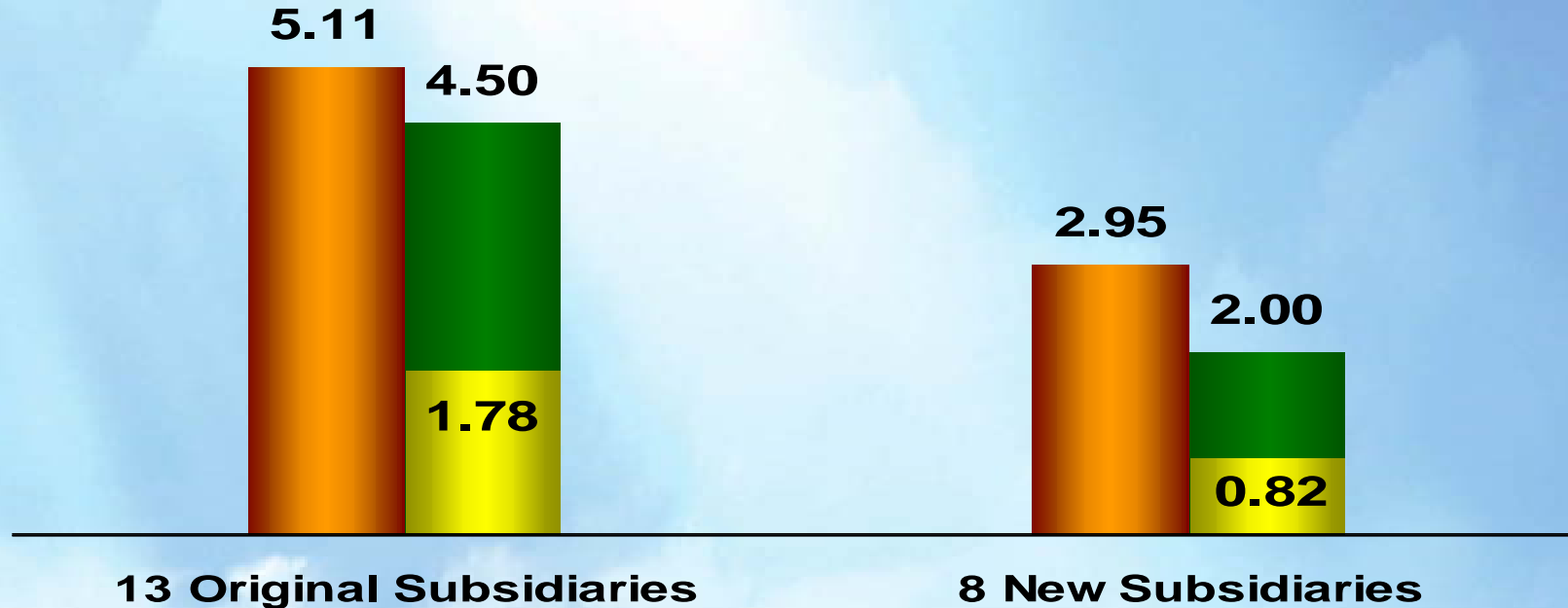
**The above data is based on the assumption that the group structure during 1H2002 (including 13 subsidiaries) existed throughout the relevant period.



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Appropriate Capital Expenditure

(USD Billions)



 Actual CAPEX for 2001

 CAPEX Plan for 2002

 Actual CAPEX for 1H2002

Successful Acquisition

EPS Accretion

Pre-Goodwill Amortization

(RMB)

9% Accretion

0.891

0.817

1H2002

Pro-forma 1H2002

Post-Goodwill Amortization

(RMB)

3% Accretion

0.843

0.817

1H2002

Pro-forma 1H2002

- Attractive Valuation
- Well-structured Financing Package
- Reform and Integration Benefits Realized

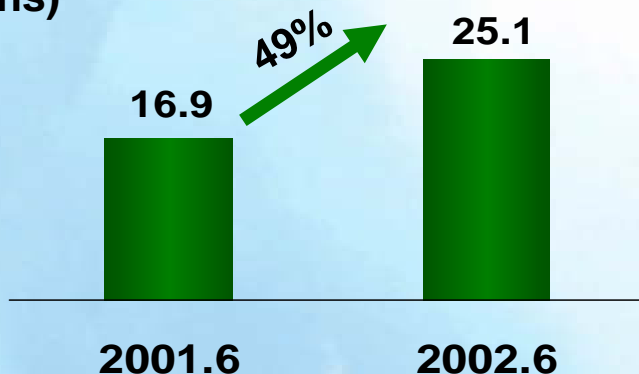
Enhanced Shareholder Value

Note: The pro-forma data is based on the assumption that the current group structure (including 8 newly acquired subsidiaries) existed since 1 Jan 2002.

Outstanding Performance of New Assets

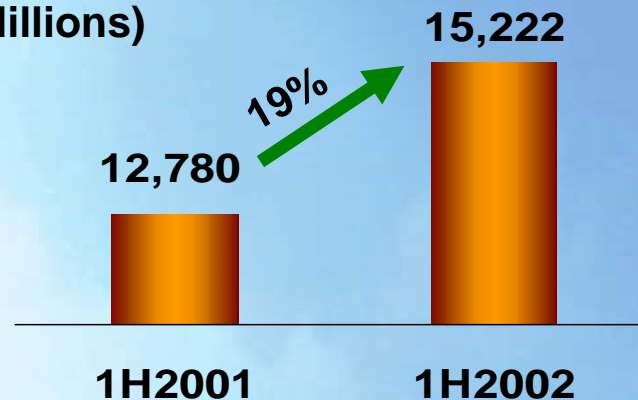
Subscribers

(Millions)



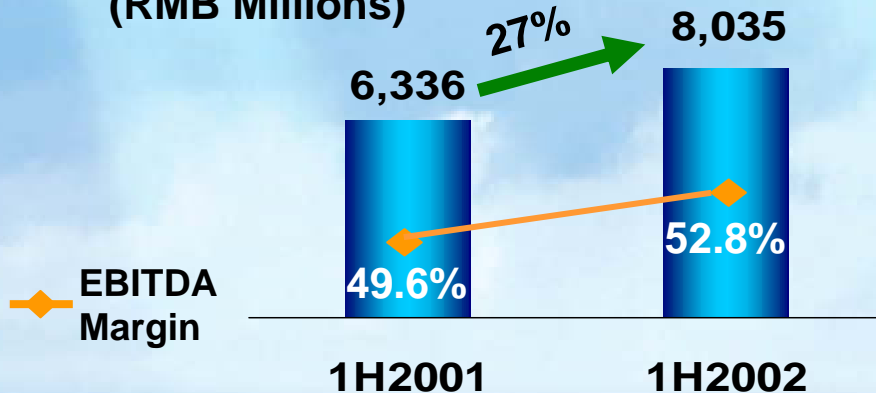
Revenue

(RMB Millions)



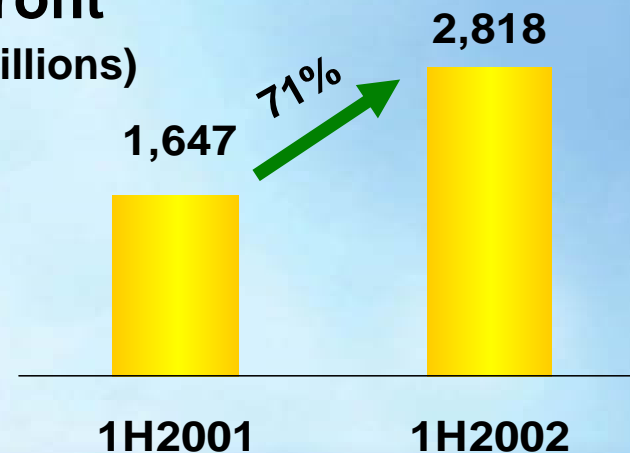
EBITDA

(RMB Millions)



