



中国移动通信
CHINA MOBILE

Annual Results

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

2003 Annual Results

China Mobile (Hong Kong) Limited
March 18, 2004

Mr. Wang Xiaochu

Chairman & CEO

Mr. Lu Xiangdong

**Executive Director &
Vice President**

Mr. Xue Taohai

**Executive Director,
Vice President & CFO**

Mr. He Ning

**Executive Director &
Vice President**



**Results Overview
for 2003**

**Operating Performance
for 2003**

**Financial Results
for 2003**

Review of 2003



Maintained our leading position

Steadily grew our subscribers, revenue and net profit

Rapidly developed new businesses

Laid a solid foundation with promising future prospects

Steady Business Growth



	2002	2003	Change
Subscribers (Millions)	117.676	141.616	20.3%
Revenue (RMB Billions)	128.561	158.604	23.4%
EBITDA (RMB Billions)	77.309	92.278	19.4%
EBITDA Margin (%)	60.1%	58.2%	-1.9 ppt
Net Profit (RMB Billions)	32.601	35.556	9.1%

Note: As required by revised SSAP 12 which mandates different accounting treatment for deferred taxation, retrospective adjustments were made to certain 2002 and prior financial data in this presentation.

Pro-forma Results



	2002 Pro-forma*	2003	Change
Subscribers (Millions)	117.676	141.616	20.3%
Revenue (RMB Billions)	143.784	158.604	10.3%
EBITDA (RMB Billions)	85.346	92.278	8.1%
EBITDA Margin (%)	59.4%	58.2%	-1.2 ppt
Net Profit (RMB Billions)	34.032	35.556	4.5%

* All pro-forma data in this presentation is based on the assumption that the current group structure (including 21 subsidiaries) existed throughout the relevant period.

Market Environment and Competitive Strategies



Market Environment

- Relatively stable but increasingly saturated high-end market
- Highly competitive low-end market offering great potential

Competitive Strategies

- Promote customer satisfaction and loyalty
- Enhance service differentiation and utilize economies of scale

Major Tasks

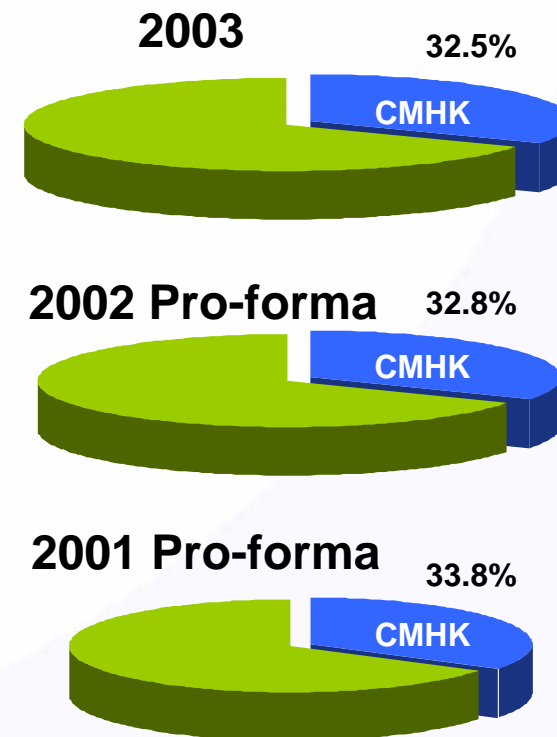
- Brand integration
- Promote voice usage volume
- Develop new businesses
- Cultivate potential high-end markets
- Maintain an appropriate market share of new adds in the low-end market

Secure Market Leadership



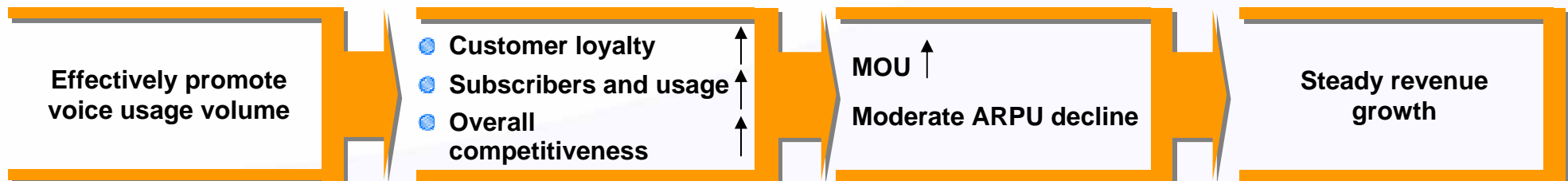
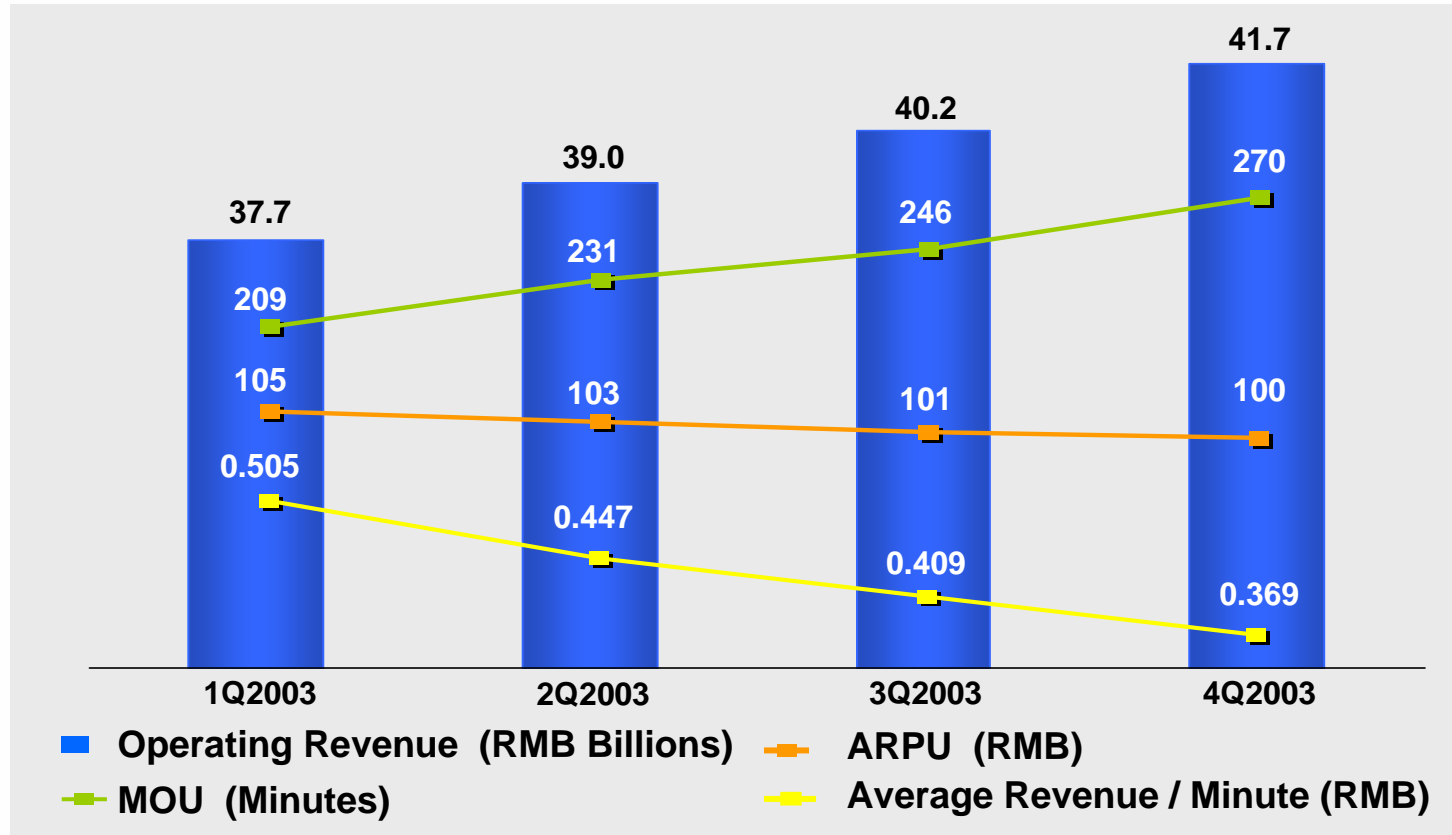
- Sustained our first mover advantage and leading position in the high- end market
- Leveraging our premier network and well-recognized brands to maintain steady growth in new subscribers

