

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

2005 *Interim Results*



2005 Interim Results

China Mobile (Hong Kong) Limited

August 10, 2005

Management



Mr. WANG Jianzhou

Chairman & CEO

Mr. LI Yue

Executive Director & Vice President

Mr. LU Xiangdong

Executive Director & Vice President

Mr. XUE Taohai

**Executive Director, Vice President &
CFO**

Mr. HE Ning

Executive Director & Vice President



Overall Performance for 1H2005



Financial Results for 1H2005



Overall Performance for 1H2005

Highlights

Continuing Strong Subscriber Growth

Monthly Net Adds
Exceed 3 million

Commendable Operating Results

Revenue up 32.5%
Net profit up 27.7%

Rapid Growth of New Businesses

Accounting for 19.7%
of Total Revenue

An Interim Dividend
of HK\$0.45 per Share

Proposed Full Year
Dividend Payout
Ratio of 39%

Overall Operating Performance



	1H2004	1H2005	Change
Subscribers (Millions)	158.637	223.781	41.1%
Revenue (RMB Billions)	86.420	114.547	32.5%
EBITDA (RMB Billions)	49.279	62.675	27.2%
EBITDA Margin (%)	57.0%	54.7%	-2.3ppt
Net Profit (RMB Billions)	18.828	24.043	27.7%
Basic Earnings per Share (RMB)	0.96	1.22	27.1%

Note1: All financial data in this presentation has fully reflected the impact of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), (HKFRSs, which term collectively included HKASs and Interpretations) adopted by the Group since 2005. The resultant impact of the cease of goodwill amortization and recognition of staff option expense are, an increase of net profit of RMB1 bn and a decrease of net profit of RMB 697 mn, respectively, on our 1H2005 results.

Note2: The detailed impacts after the adoption of HKFRSs on the financial data of 1H2004 and 1H2005 are set out in Appendix III.

Overall Operating Performance (Combined Data of 31 Subsidiaries)



	1H2004 31 Subsidiaries Combined	1H2005	Change
Subscribers (Millions)	185.468	223.781	20.7%
Revenue (RMB Billions)	98.033	114.547	16.8%
EBITDA (RMB Billions)	55.095	62.675	13.8%
EBITDA Margin (%)	56.2%	54.7%	-1.5ppt
Net Profit (RMB Billions)	20.070	24.043	19.8%

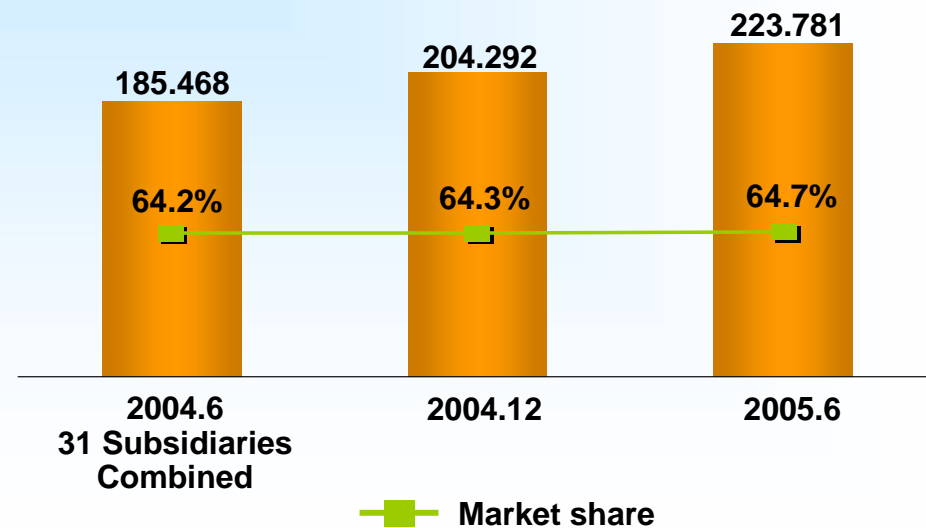
Note: For comparative analysis purpose only, all combined data of 31 subsidiaries in this presentation is based on the assumption that the group structure (including 31 subsidiaries) existed throughout the relevant period.

Continuous Growth of Subscribers



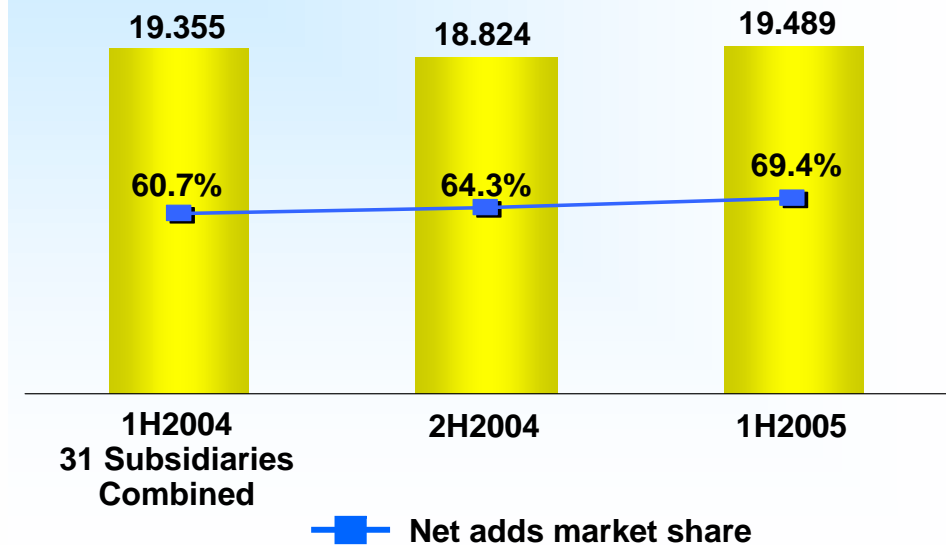
Total Subscribers

(Millions)



Net Additional Subscribers

(Millions)



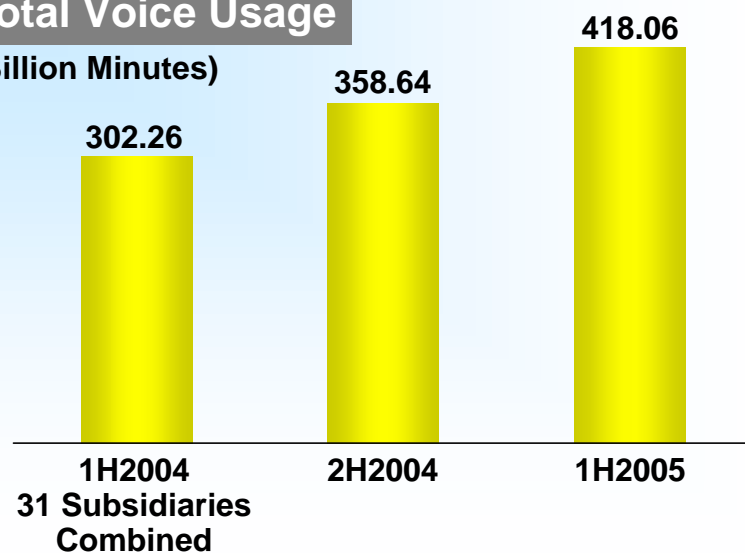
- Eastern region still showing growth potential
- Rural areas and Mid-Western region exhibiting strong growth momentum
- Promising prospects for corporate client development