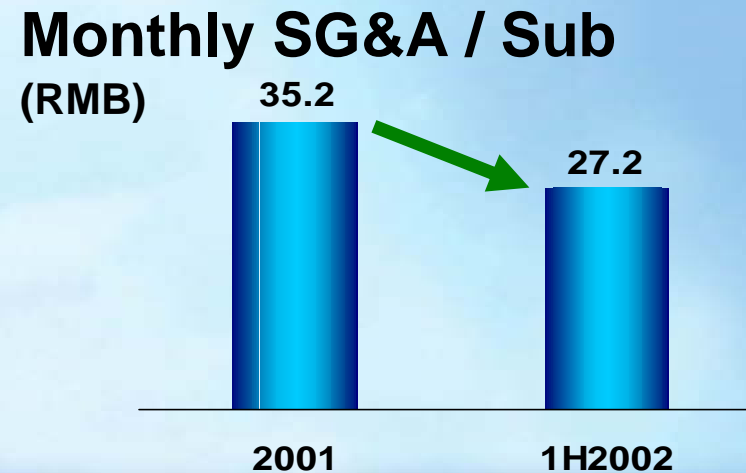
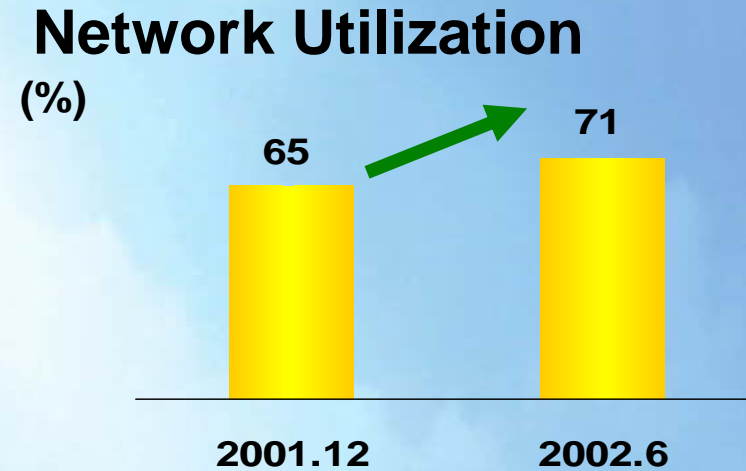
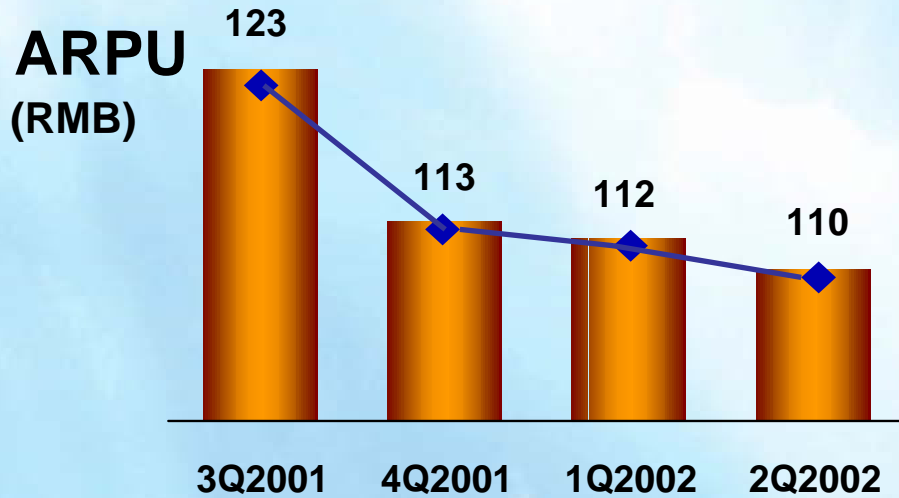
Net Profit

(RMB Millions)