Share of the total telecom operating revenue in Mainland China

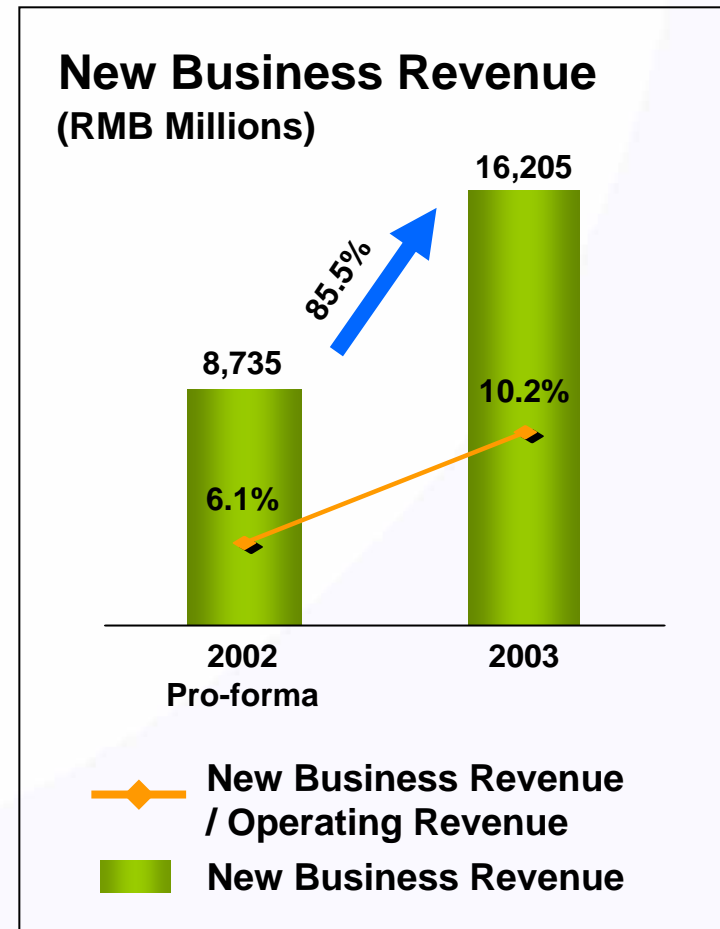
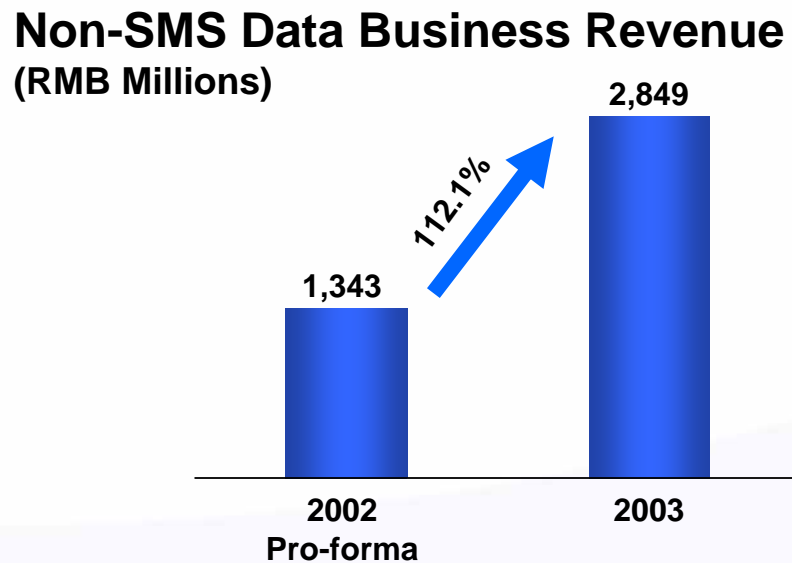
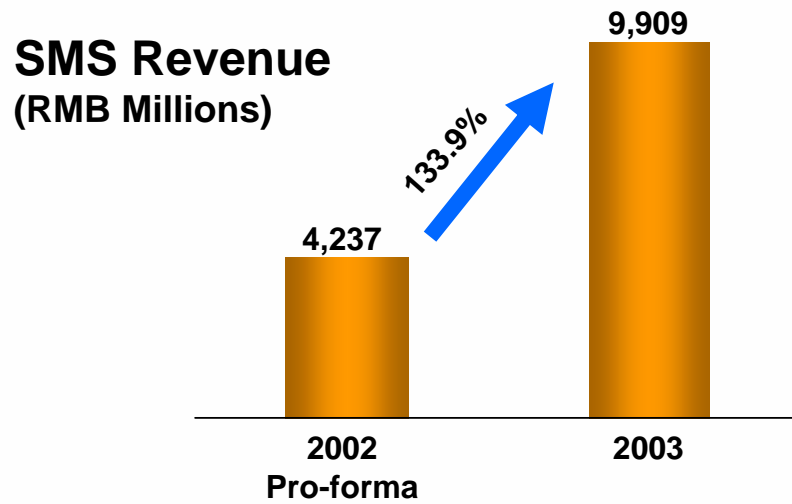


Note: The above figures are calculated in accordance with the data released by the MII under PRC GAAP.

Promote Voice Usage Volume to Ensure Operating Revenue Growth

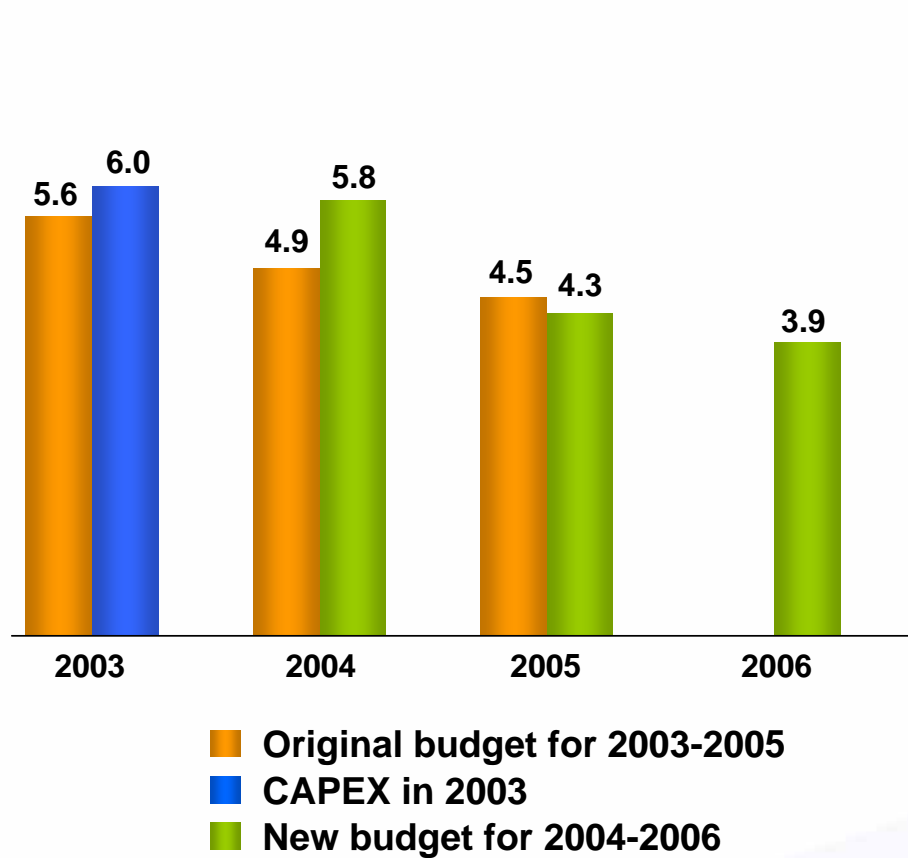


Rapid Growth of New Businesses

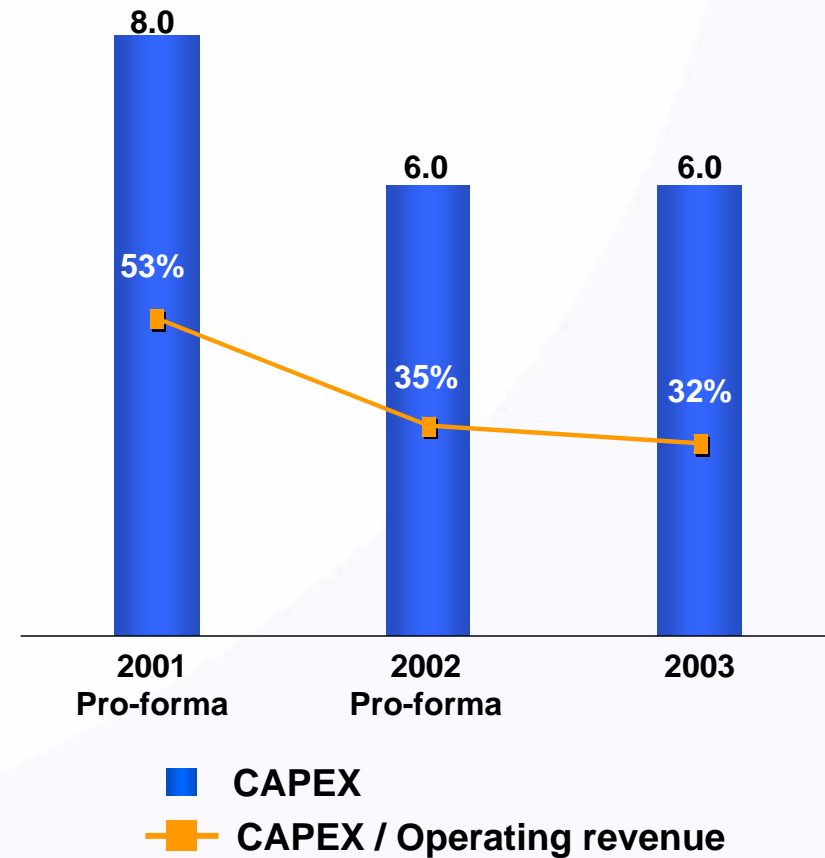


Capital Expenditure

(USD Billions)



(USD Billions)



Note: Minimal CAPEX is currently budgeted annually for 3G monitoring and performance trials