Voice Business Continuing to Thrive

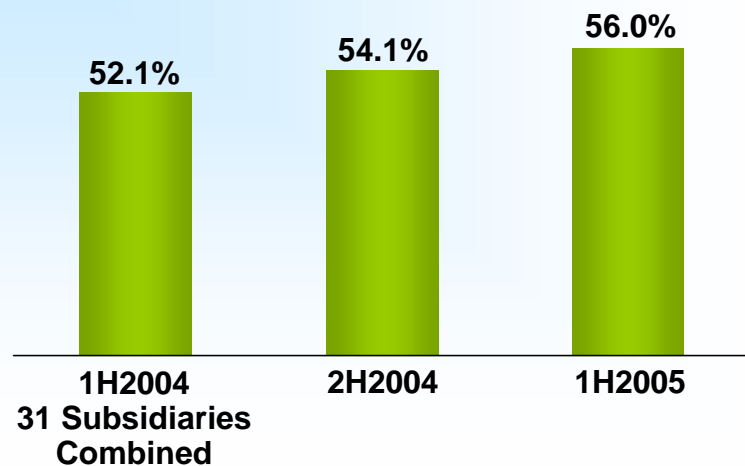


Total Voice Usage

(Billion Minutes)

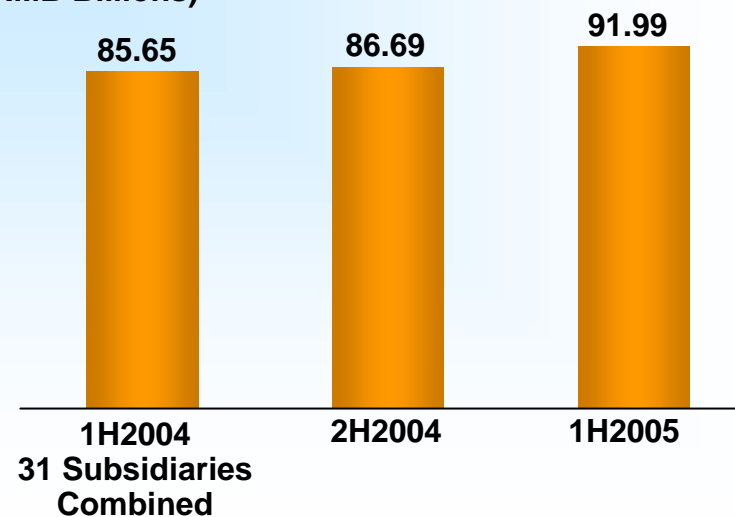


Proportion of Intra-network Usage



Voice Business Revenue

(RMB Billions)

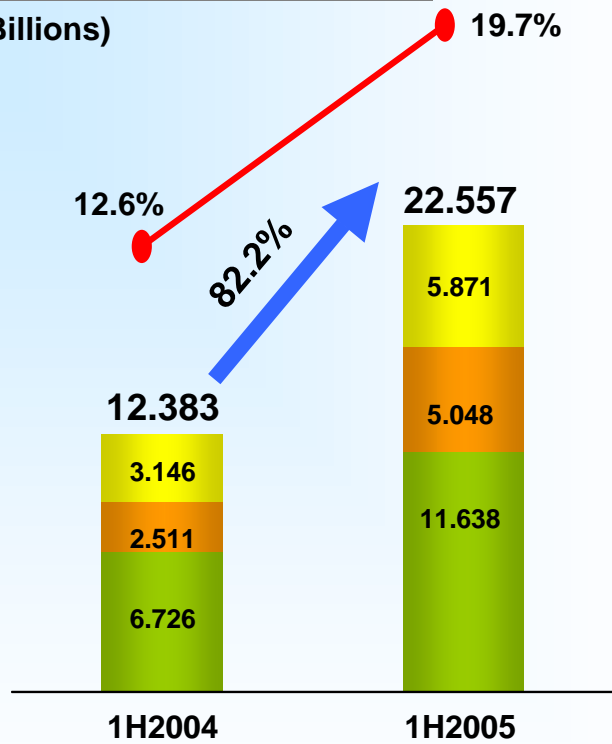


Robust Development of New Businesses



New Businesses Revenue

(RMB Billions)



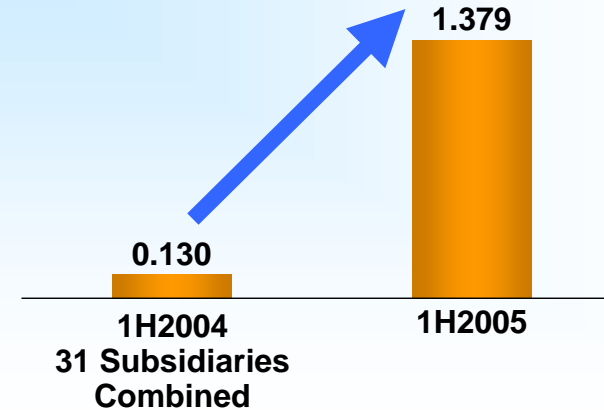
1H2004
31 Subsidiaries
Combined

1H2005

- SMS
- Non-SMS data business
- Voice value-added services
- New businesses revenue / Total revenue

Color Ring Revenue

(RMB Billions)

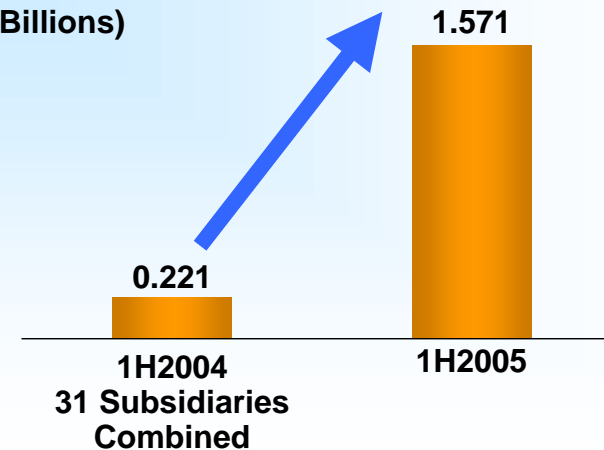


1H2004
31 Subsidiaries
Combined

1H2005

WAP Revenue

(RMB Billions)