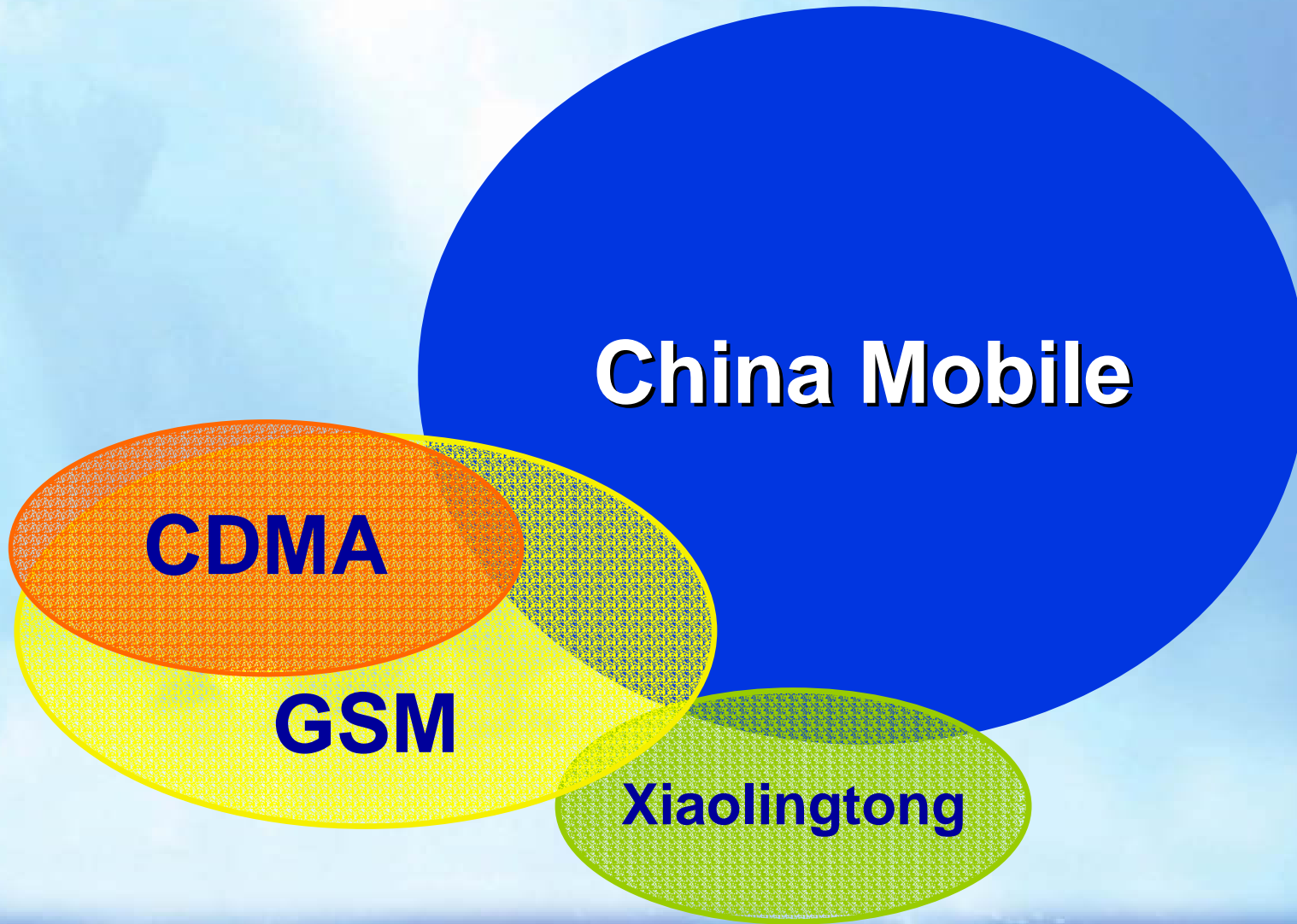


◆ EBITDA Margin

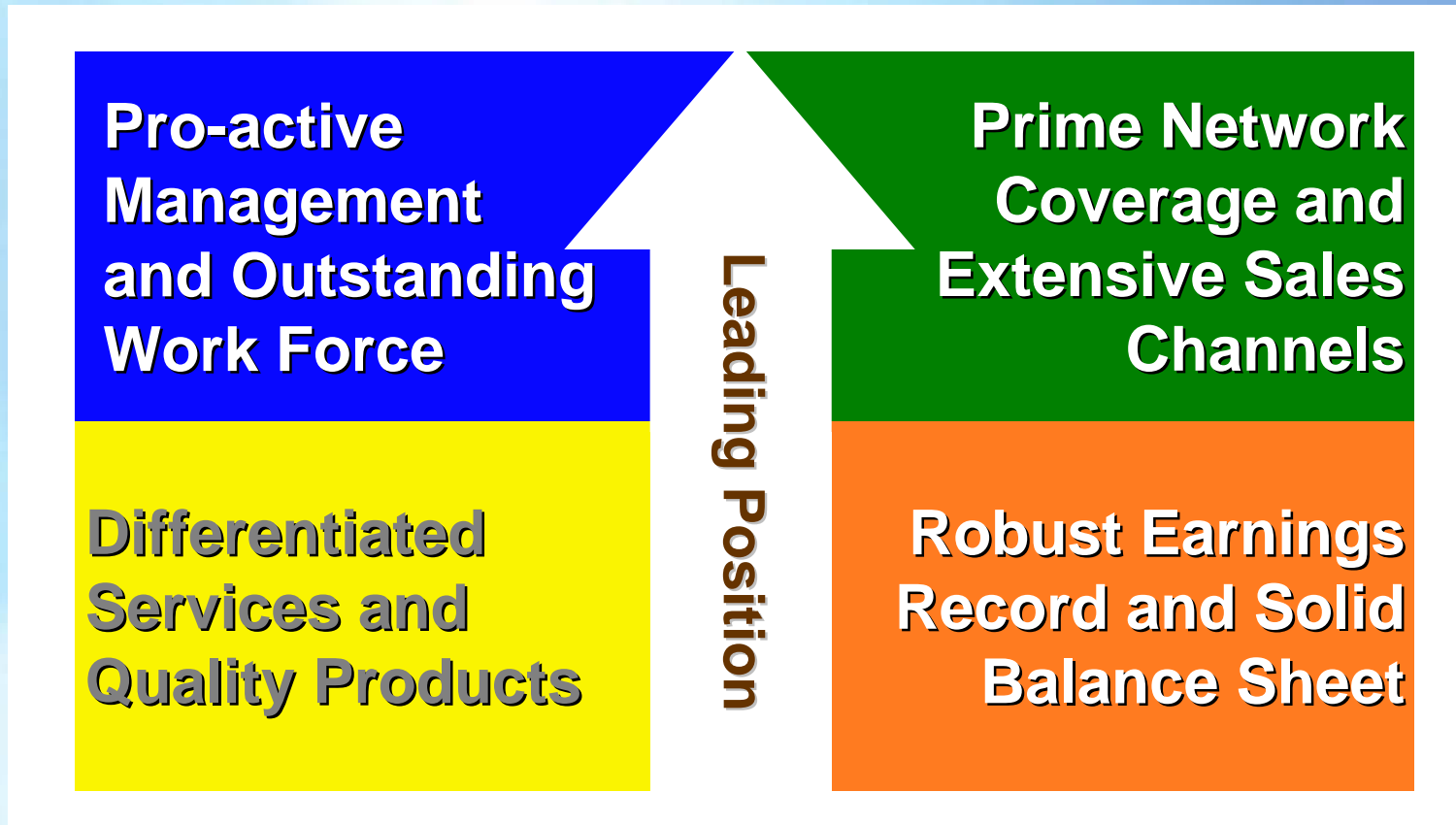
Reform and Integration of New Assets



Evolving Competitive Landscape



Core Competencies Further Enhanced



Management Integrity

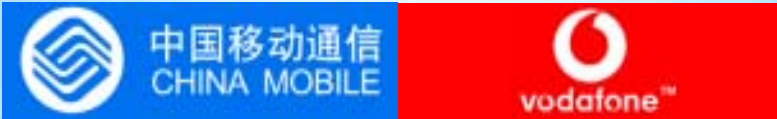


Advancing the Alliance with Vodafone

- Increased Vodafone stake in CMHK
- Vodafone seat on the CMHK Board

Best practices :

- CRM
- CSR
- Network Optimization



Establishing teams to discuss wireless data R&D and standards

Synergies : Identify opportunities to leverage combined scale

Promising Future

Provide quality services and create shareholder value

**Focus on core competencies to maintain market leadership
and accomplish defined objectives and strategies**

**Rapid
economic
growth
in China**

**Huge
growth
potential of
China's
mobile
market**

**Continuous
innovation in
technology
and business**



Operating Performance



Key Operating Statistics (1)

	2001	1H2002
Total Subscribers (Millions)	69.64	80.30
ARPU (RMB)	145	124
Total Usage (Billion Minutes)	161.27	92.74
MOU (Minutes)	233	209
Average Revenue per Minute (RMB)	0.62	0.59
Mobile Data Subscribers (Millions)	21.32	40.01
SMS Usage (Billion Messages)	6.08	12.62
Network Capacity (Million Subscribers)	83.62	92.90
Network Utilization (%)	83	86
Accumulated Churn Rate (%)	6.6	3.6

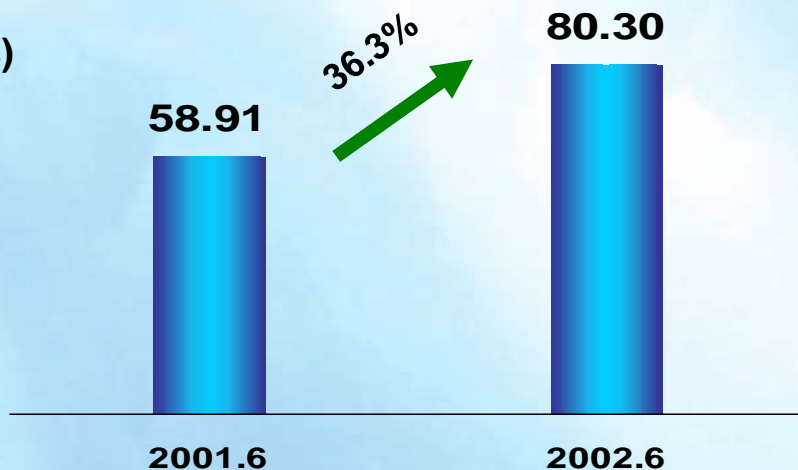
Key Operating Statistics (2)

	2001	1H2002
<u>Contract Subscribers</u>		
- Subscribers (Millions)	34.01	34.61
- MOU (Minutes)	329	334
- ARPU (RMB)	199	192
<u>Prepaid Subscribers</u>		
- Subscribers (Millions)	35.63	45.69
- MOU (Minutes)	103	102
- ARPU (RMB)	72	67

Impressive Subscriber and Usage Growth

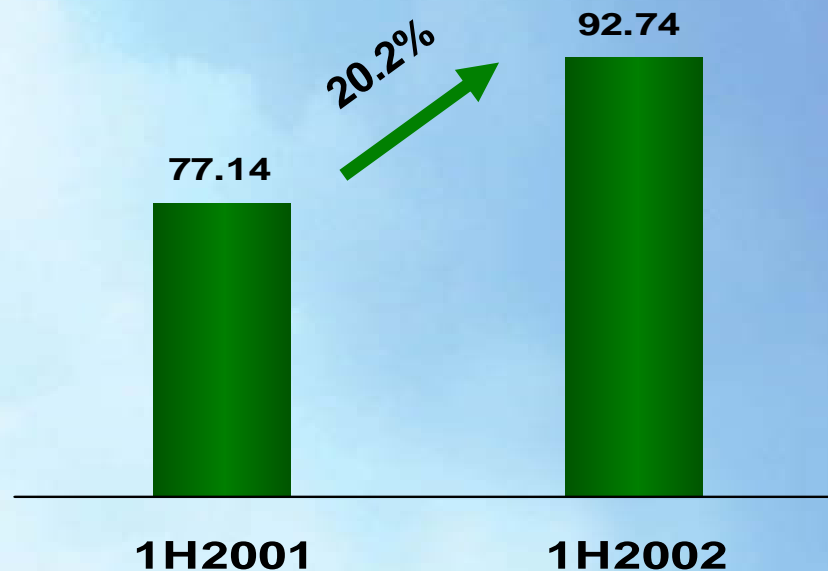
Subscribers

(Millions)