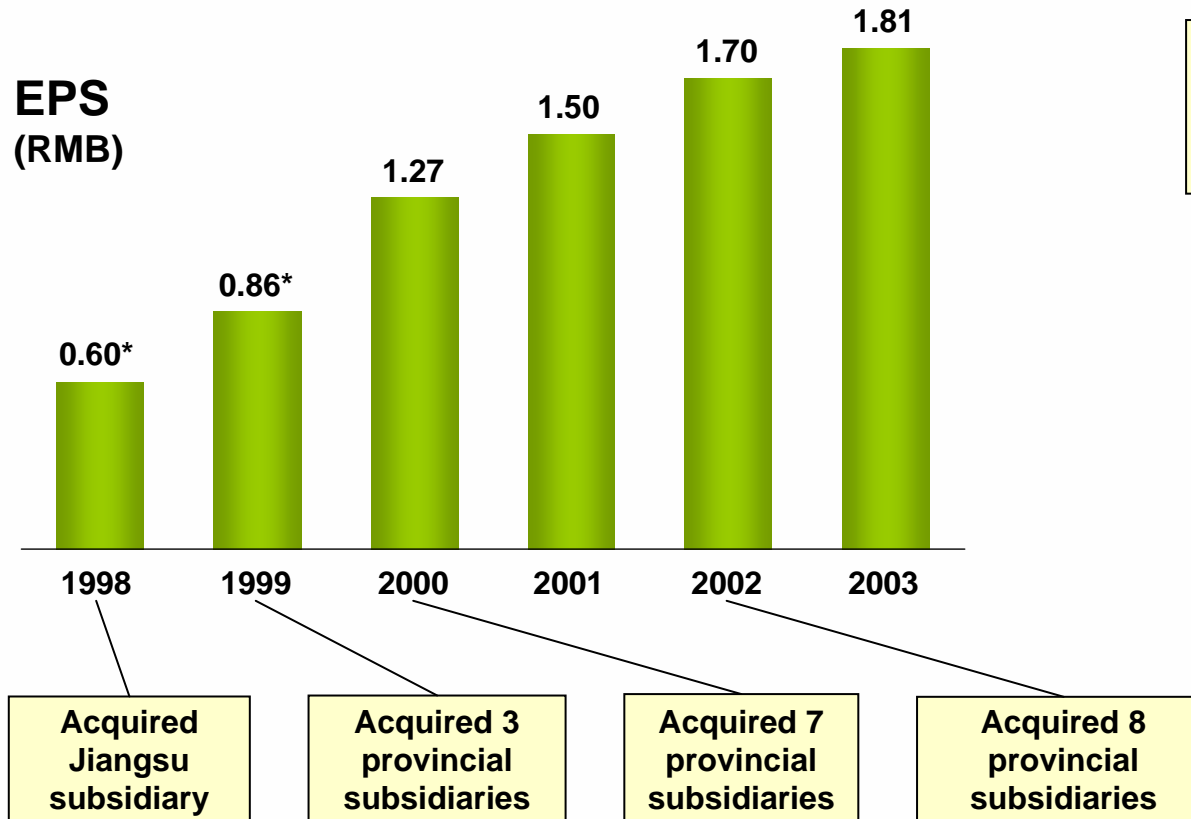
We believe that:

- The regulatory authorities will determine 3G policies after considering the maturity of the market and the relevant technologies
- 3G and 2G should be compatible and can co-exist on our network for a considerable period

We plan to:

- Conduct 3G technology performance trials in 2004

Acquisitions Favorable to Shareholders



The proposed acquisition of mobile telecommunications companies in 10 provinces commenced in December 2003

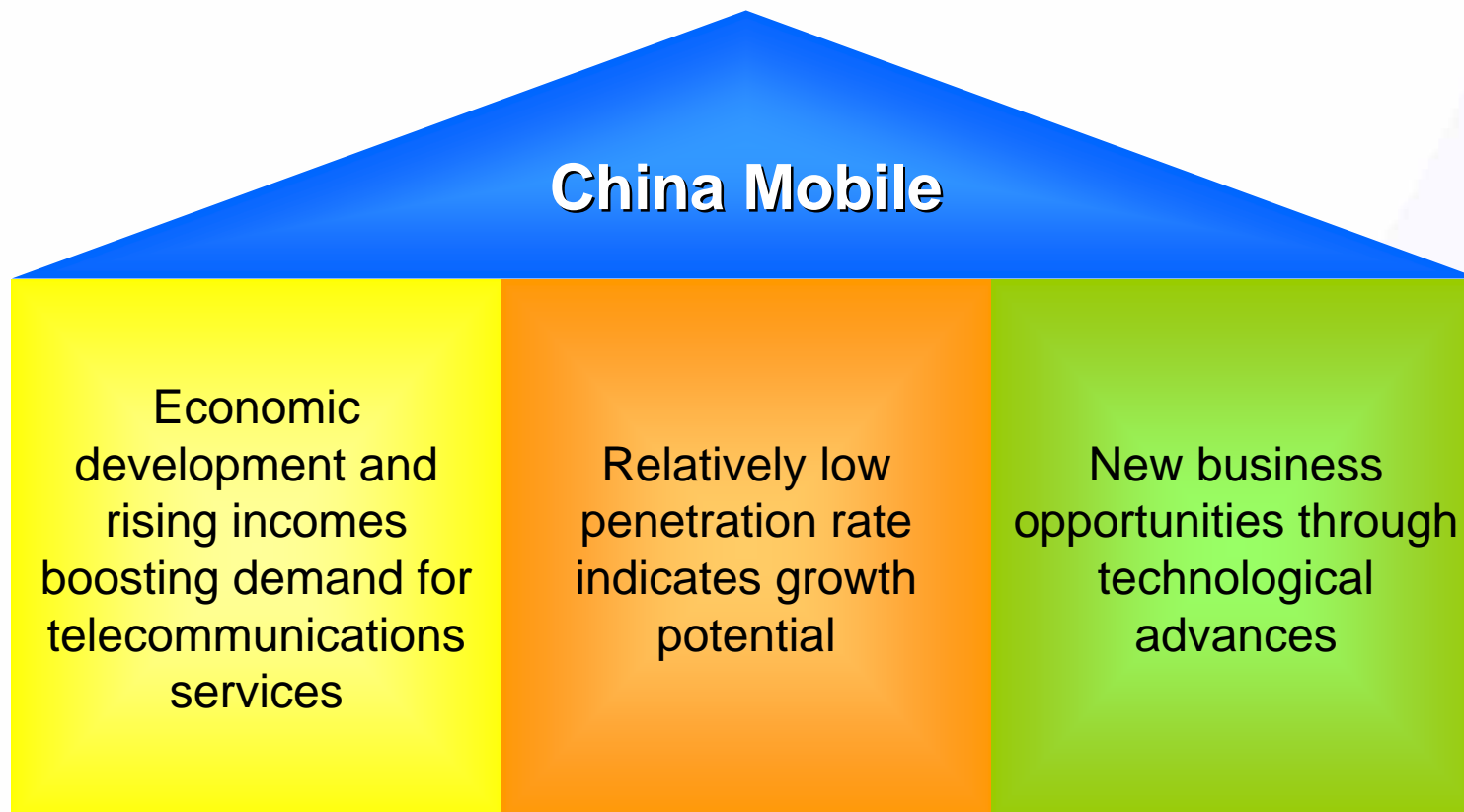


EPS figures reflected the effects of both external and organic growth

* EPS prior to the write-down and write-off of analog assets

- Dividend payout for the FY2003 of HK\$0.36 per share (including the interim dividend payout of HK\$0.16 per share) has increased by 12.5% compared with 2002, with a dividend payout ratio of 21%.
- Retain sufficient funds to ensure sustainable business growth and to complete value enhancing investments and acquisitions, in particular, the proposed acquisition of mobile telecommunications assets in the 10 provinces.
- Strong free cash flow is capable of supporting investments for steady business growth while ensuring a favorable cash return for shareholders.
- Endeavor to achieve a sustainable and steadily increasing dividend in the long run, while maximizing the return for shareholders.

Integrated Mobile Services Provider





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Operating Performance

Key Operating Statistics (2)



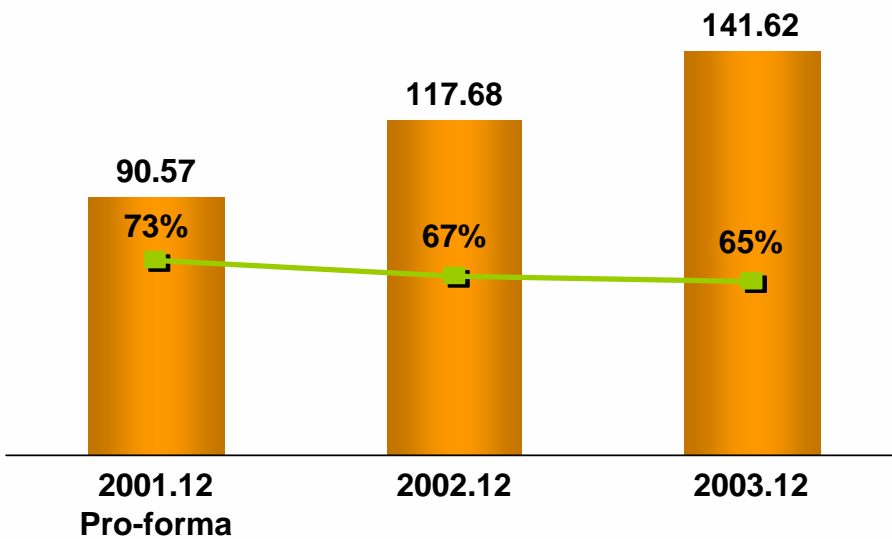
	2002 Pro-forma	2003
<u>Contract Subscribers</u>		
- Subscribers (Millions)	49.024	51.138
- MOU (Minutes)	334	417
- ARPU (RMB)	176	171
<u>Prepaid Subscribers</u>		
- Subscribers (Millions)	68.652	90.478
- MOU (Minutes)	99	129
- ARPU (RMB)	63	58

Note: For management reference purposes, contract subscribers are classified to include “GoTone” subscribers and subscribers who have signed service contracts with the Company, while prepaid subscribers are classified to include subscribers of “Shenzhouxing” and “M-Zone” and local brands or packages targeting low usage volume users.