1H2004
31 Subsidiaries
Combined

1H2005

Data Business Driving Growth of New Businesses



Development of Data Business

SMS (115.7 billion messages):
Enrich functionalities
Expand applications
Induce new demand

WAP (17.16 million subscribers):
Shaping business of mobile media to influence consumer behavior
(Mobile TV, Mobile newspapers, etc)

Color Ring (57.92 million subscribers):
Promote penetration and usage rate to build a brand new sales and marketing channel for music distribution, dominating the mobile music market

Other Data Business:
Enhance innovation mechanism to encourage co-operations with different service and application providers to create new revenue source

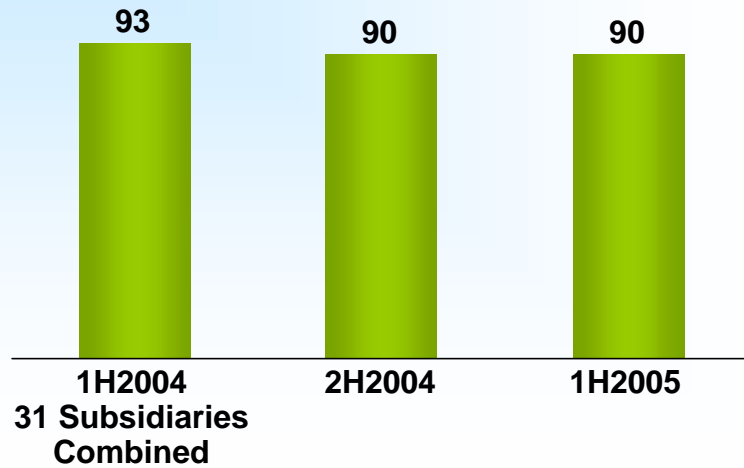
Note: Data provided in this slide are the results of 1H2005

ARPU Decline Moderated



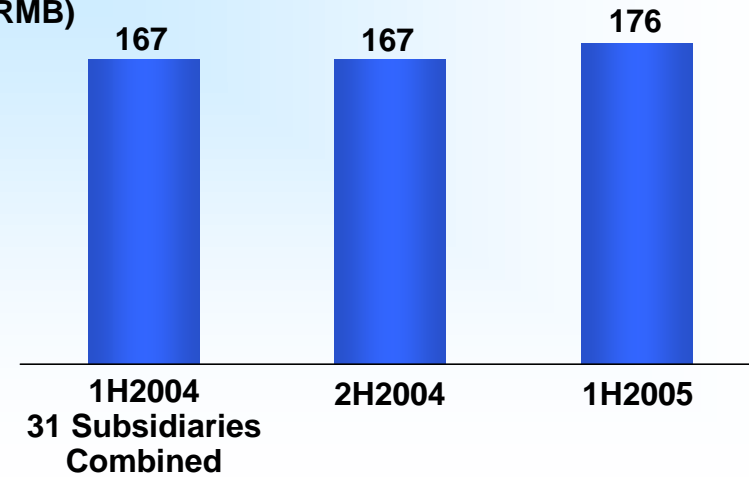
Blended ARPU

(RMB)



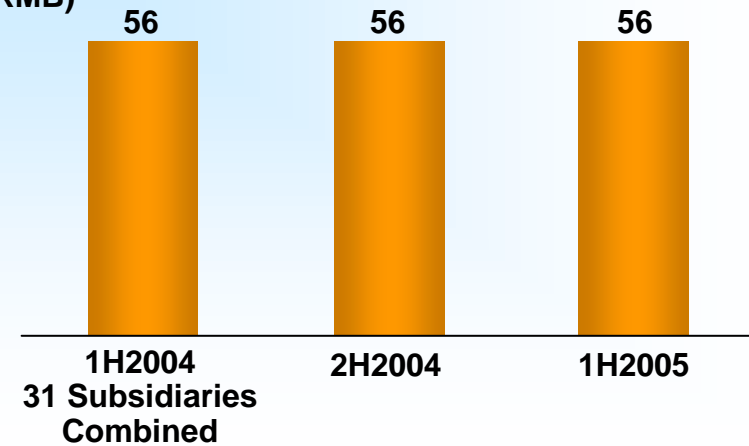
Contract ARPU

(RMB)



Prepaid ARPU

(RMB)



Achieving “Win-win” Co-operations along Value Chain



- **Monternet business model:**

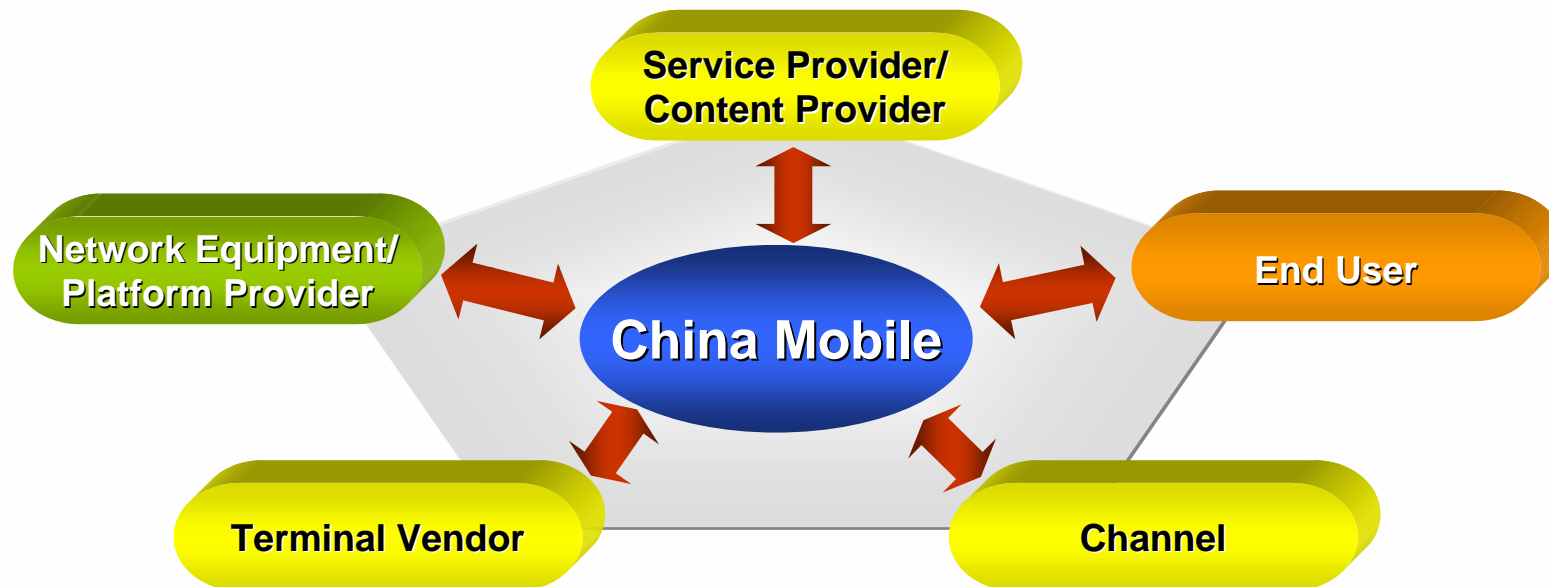
Further enhanced business model and regulated the market, with more than 2,000 SP/CP partners as at the end of June this year