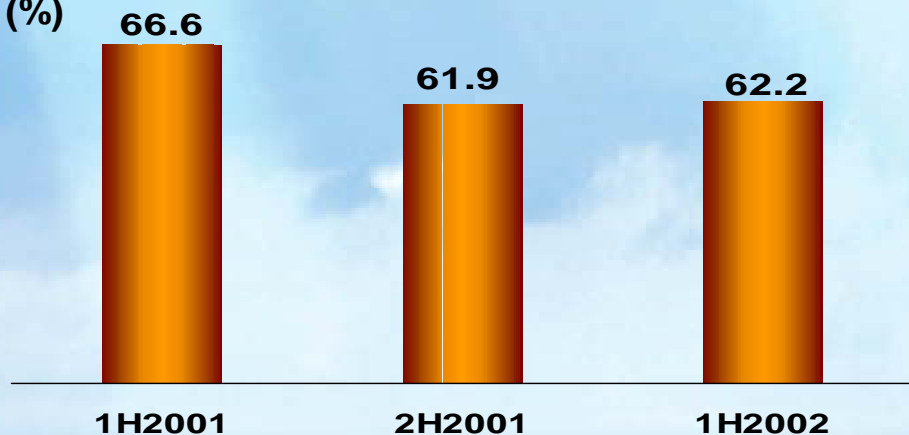
Total Minutes of Usage

(Billions)



Net Add Market Share

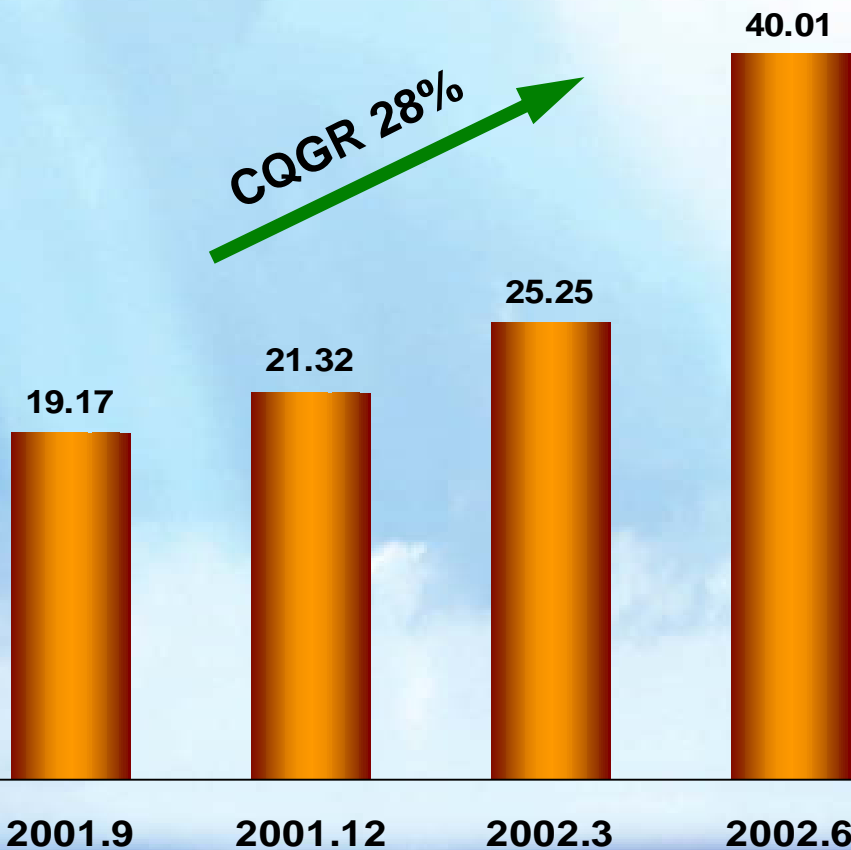
(%)



Rapid Development of SMS

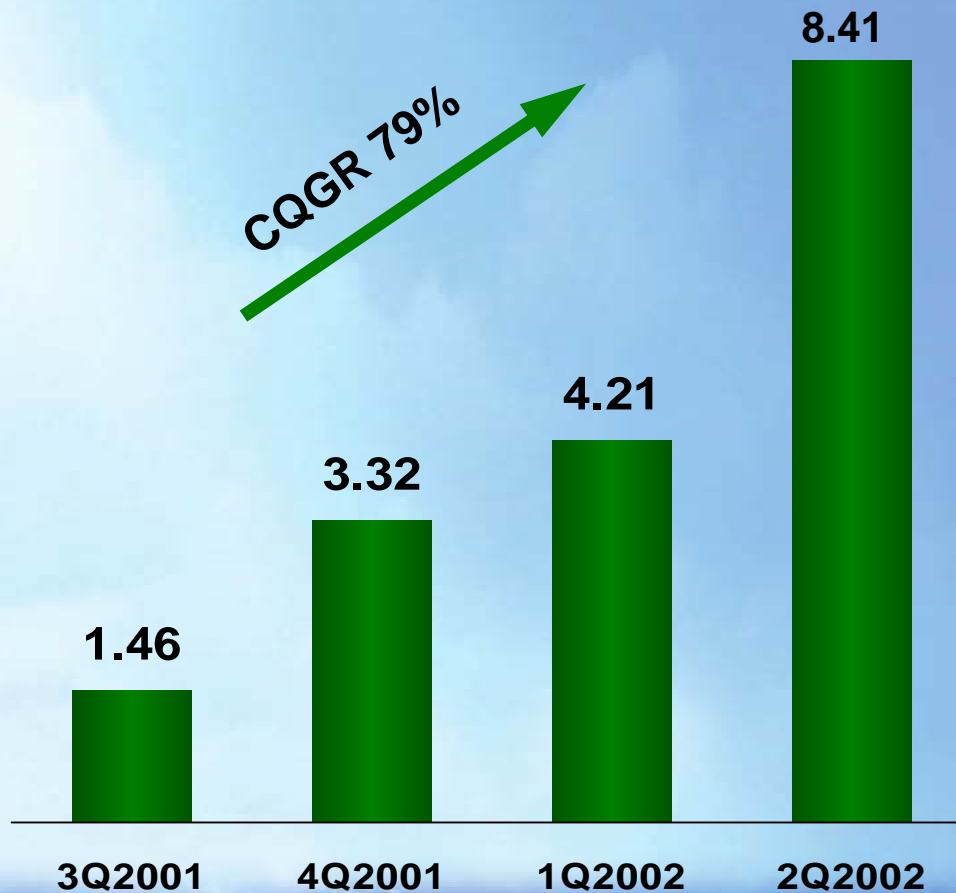
Mobile Data Users

(Millions)