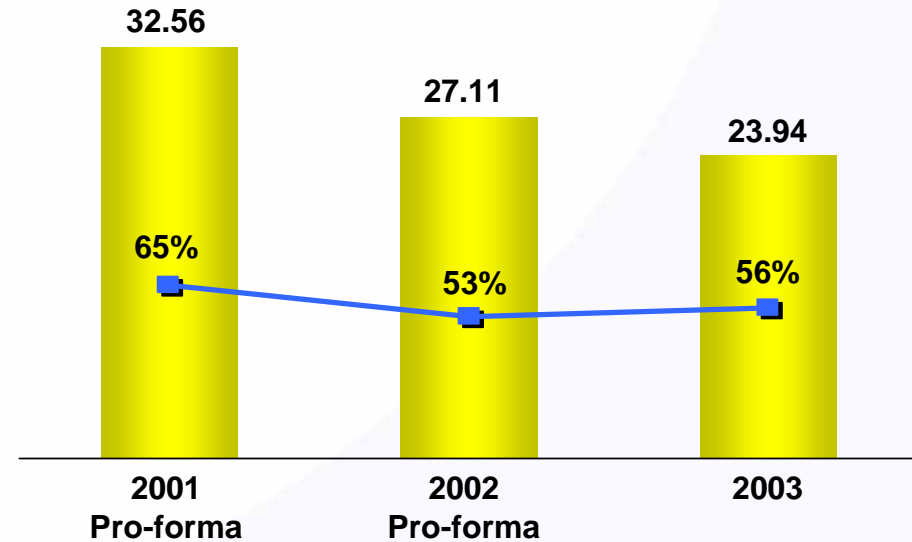
Favorable Subscriber Development



Subscribers (Millions)



Net Additional Subscribers (Millions)



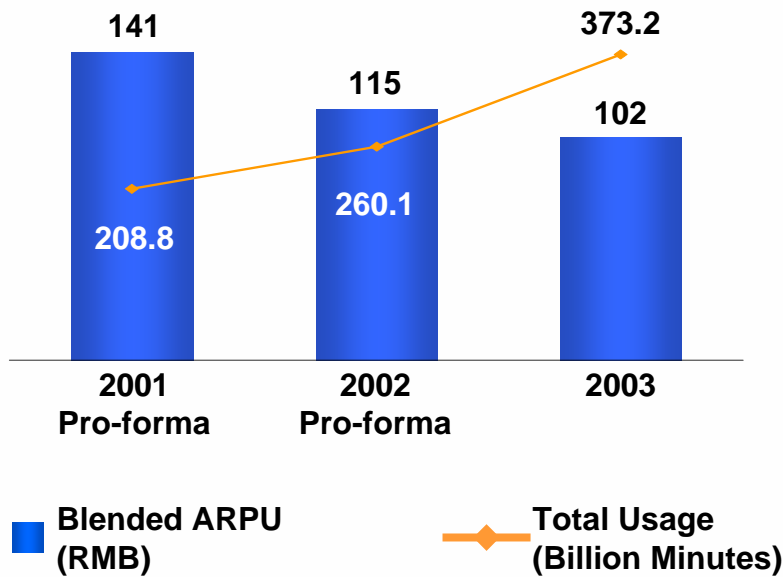
—■— Market Share

—■— Net additions market share

ARPU Decline Has Moderated

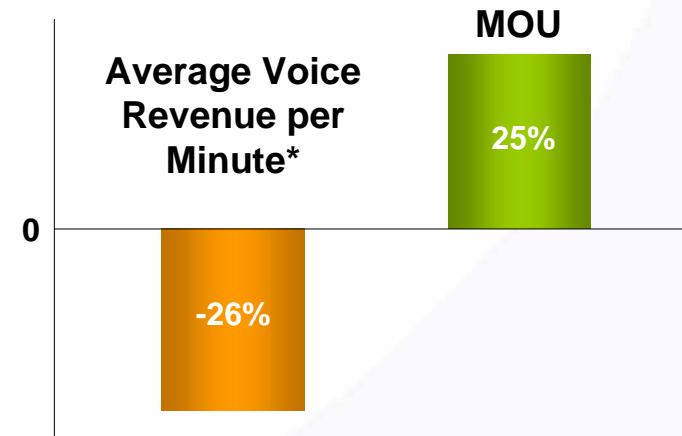


Blended ARPU vs Total Usage



Price Elasticity of Contract Subscribers

2003 vs 2002(Pro-forma)



* After deducting new business revenue

Brand Integration



Maintained our advantage as the high-end market leader, conducted voice usage volume promotions and enhanced customer satisfaction and loyalty



Innovative sales models boosted the development of mobile data businesses and cultivated potential high-end users



Maintained appropriate low-end market growth and offered differentiated services, leveraging the advantage of our economies of scale

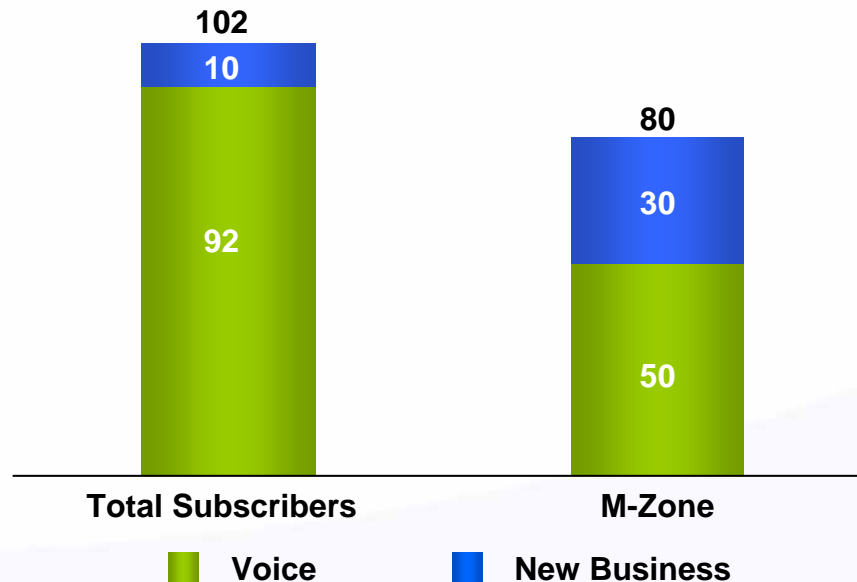
Will create regional “Shenzhouxing” sub-brand, emphasizing low MOU, low ARPU and low cost

Successfully Promoted “M-Zone”

- New business revenue / total revenue: 37.5%
- Point-to-point SMS penetration rate: 97.8%
- More than 10 million subscribers in its first year



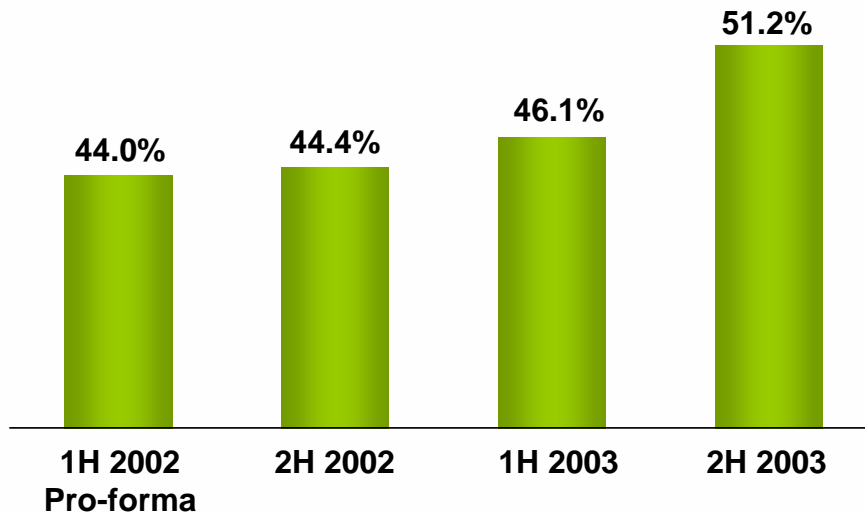
ARPU (RMB)