- **Handset customization program:**

Co-operation with 14 manufacturers fostering WAP and other data business development

- **Channel development:**

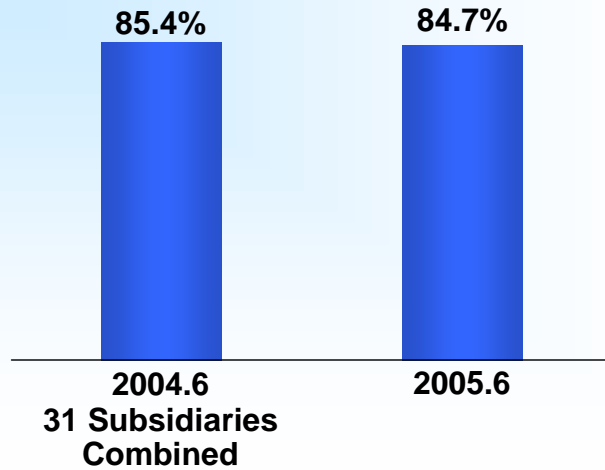
Utilizing multiple channels to compose a comprehensive sales and service network



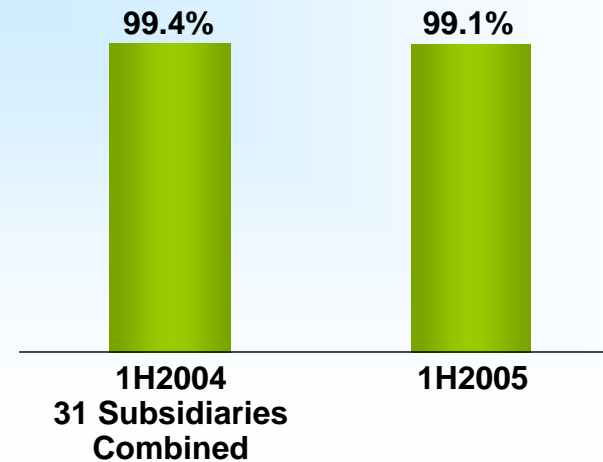
Maintained Leading Network Advantages



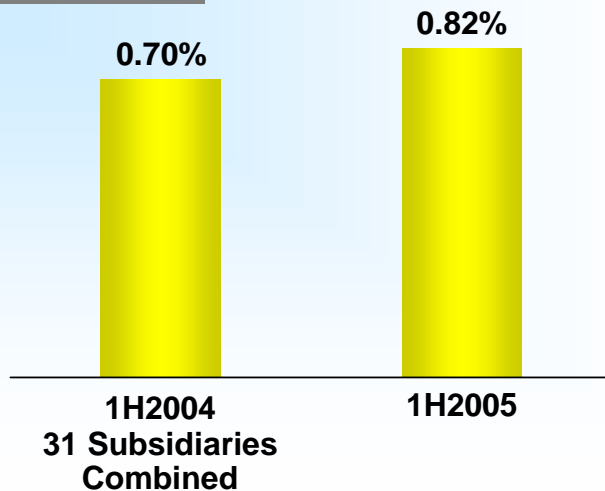
Network Utilization Rate



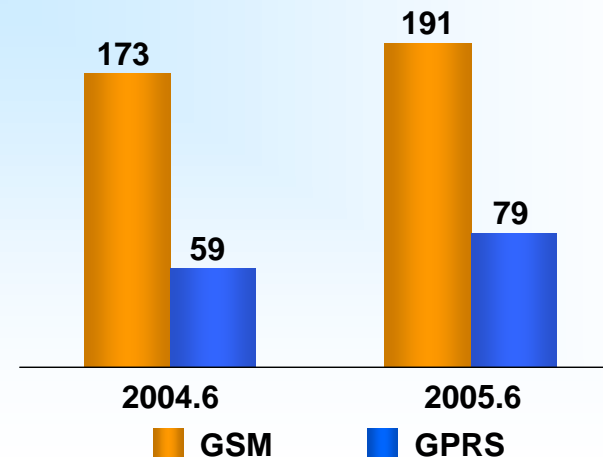
Wireless Connection Rate



Call Drop Rate



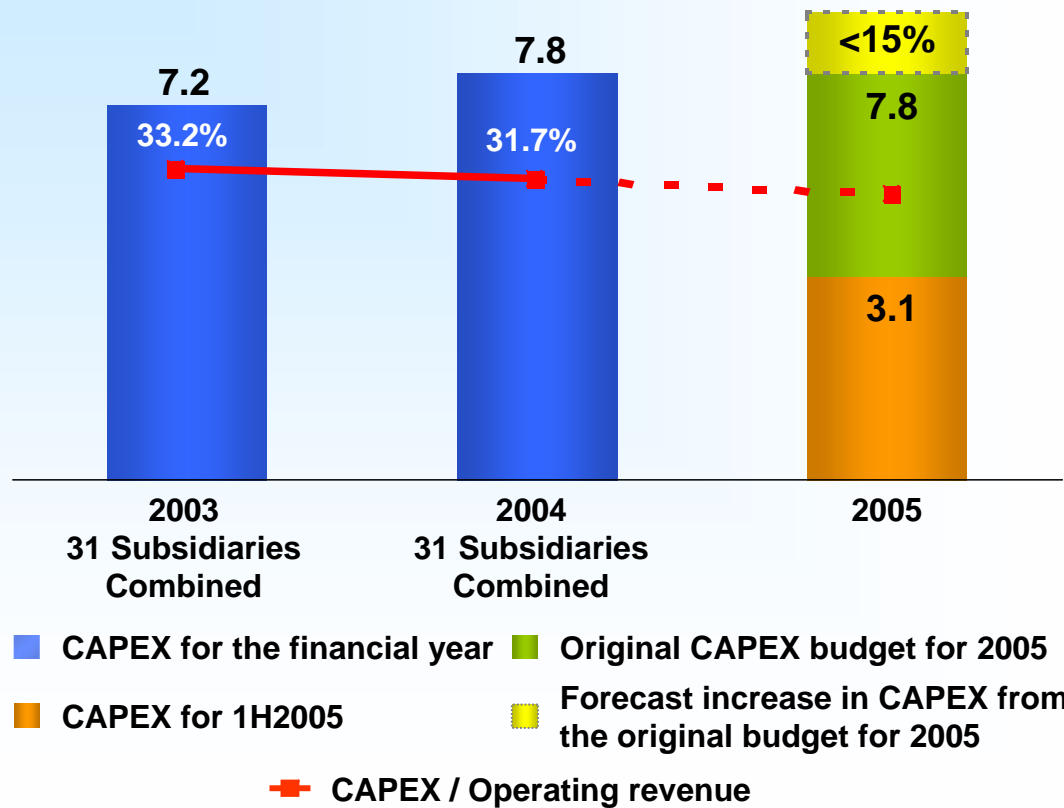
Roaming Countries/Regions



Capital Expenditure



(USD Billions)



- Sustaining revenue growth and favorable investment return
- Ensuring network quality and leading edge
- Optimizing network resources and strengthening centralized procurement
- CAPEX to sales ratio continuing its downtrend

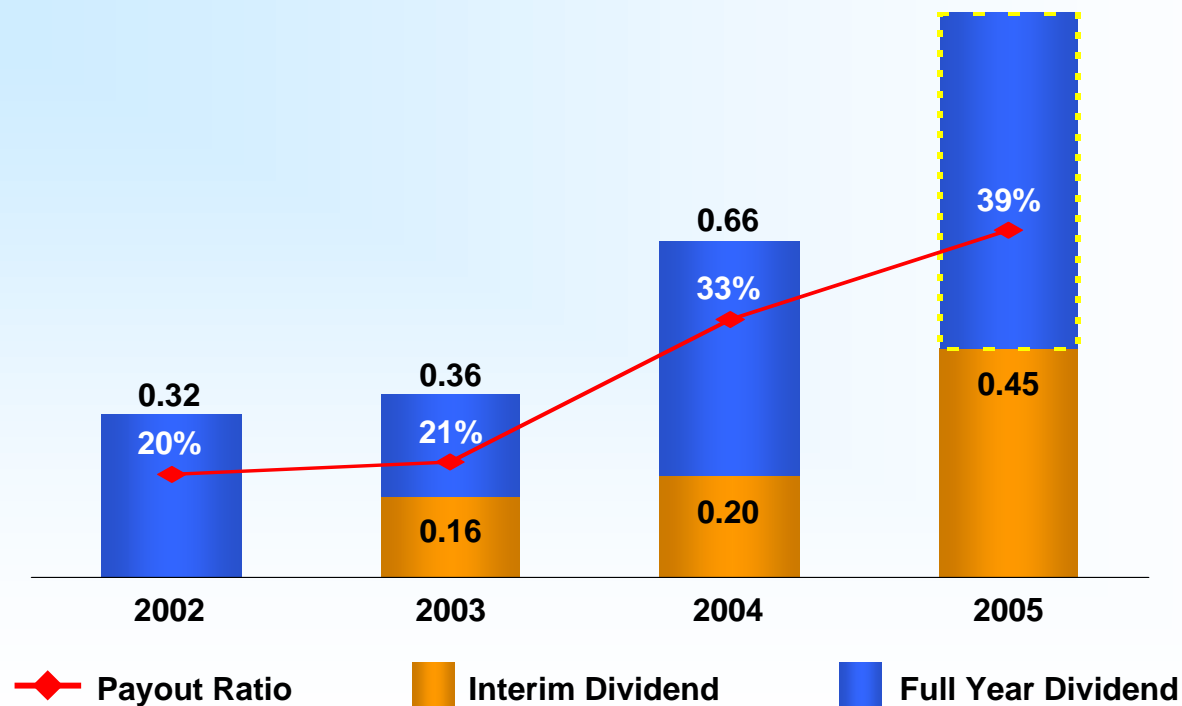
Continued Dividend Growth



- An interim dividend of HK\$0.45 per share for the first half of 2005
- The proposed dividend payout ratio for the full year of 2005 is 39%
- Endeavour to achieve a long-term sustainable, steadily increasing dividend, with a view to generating the best possible return for shareholders

DPS

(HKD)



Market Environment and Competitive Strategies



Market Environment

- Mobile service demand still robust
- Competitive environment becoming healthy and rational
- Macroeconomic policy favorable to our development
- Uncertainty of 3G licensing and industry restructuring

Maintain favorable fundamentals

Enhance core competence

Reinforce leading advantages

Competitive Strategies

- To capture new subscriber market opportunity and stabilize existing market
- To strengthen product innovation, fostering data business development
- To actively prepare for 3G
- To implement refined management and enhance management efficiency

- ④ Planning to upgrade and revamp existing network facilities to prepare for 3G
- ④ Strengthening wireless data business development to achieve smooth migration and prepare for 3G business
- ④ Prefer deploying WCDMA with straight application of 3GPP R4 and to introduce HSDPA in the areas with market demand when certain conditions are fulfilled
- ④ Coverage begins with major costal cities in the initial phase and gradually expands into other areas with the belief that 3G and 2G can co-exist on our network for a considerable period of time