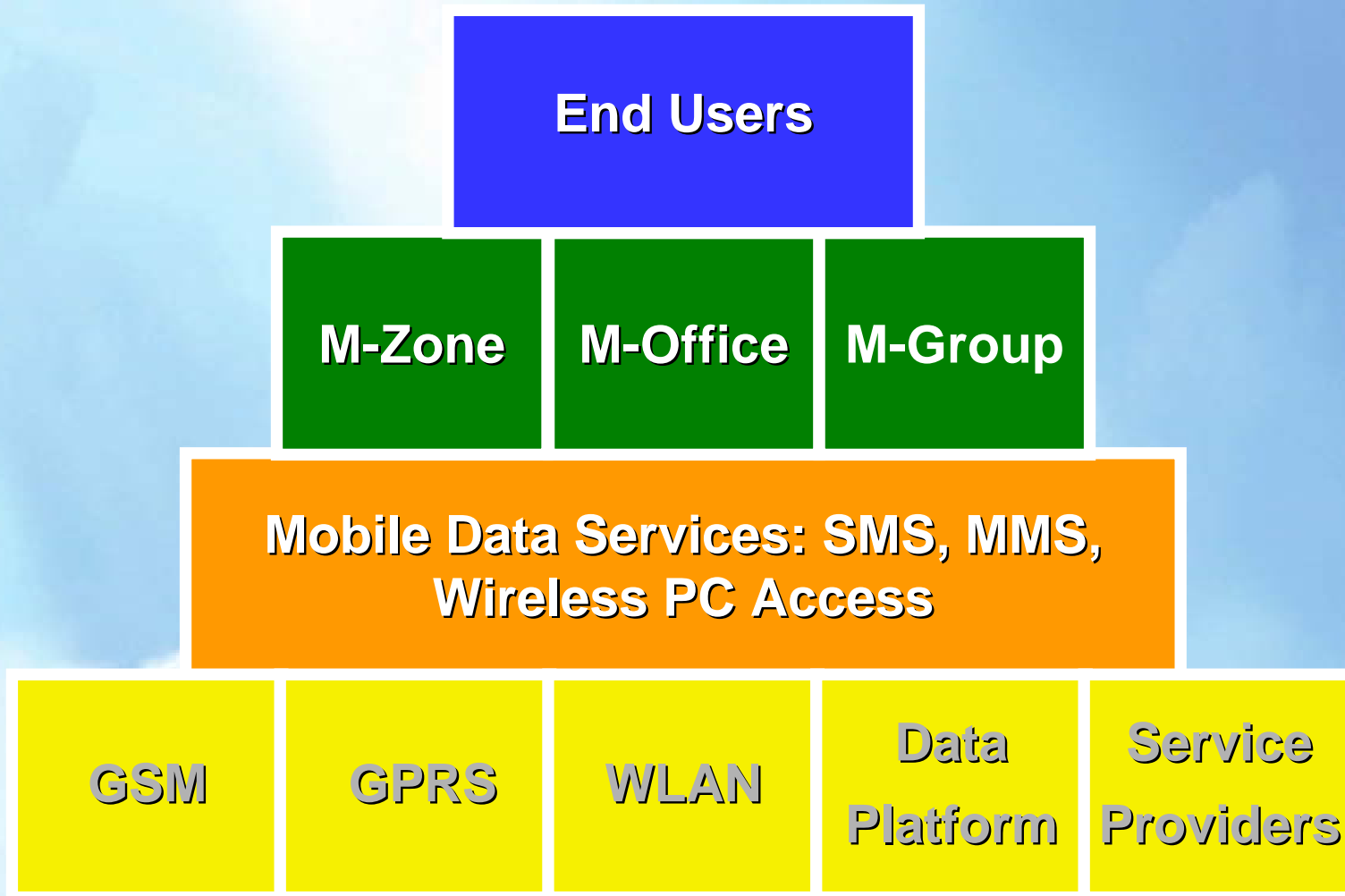
SMS Usage

(Billions)



Note: CQGR – Average Compound Quarterly Growth Rate

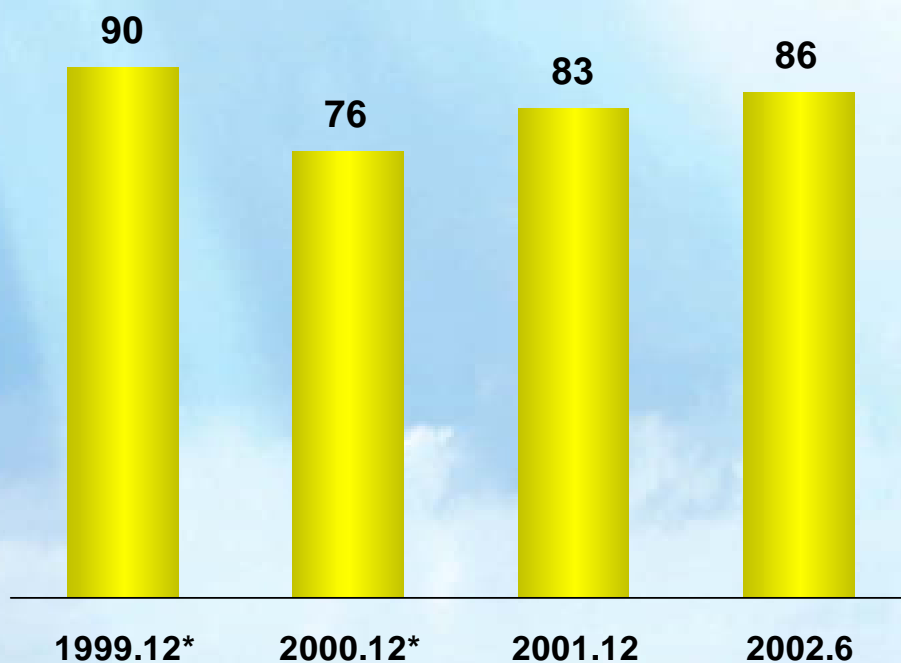
Development of Mobile Data Services



Improved Network Efficiency and Quality

Network Utilization

(%)



Radio Connection Rate

(%)



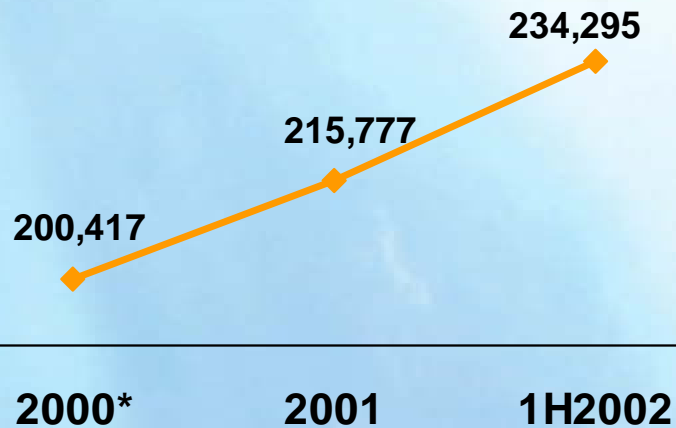
Note: *The above data is based on the assumption that the group structure during 1H2002 (including 13 subsidiaries) existed throughout the relevant period.



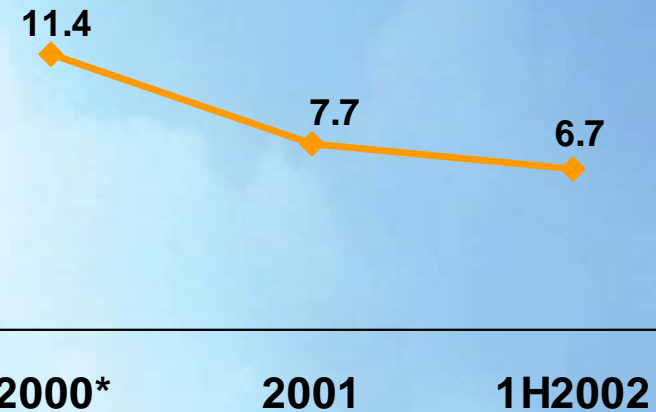
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Increased Employee Productivity

Monthly Revenue per Employee
(RMB)



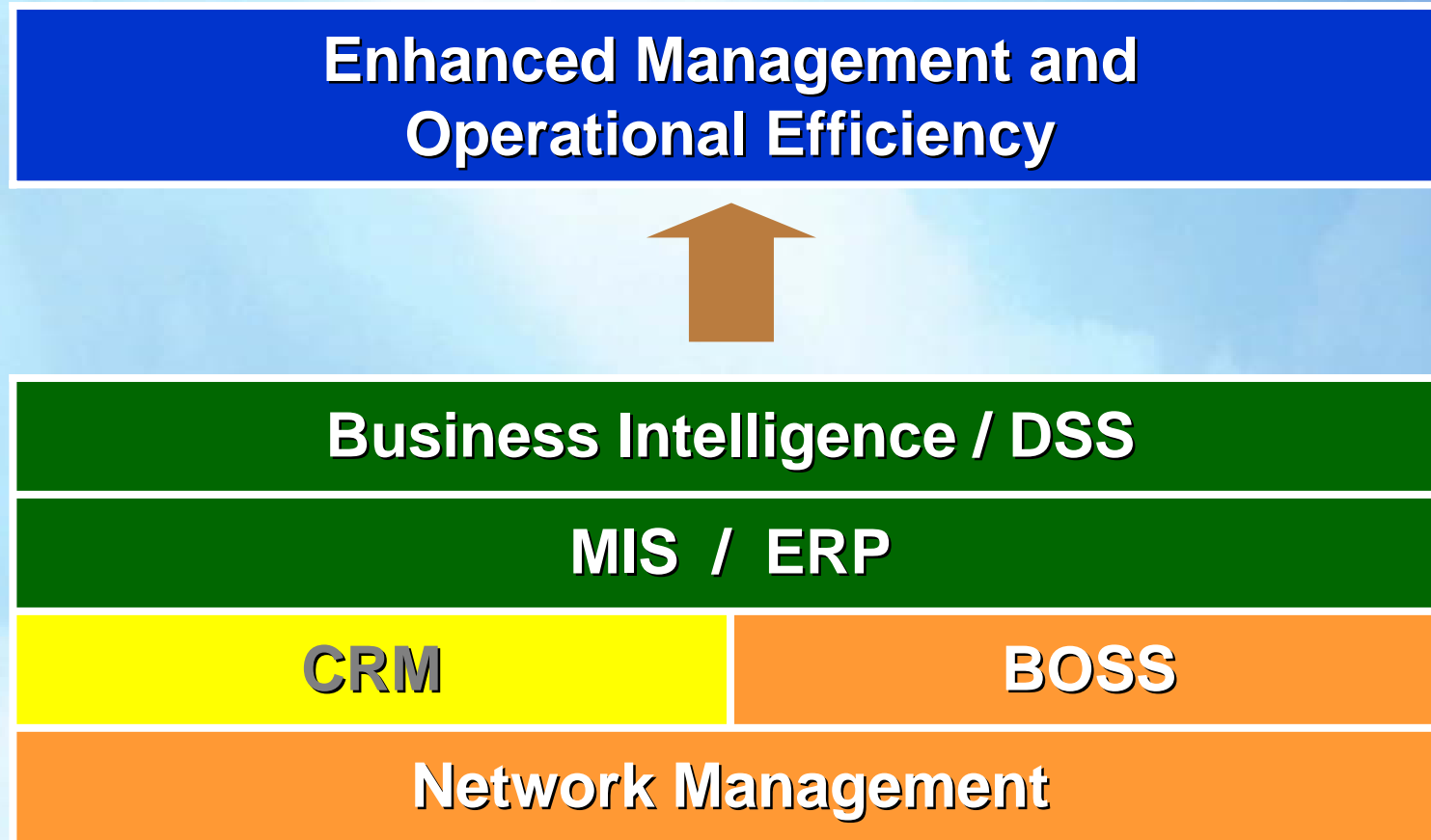
Monthly Personnel Cost per Subscriber
(RMB)