Optimizing Network Resource Efficiency

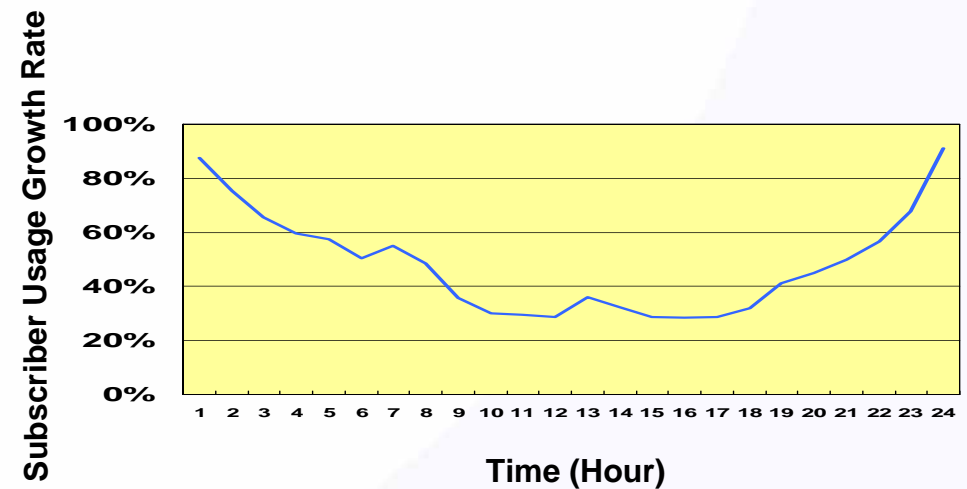


Proportion of Intra-network Usage



Usage Growth Rate in Different Time Intervals

2003.12 vs. 2002.12



Promoting voice usage volume to boost intra-network and off-peak traffic

Innovative Business Model

- Brand management and promotion
- Incorporating our service requirements into the mobile value chain
- Co-operating with external partners to promote development and satisfy new demand



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CHINA MOBILE

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2003年11月, 中国移动通信集团“动感地带”品牌推出, 品牌核心价值: 沟通从心开始。品牌创立于2003年11月, 至2004年4月, 品牌正式进入市场。2004年12月, 品牌推出全新“动感地带”品牌, 品牌核心价值: 我的地盘听我的。

品牌方式:
- 品牌核心价值: 沟通从心开始
- 品牌核心价值: 沟通从心开始
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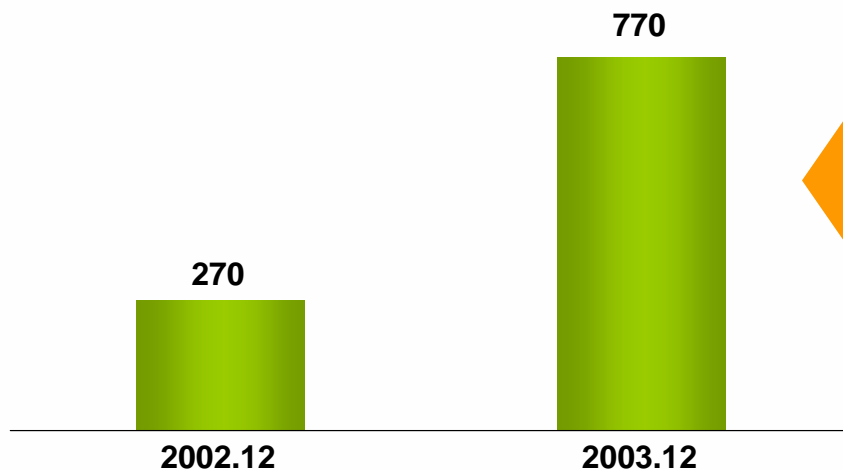
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Development of Corporate Accounts and Institutional Applications



Contract Corporate Accounts
(Thousands)



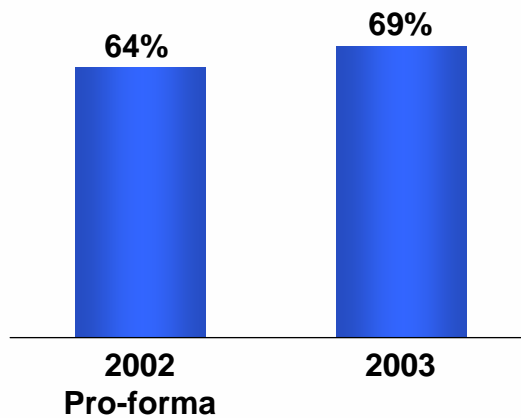
Corporate "Informationalization"	Mobile CRM
Mobile ERP	Mobile OA
Corporate VPMN	
Corporate SMS	
Corporate Direct Lines	
Corporate IP Phones	
Corporate Email	
Government "Informationalization"	Mobile Government
Mobile Searching	Mobile OA
Customs	
Commerce and Institutional	
Police	
Taxation	
Finance	

China's Mobile Specialist

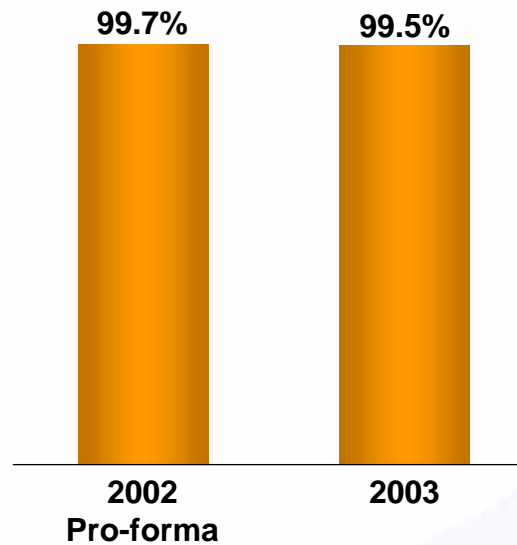


“Mobile is all we do, so we do it best!”

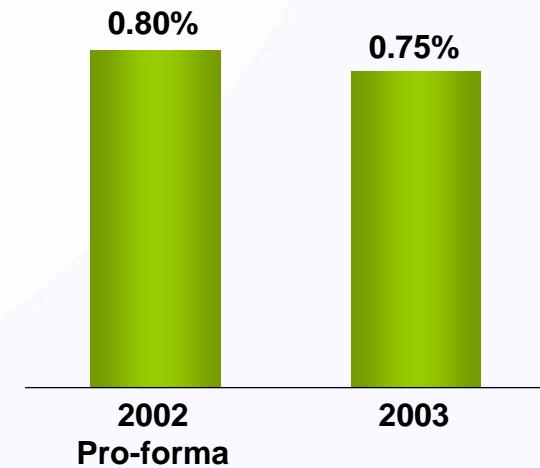
Customer Satisfaction Rate*



Wireless Connection Rate



Call Drop Rate



Maintained the high quality of our network and coverage

* Based on independent market surveys

“Specialized” Support Systems

- **Centralized and unified support systems**
- **Systems integration and process re-engineering**
- **Customer oriented and refined management processes**

Management Information System

CRM System

Business Operation Support System

New Business Support System

Network Management System



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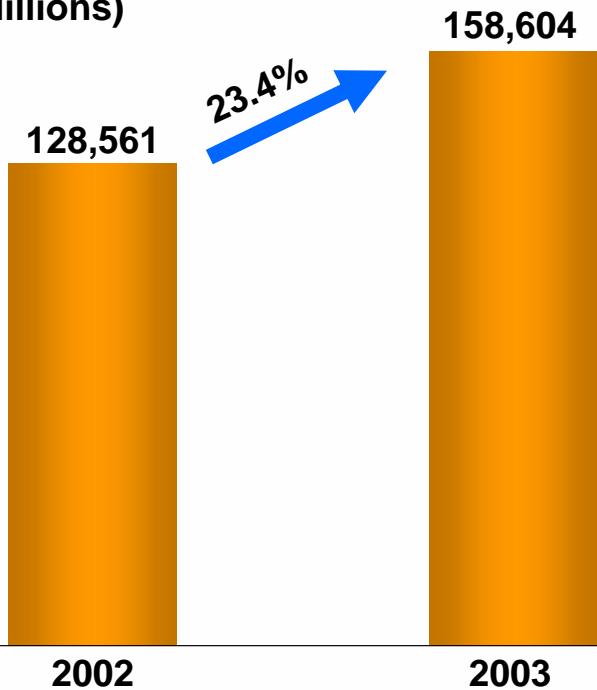
Financial Results

Revenue and EBITDA



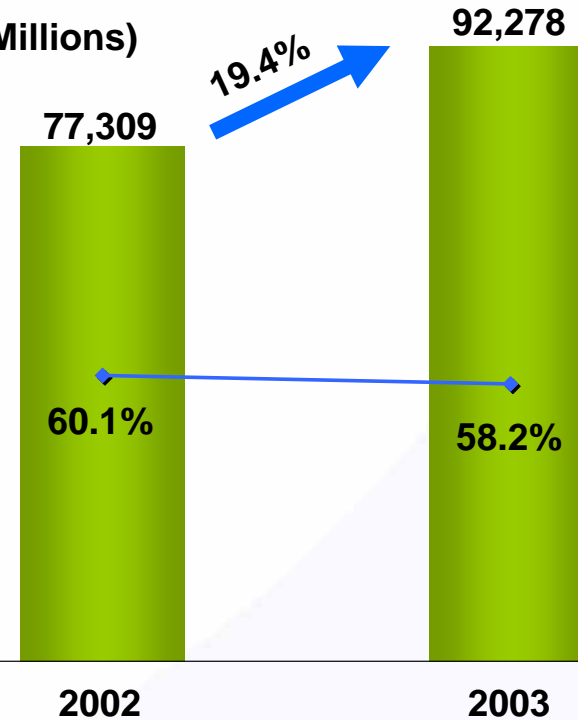
Revenue

(RMB Millions)