Continuous Growth of China Mobile

**Continuous
rapid
economic
growth of
China**

**Enormous
potential of
the mobile
telecom
market**

**Sophistication
and taking-off
of new
businesses**



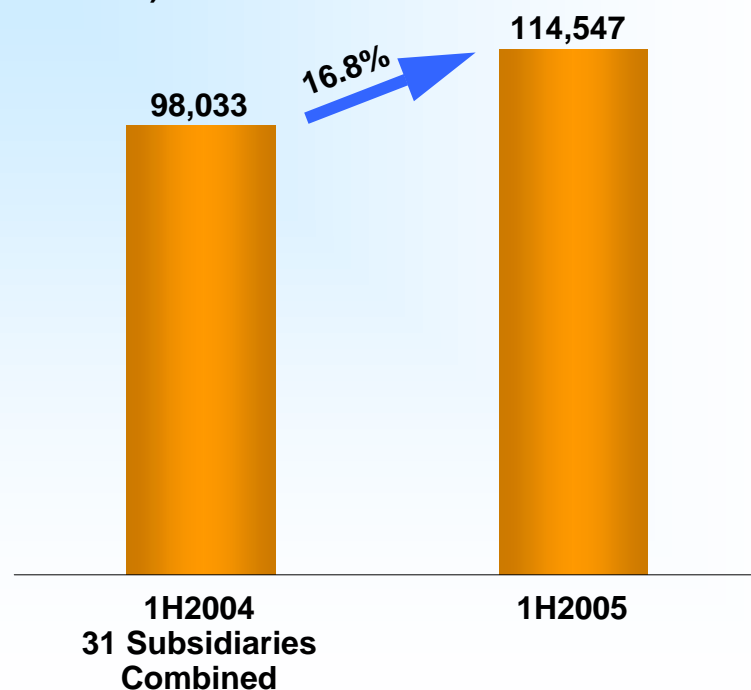
Financial Results for 1H2005

Revenue and EBITDA



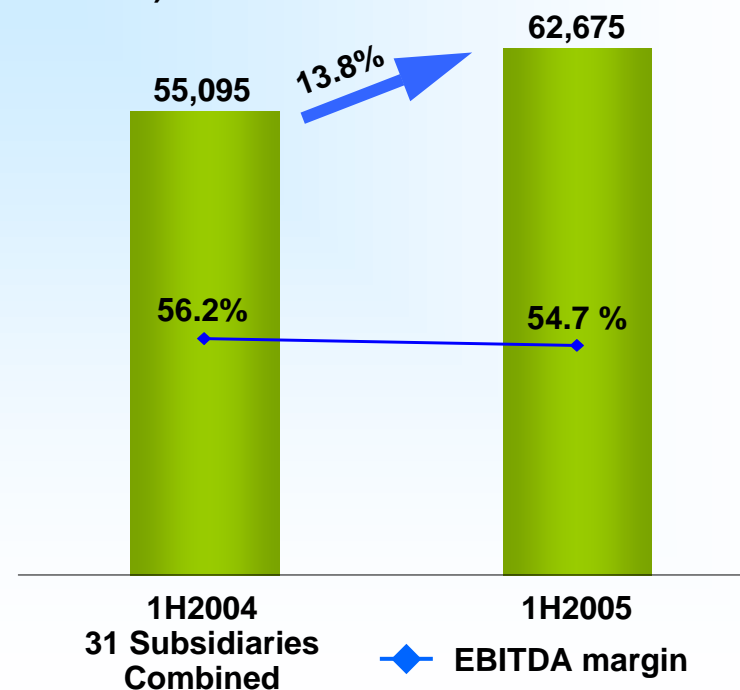
Revenue

(RMB Millions)



EBITDA

(RMB Millions)



- ⊗ Favorable subscriber and voice usage growth together with new business development fueled revenue growth
- ⊗ Effective cost controls and economies of scale sustained a high EBITDA margin

Note1: All financial data in this presentation has fully reflected the impact of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), (HKFRSs, which term collectively included HKASs and Interpretations) adopted by the Group since 2005.

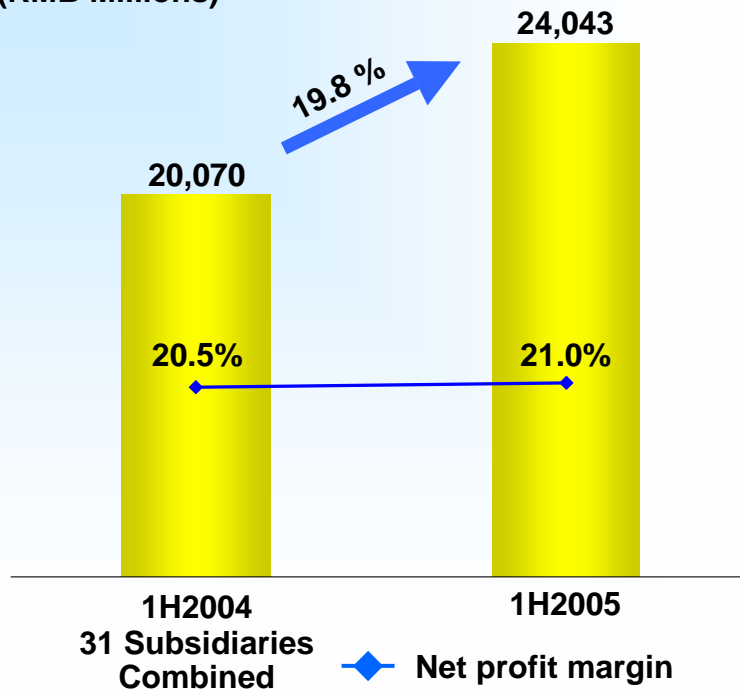
Note2: For comparative analysis purpose only, all combined data of 31 subsidiaries in this presentation is based on the assumption that the group structure (including 31 subsidiaries) existed throughout the relevant period.

Continuous Favorable Growth of Net Profit



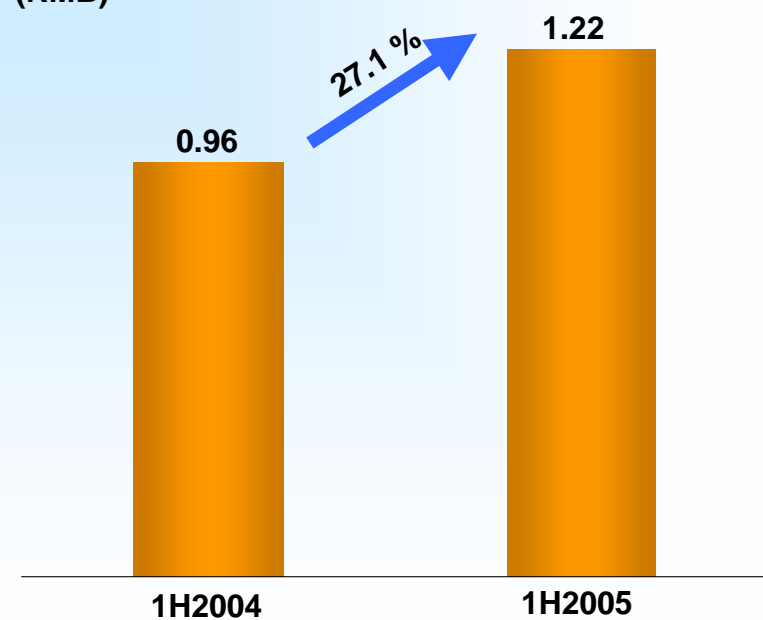
Net Profit

(RMB Millions)



Basic EPS

(RMB)