To establish a cost-effective and competitive HRM system

Note: *The above data is based on the assumption that the group structure during 1H2002 (including 13 subsidiaries) existed throughout the relevant period.

Implementing Support Systems



Pending Construction



Construction in Progress



Completed



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Satisfying Customer Needs through Market Segmentation



Financial Results

Financial Highlights

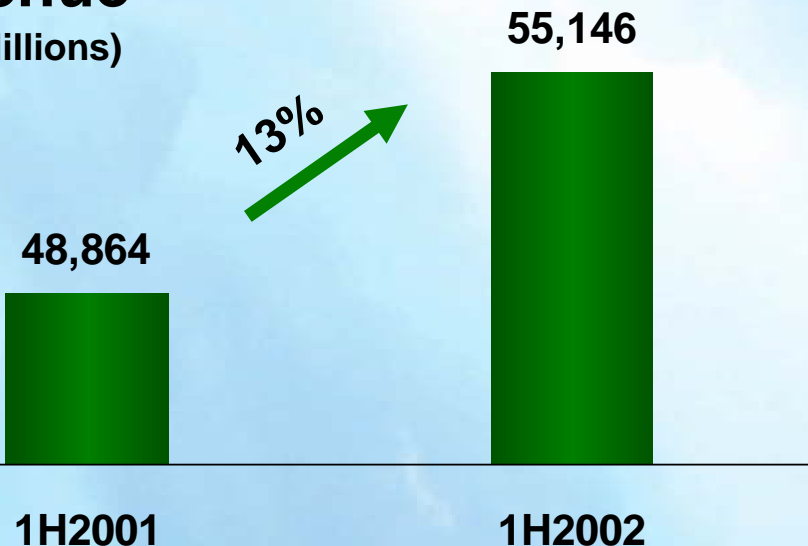
(RMB Millions)	1H2001	1H2002	Change
Operating Revenue	48,864	55,146	+13%
EBITDA	29,176	33,433	+15%
EBITDA Margin (%)	59.7	60.6	+0.9
Net Profit	13,809	15,215	+10%
EPS (RMB)	0.74	0.82	+11%
Free Cash Flow*	10,047	13,994	+39%
Total Assets	171,651	193,381	+13%
Net Assets	97,571	132,963	+36%

Note: *Free cash flow = Net cash from operating activities (after tax) less CAPEX paid.

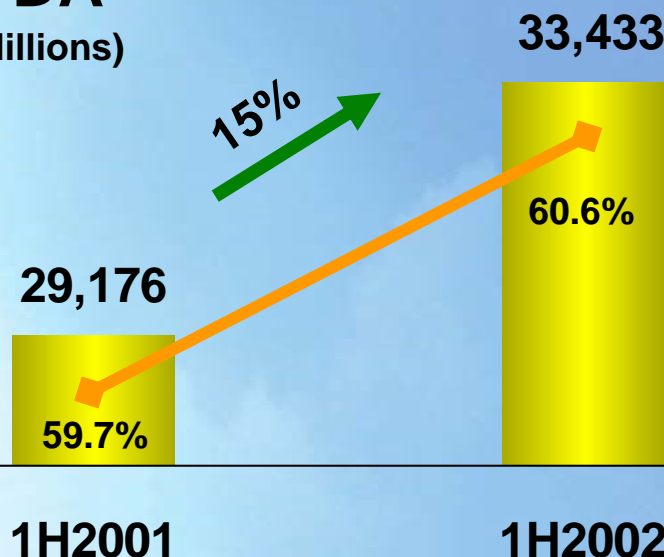


Revenue and EBITDA

Revenue
(RMB Millions)



EBITDA
(RMB Millions)



◆ EBITDA Margin

Continuous Revenue Growth



Subscriber Growth



Stable ARPU

Consistently High EBITDA Margin

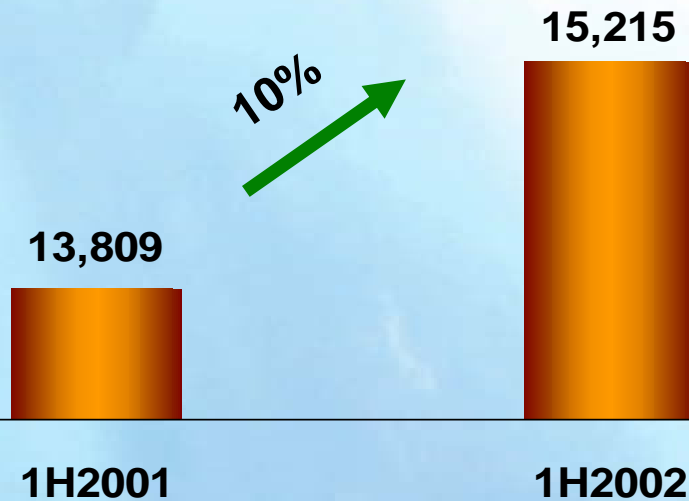


Improved Operational Efficiency

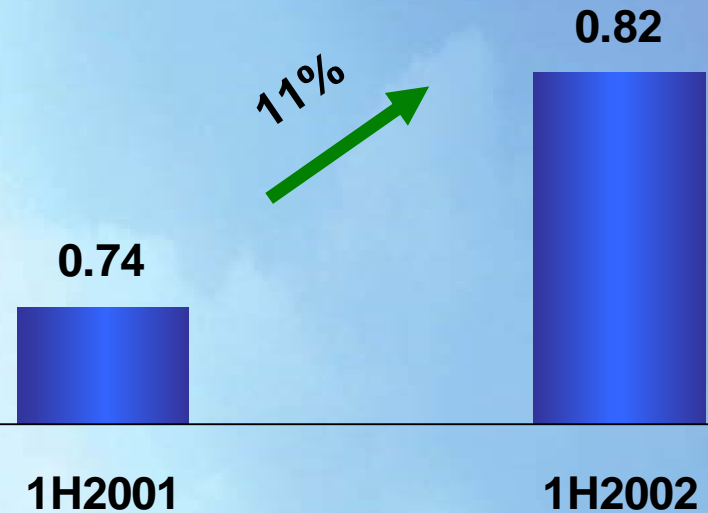


Net Profit and EPS

Net Profit
(RMB Millions)



EPS
(RMB)