EBITDA

(RMB Millions)



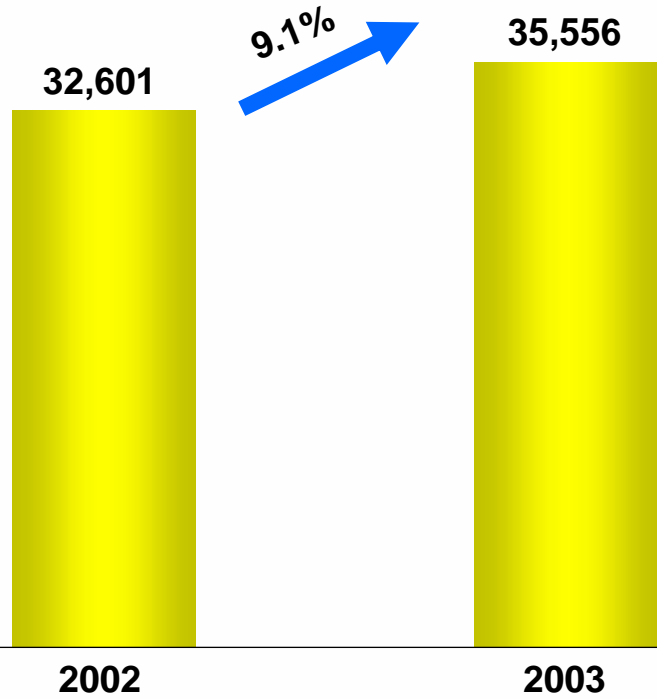
◆ EBITDA Margin

- Revenue increase driven by favorable growth of subscriber base, total voice usage and new businesses.
- Effective cost controls and economies of scale sustained a high EBITDA margin.

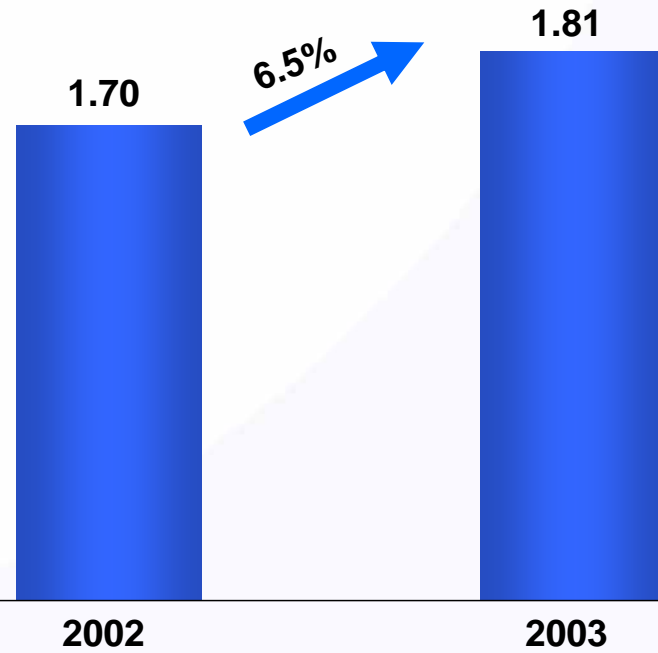
Net Profit and EPS



Net Profit
(RMB Millions)



EPS
(RMB)



Key Financial Data



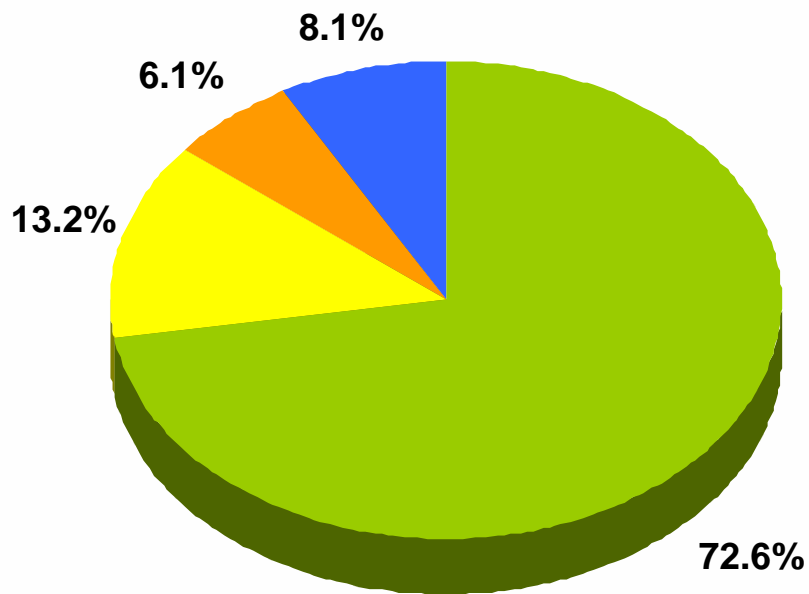
	2002 Pro-forma RMB Millions	2003 RMB Millions	Change (%)
Operating Revenue			
Usage Fees & Monthly Fees	123,405	131,693	6.7
New Business Revenue	8,735	16,205	85.5
Other Operating Revenue	<u>11,644</u>	<u>10,706</u>	(8.1)
	143,784	158,604	10.3
Operating Expenses			
Leased Lines	5,961	4,914	(17.6)
Interconnection	14,840	12,868	(13.3)
Depreciation	30,470	36,611	20.2
Personnel	7,501	7,700	2.7
Other Operating Expenses	<u>31,875</u>	<u>43,308</u>	35.9
	90,647	105,401	16.3
Profit from Operations	53,137	53,203	0.1
Other Net Income	1,739	2,464	41.7
Profit Attributable to Shareholders	34,032	35,556	4.5
EBITDA*	85,346	92,278	8.1

* EBITDA = Profit from Operations + Depreciation + Other Net Income

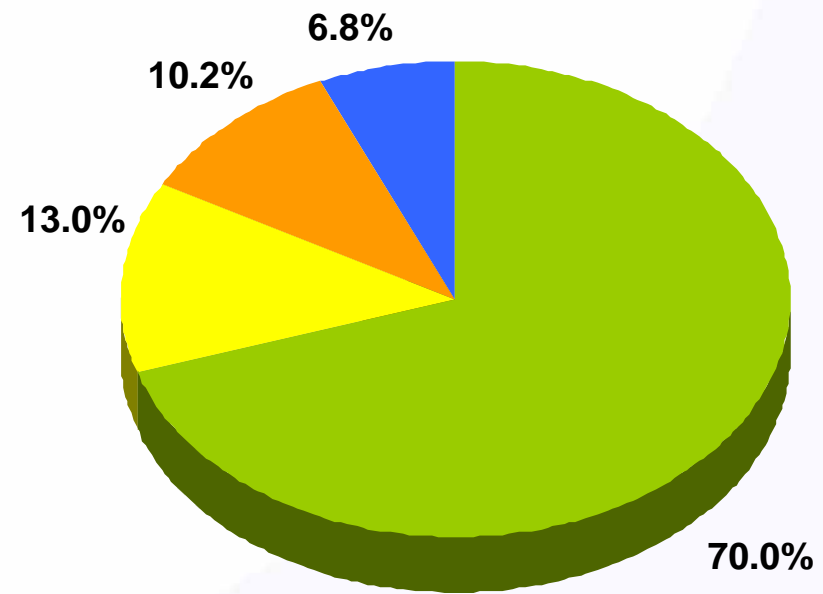
Revenue Composition



2002
Pro-forma



2003



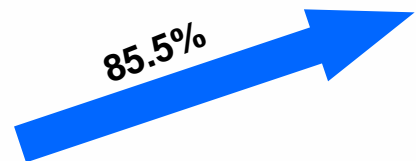
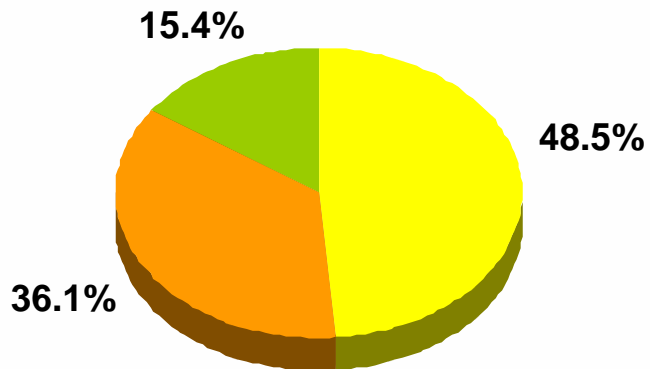
■ Usage Fees ■ Monthly Fees ■ New Business Revenue ■ Other Operating Revenue