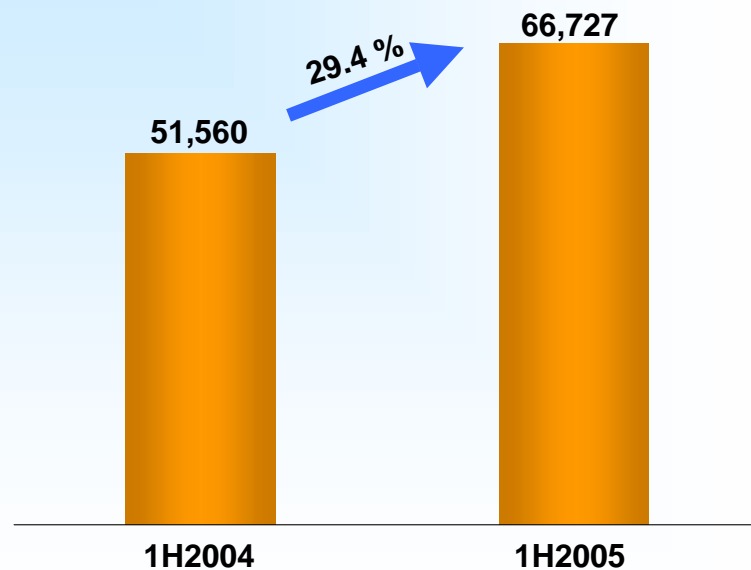
Note: As a result of certain tax concessions in 4Q 2004, the effective tax rate of the Group's 31 subsidiaries combined decreased to 31.9% in 1H2005 from 32.9% in 1H2004.

Strong Cash Flow



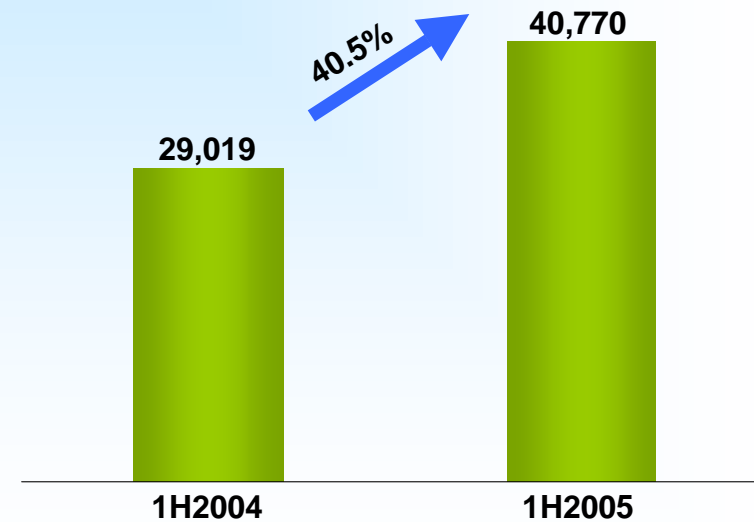
Net Cash Inflow from Operating Activities

(RMB Millions)



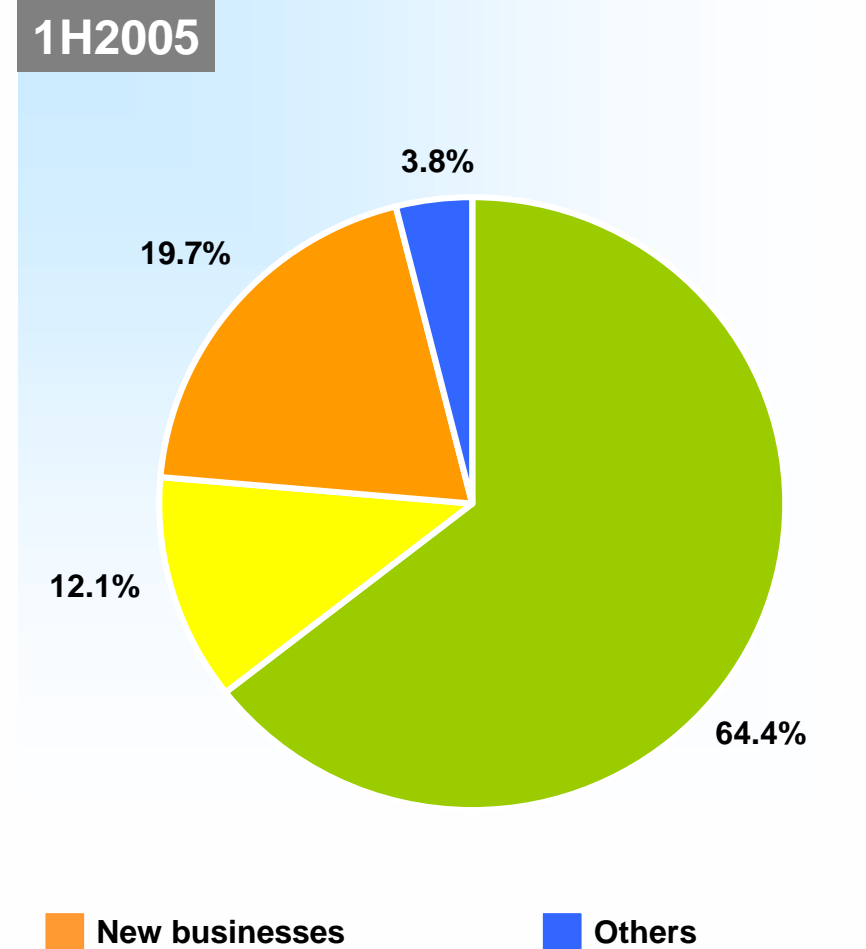
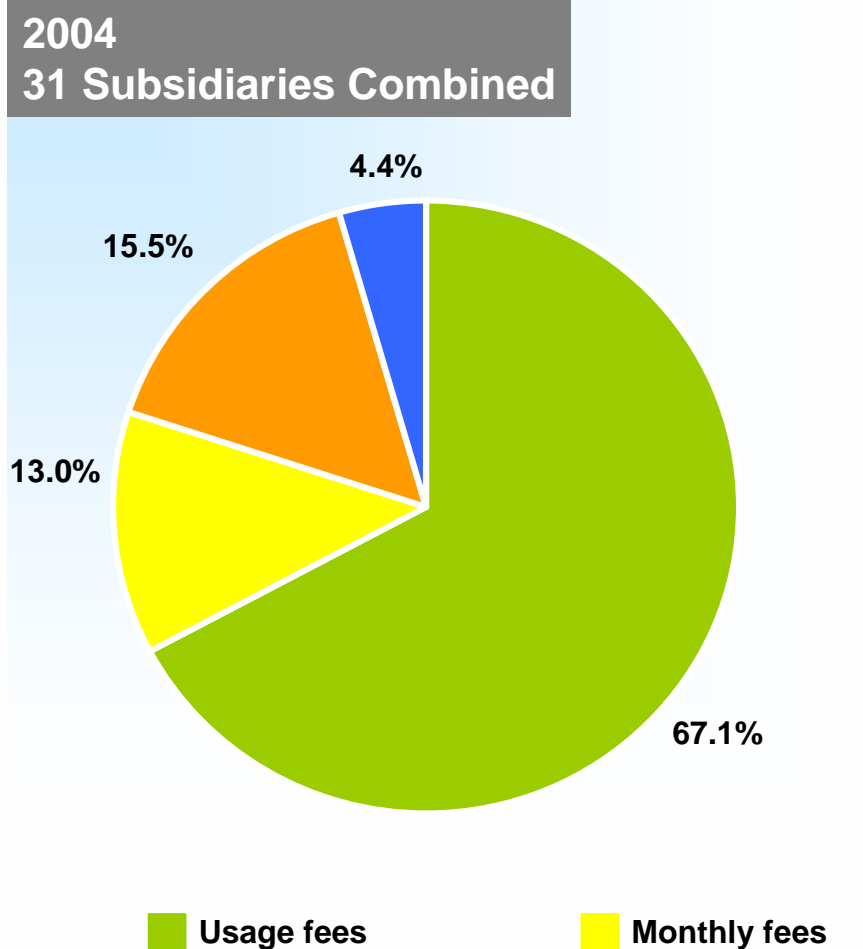
Free Cash Flow