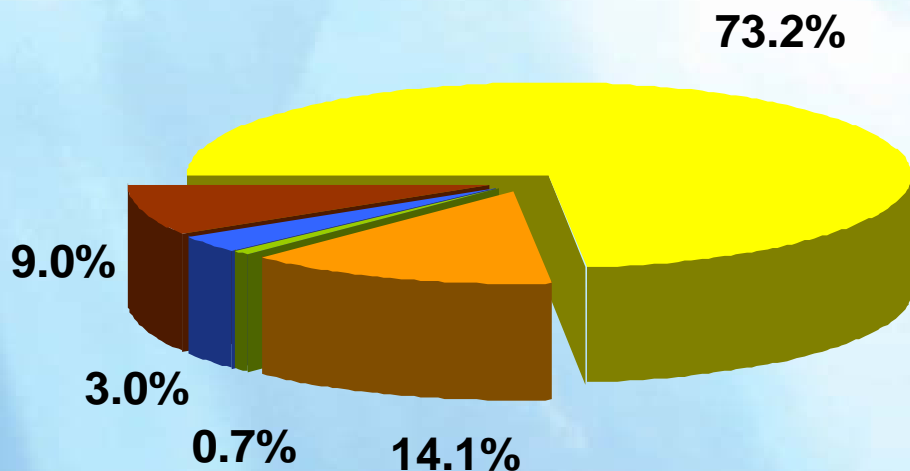


Significant earnings growth is attributed to:

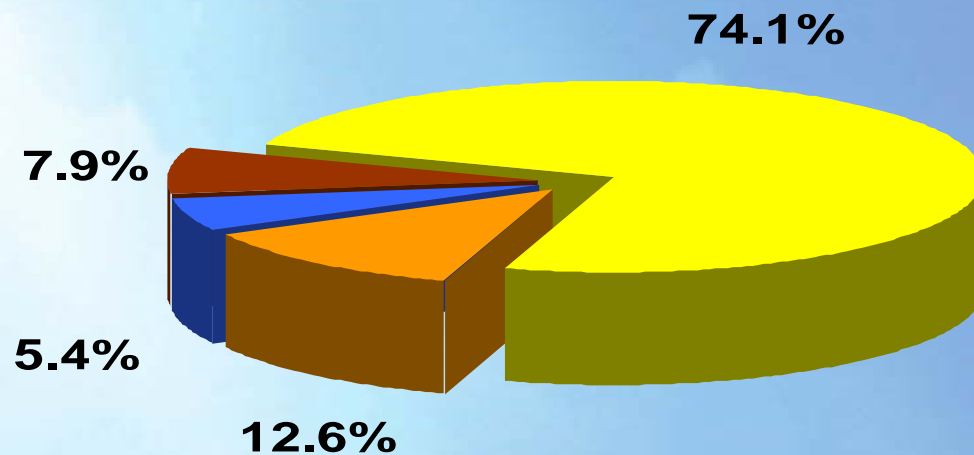
- Revenue growth
- Economies of scale and synergies
- Cost control

Revenue Composition

2001



1H2002



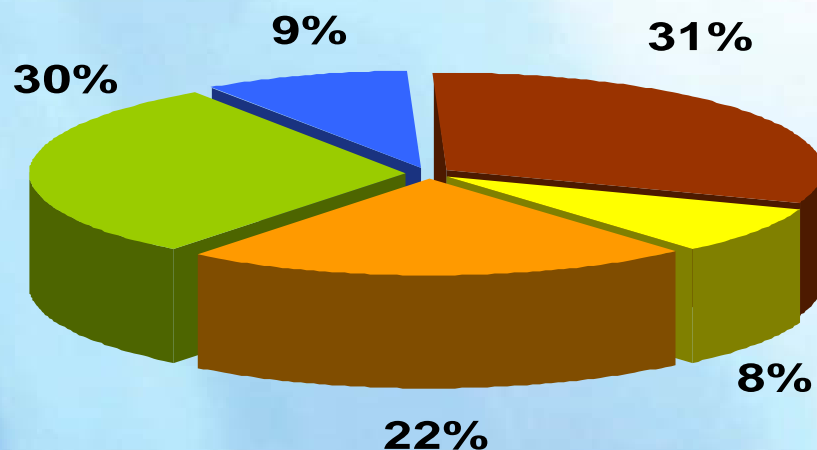
Usage Fees Monthly Fees Connection Fees New Business Others

• Steady Recurrent Revenue

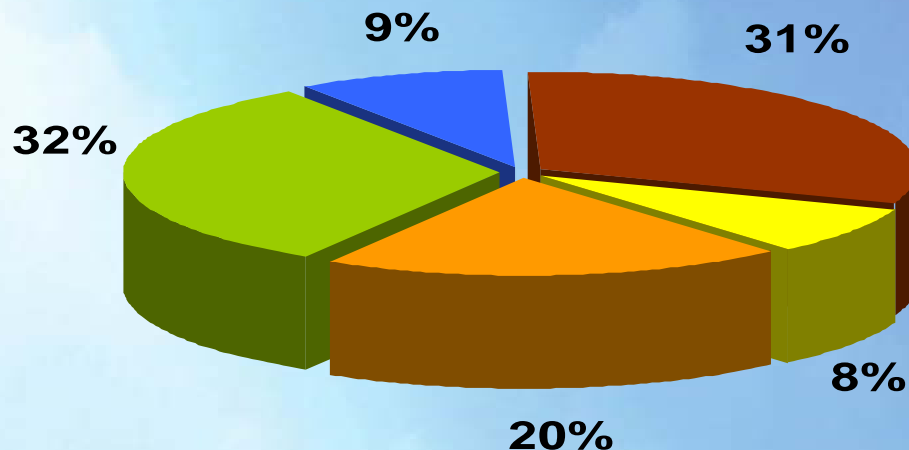
• Rapid Growth of New Businesses

Cost Composition

2001



1H2002

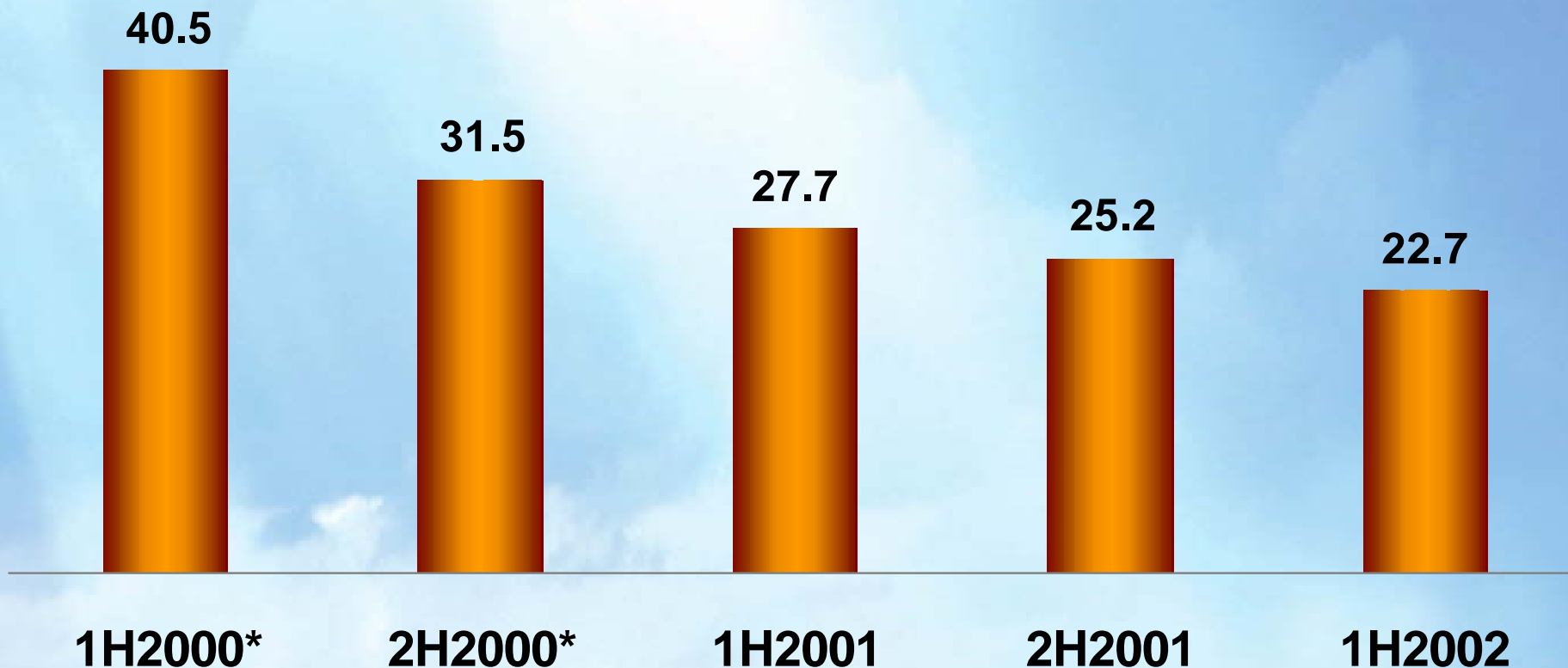


Leased Lines Interconnection Depreciation Personnel SG&A

Effective Control of SG&A

Monthly SG&A per Subscriber

(RMB)