New Business Revenue Composition



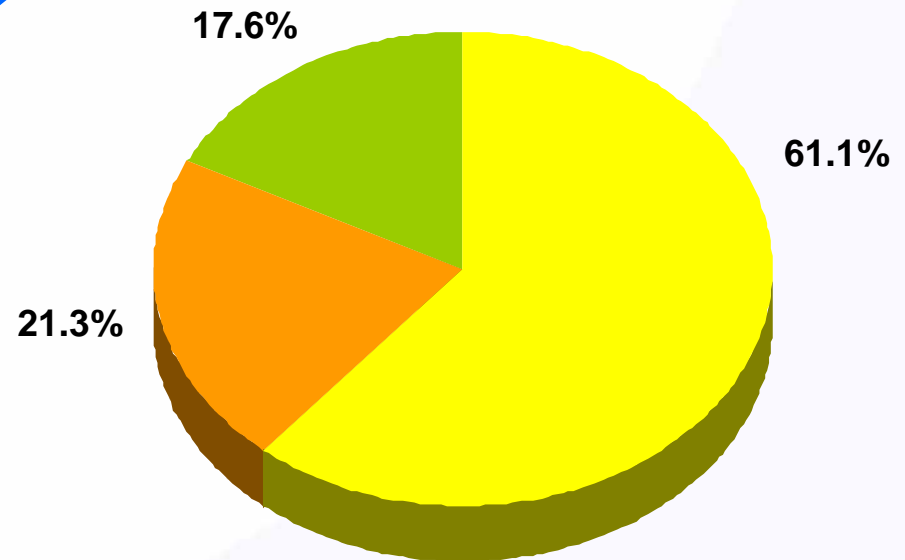
2002
Pro-forma

RMB8,735 Million



2003

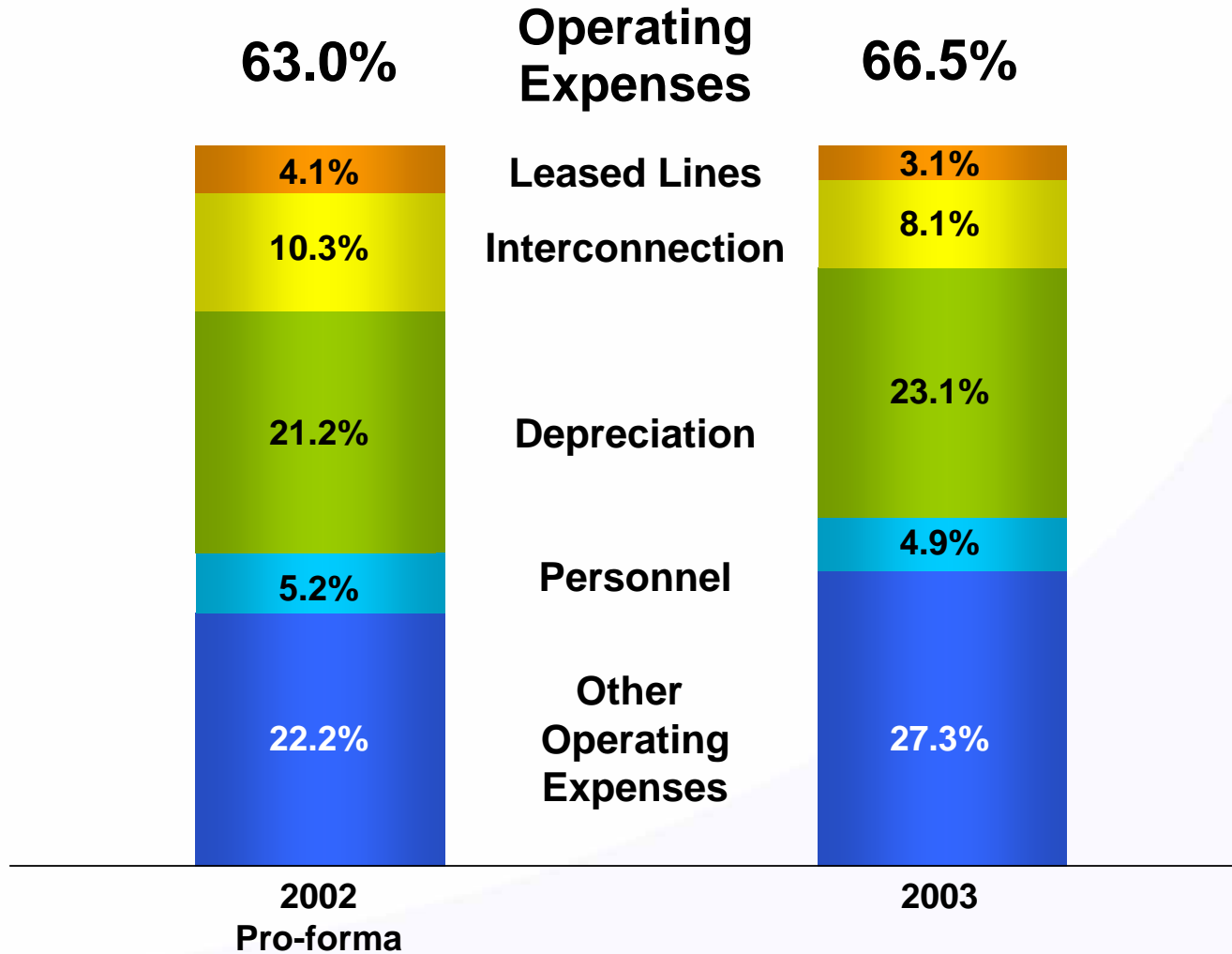
RMB16,205 Million



SMS **Value-added Services** **Other Data Businesses**

SMS revenue reached RMB9,909 million, driving continuous rapid growth in new business revenue

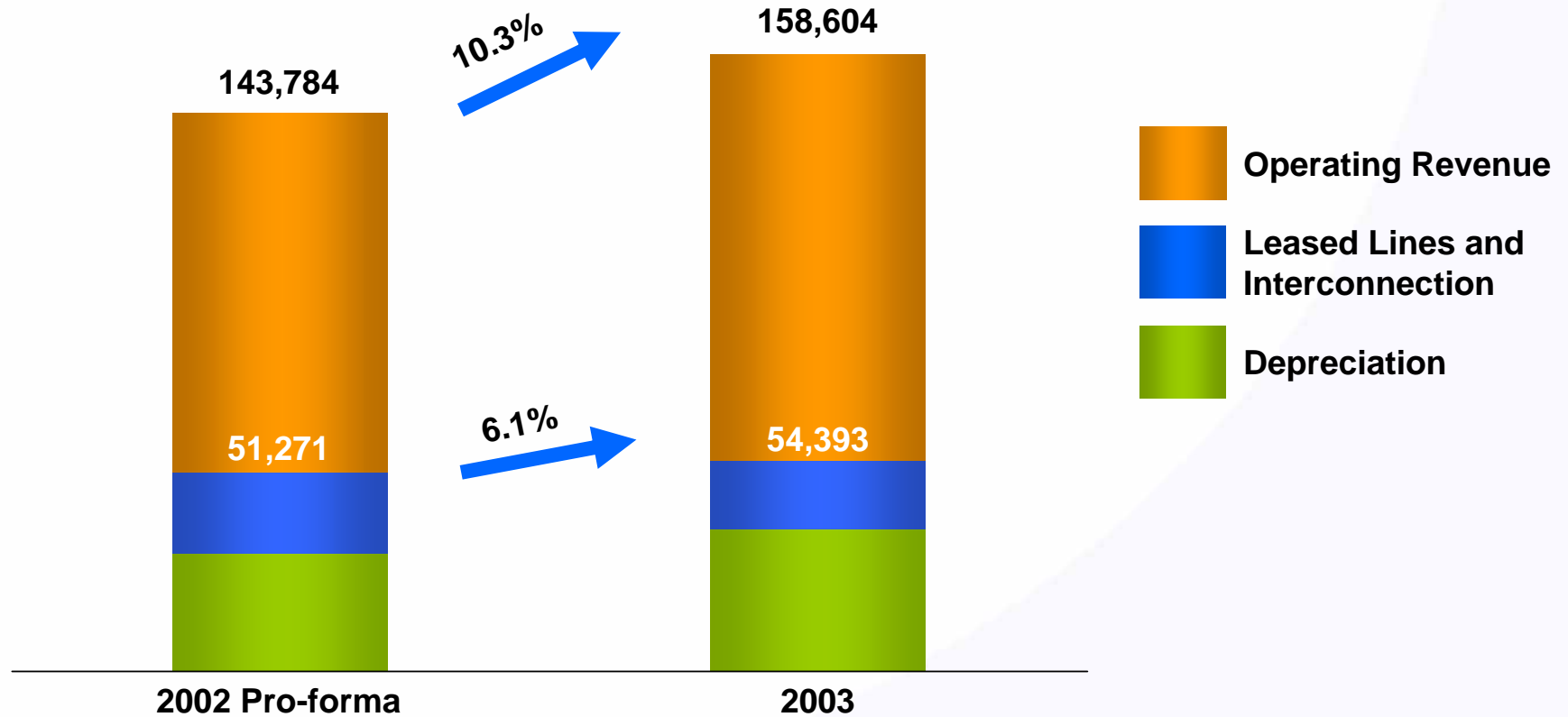
Cost Composition



Note: The above data is expressed as a percentage of operating revenue.