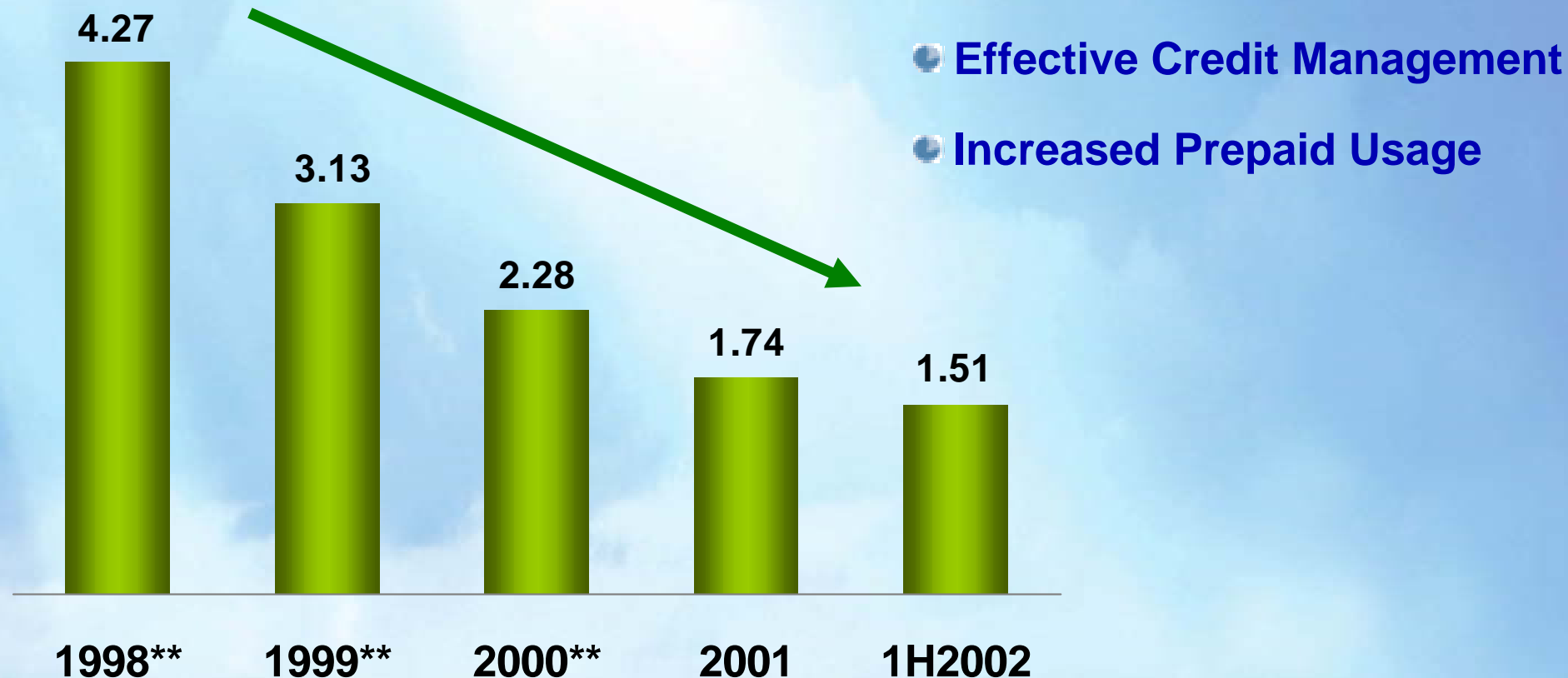


Note: *The above data is based on the assumption that the group structure during 1H2002 (including 13 subsidiaries) existed throughout the relevant period.

Declining Bad Debt Ratio

Bad Debt Ratio *

(%)



Note: *Bad debt ratio=Provision for bad debt/Operating revenue (excluding connection fees)

**The above data is based on the assumption that the group structure during 1H2002 (including 13 subsidiaries) existed throughout the relevant period.



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Solid Capital Structure

(RMB Millions)	2001.12.31	2002.6.30	2002.7.1*
Short Term Debt	6,897	5,923	10,331
Long Term Debt	22,403	21,821	56,281
Total Debt	29,300	27,744	66,612
Shareholders' Equity	111,779	132,963	154,675
Total Book Capitalization	141,079	160,707	221,287
Total Debt / Total Capitalization	20.8%	17.3%	30.1%
Cash & Bank Deposits	36,791	55,868	35,135
Net Cash / (Net Debt)	7,491	28,124	(31,477)

Note: *The above data shows the group's capital structure as of 1 July, 2002 following completion of the acquisition of 8 subsidiaries on that date.

Financial Summary



A World-Class Wireless Multimedia Services Provider

Thank You

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Extract from unaudited consolidated profit and loss account for the 6 months ended 30 June 2002 – Appendix I

(RMB Millions)	1H2001	1H2002
Operating Revenue		
Usage Fees	35,457	40,875
Monthly Fees	7,020	6,940
Connection Fees	711	-
New Business	1,192	3,002
Other Revenue	4,484	4,329
	<u>48,864</u>	<u>55,146</u>
Operating Expenses		
Leased Lines	2,196	2,767
Interconnection	6,839	6,615
Depreciation	8,083	10,465
Personnel	2,792	3,002
SG&A	8,598	10,184
	<u>28,508</u>	<u>33,033</u>
Profit from Operations	20,356	22,113

	1H2001	1H2002
Profit from Operations	20,356	22,113
Other Net Income	737	855
Non-operating Net Income	124	474
Interest Income	457	235
Finance Costs	(956)	(664)
Taxation	(6,909)	(7,800)
Profit from ordinary activities after taxation	<u>13,809</u>	<u>15,213</u>
Minority Interest	-	2
Profit attributable to shareholders	<u>13,809</u>	<u>15,215</u>

Extract from unaudited consolidated balance sheet at 30 June 2002 – Appendix II

(RMB Millions)	Audited at 2001.12.31	Unaudited at 2002.6.30
Current Assets	46,811	66,489
Non-current Assets	<u>126,938</u>	<u>126,892</u>
Total Assets	<u>173,749</u>	<u>193,381</u>
Current Liabilities	(35,298)	(33,694)
Non-current Liabilities	<u>(26,640)</u>	<u>(26,533)</u>
Total Liabilities	<u>(61,938)</u>	<u>(60,227)</u>
Minority Interests	<u>(32)</u>	<u>(191)</u>
Net Assets	<u><u>111,779</u></u>	<u><u>132,963</u></u>

Key pro-forma operating and financial data 1H2002 – Appendix III

	13 Original Subsidiaries	8 New Subsidiaries	Pro-forma combined 21 Subsidiaries
Subscriber (Millions)	80.3	25.1	105.4
ARPU (RMB)	124	111	121
MOU (Minutes)	209	210	209
Operating Revenue (RMB Millions)	55,146	15,222	70,368
Net Profit (RMB Millions)	15,215	2,818	16,590
EBITDA (RMB Millions)	33,433	8,035	41,468
EBITDA Margin (%)	60.6	52.8	58.9
Earnings per Share (RMB)	0.82	-	0.84

- Note:**
- 1) The computation of pro-forma combined figures is based on the assumption that the group had acquired the 8 new subsidiaries on 1 January, 2002.
 - 2) ARPU and MOU calculations are based on 5.95 months (181 days) in 1H2002 and the average numbers of total subscribers which are 74,702,070 (13 subsidiaries), 23,054,489 (8 subsidiaries) and 97,756,559 (21 subsidiaries).
 - 3) The pro-forma combined net profit was calculated after the following adjustments:
 - Interest expense increased by RMB441 millions
 - Interest income decreased by RMB99 millions
 - Goodwill amortization increased by RMB936 millions
 - Taxation decreased by RMB33 millions

Disclaimer

Certain statements contained in this document may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of China Mobile (Hong Kong) Limited (the “Company”) to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.