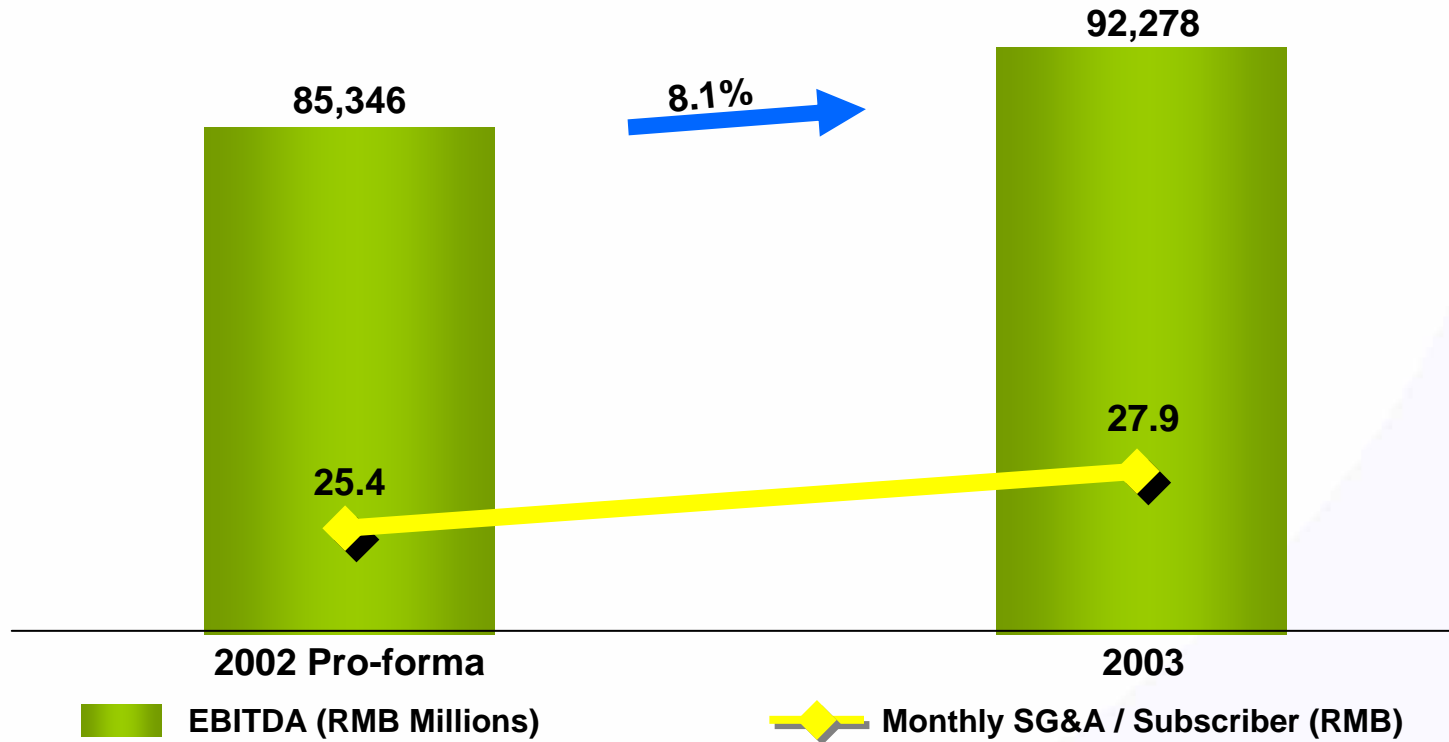
Appropriate Investments

(RMB Millions)



Despite increased depreciation, appropriate investments supported:

- Steady growth of business and operating revenue
- Savings in leased lines and interconnection



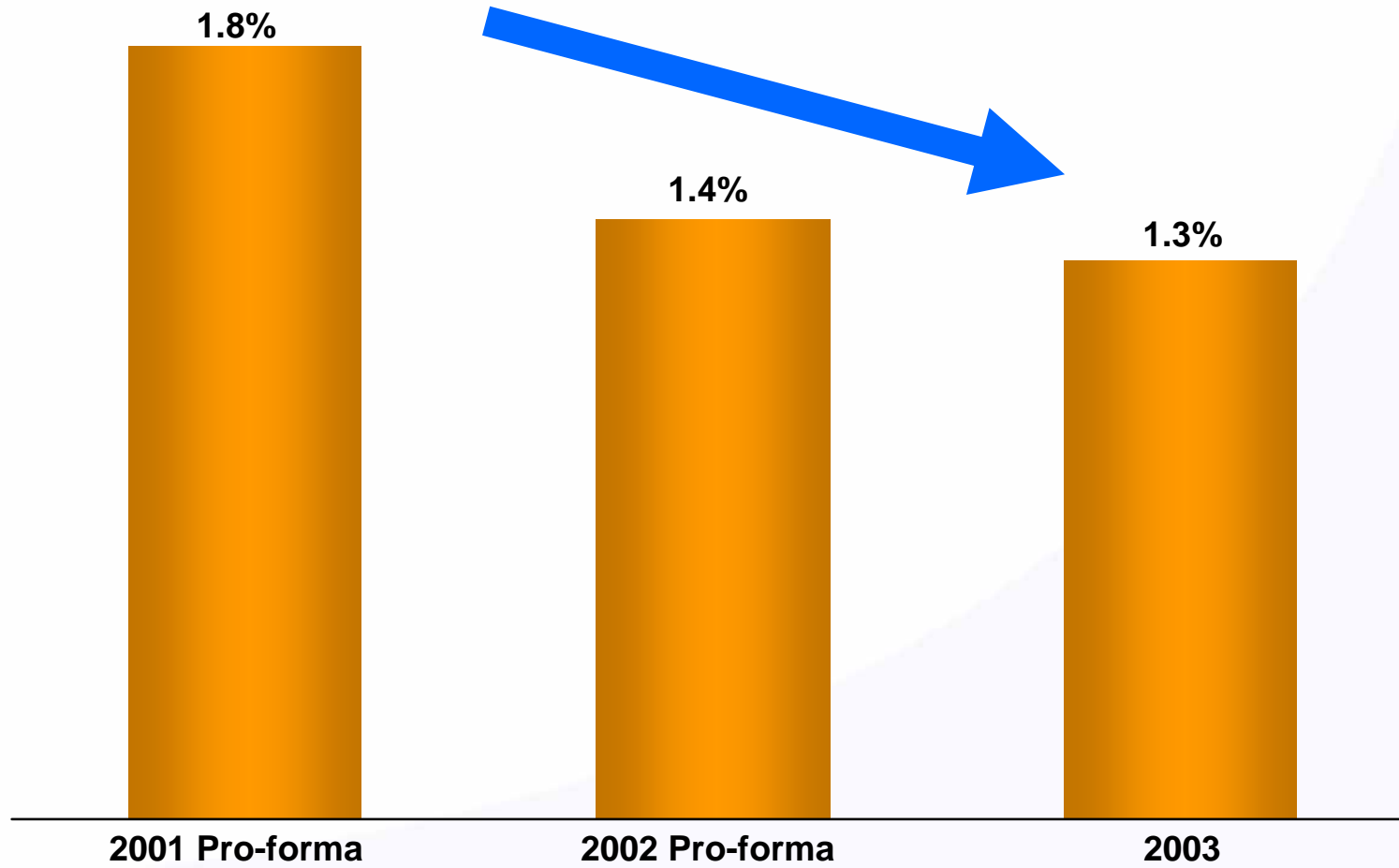
Rational and effective investment in SG&A initiatives

- Improved customer loyalty
- Expanded customer base

Steady growth in operating revenue and profits

Bad Debt Control

Bad Debt Ratio



Solid Capital Structure



(RMB Millions)	2002	2003
Short Term Debt	9,456	15,217
Long Term Debt	51,524	29,383
Total Debt	60,980	44,600
Shareholders' Equity	173,265	198,803
Total Book Capitalization	234,245	243,403
Total Debt / Total Book Capitalization	26.0%	18.3%
Cash & Bank Deposits	43,644	56,356
(Net Debt) / Net Cash	(17,336)	11,756
Interest Coverage	27X	26X

Ample cash balances and debt capacity can be used to magnify earnings enhancement through the proposed acquisition



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Extracts from audited consolidated income statement for the year ended 31 December 2003 – Appendix I



(RMB Millions)	2002 Restated	2003
Operating Revenue		
Usage Fees	93,272	111,027
Monthly Fees	16,901	20,666
New Business Revenue	8,174	16,205
Other Operating Revenue	10,214	10,706
	<u>128,561</u>	<u>158,604</u>
Operating Expenses		
Leased Lines	5,287	4,914
Interconnection	12,975	12,868
Depreciation	26,827	36,611
Personnel	6,757	7,700
Other Operating Expenses	27,919	43,308
	<u>79,765</u>	<u>105,401</u>
Profit from Operations	<u>48,796</u>	<u>53,203</u>

(RMB Millions)	2002 Restated	2003
Profit from Operations	48,796	53,203
Amortization of Goodwill	(936)	(1,850)
Other Net Income	1,686	2,464
Non-operating Net Income	571	434
Interest Income	713	807
Finance Costs	(1,852)	(2,099)
Taxation	<u>(16,375)</u>	<u>(17,412)</u>
Profit from Ordinary Activities after Taxation	32,603	35,547
Minority Interests	<u>(2)</u>	<u>9</u>
Profit Attributable to Shareholders	<u>32,601</u>	<u>35,556</u>

Note: As required by revised SSAP 12 which mandates different accounting treatment for deferred taxation, retrospective adjustments were made to certain 2002 financial data.

Extracts from audited consolidated balance sheet at 31 December 2003 – Appendix II



(RMB Millions)	2002 Restated	2003
Current Assets	56,102	69,457
Non-current Assets	229,919	237,846
Total Assets	286,021	307,303
Current Liabilities	(60,114)	(78,150)
Non-current Liabilities	(52,451)	(30,168)
Total Liabilities	(112,565)	(108,318)
Minority Interests	(191)	(182)
Net Assets	173,265	198,803

Note: As required by revised SSAP 12 which mandates different accounting treatment for deferred taxation, retrospective adjustments were made to certain 2002 financial data.

Forward-looking Statements



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.