(RMB Millions)



- Continued favorable business growth and economies of scale
- Newly acquired assets contributed to the growth of operating cash flow in 2005
- Providing a solid foundation for the sustainable healthy development of the Company

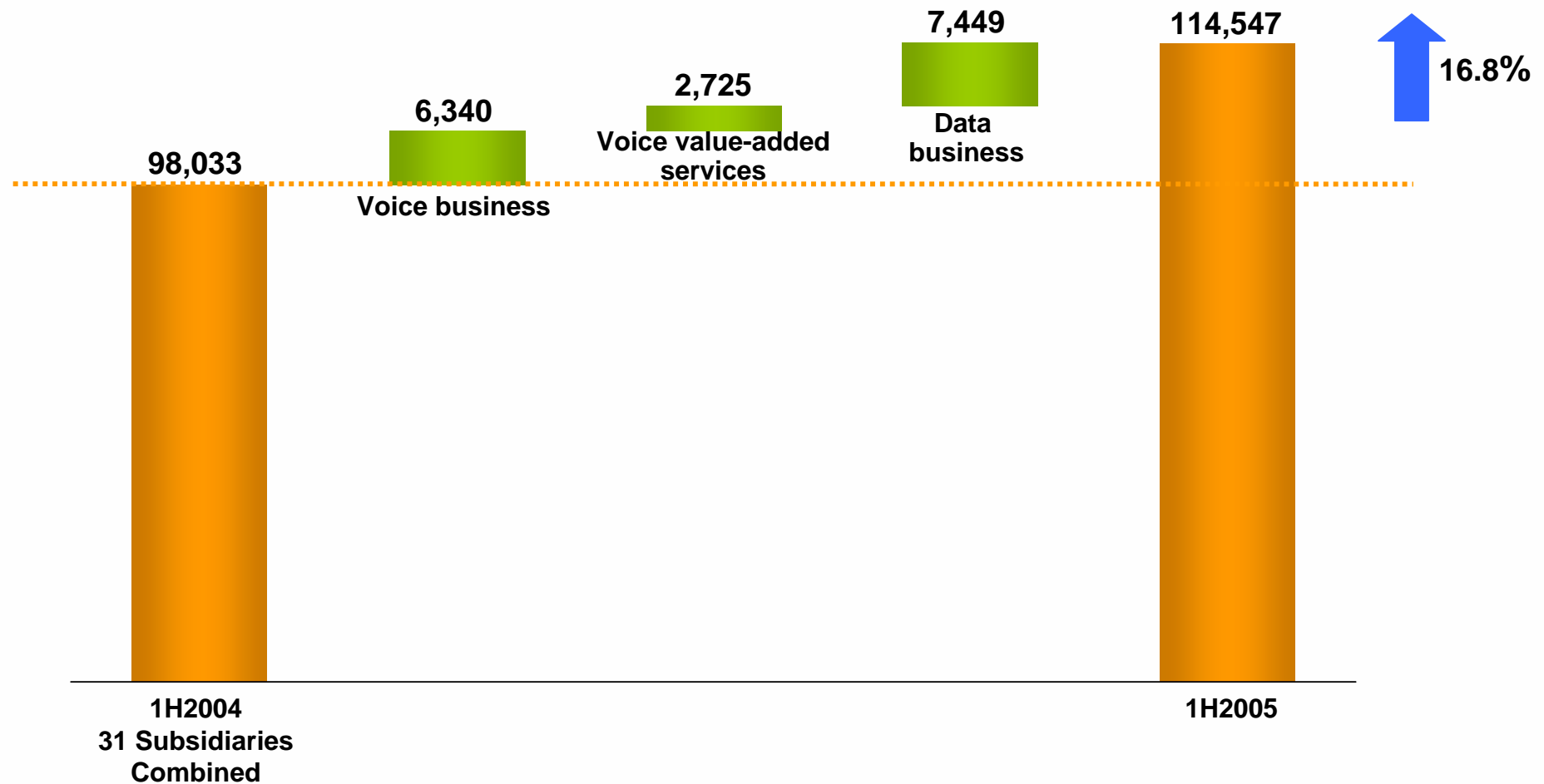
Revenue Composition



Composition of Revenue Growth



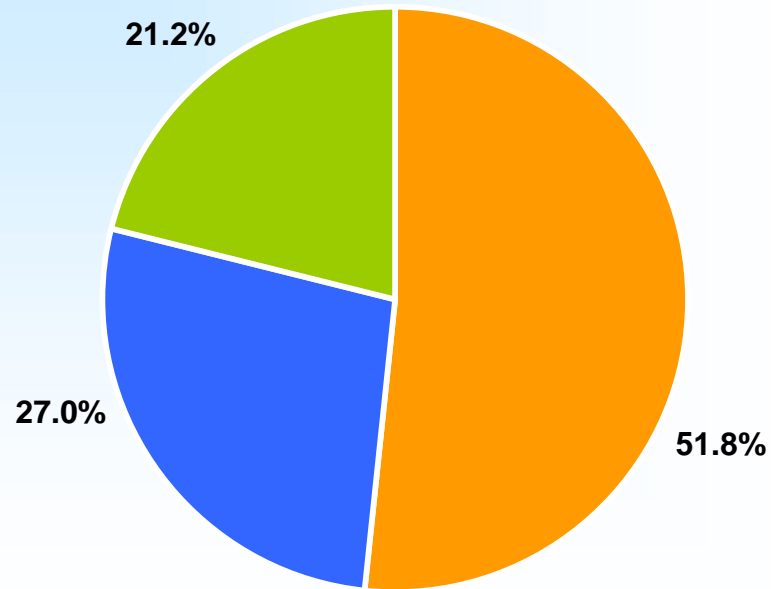
(RMB Millions)



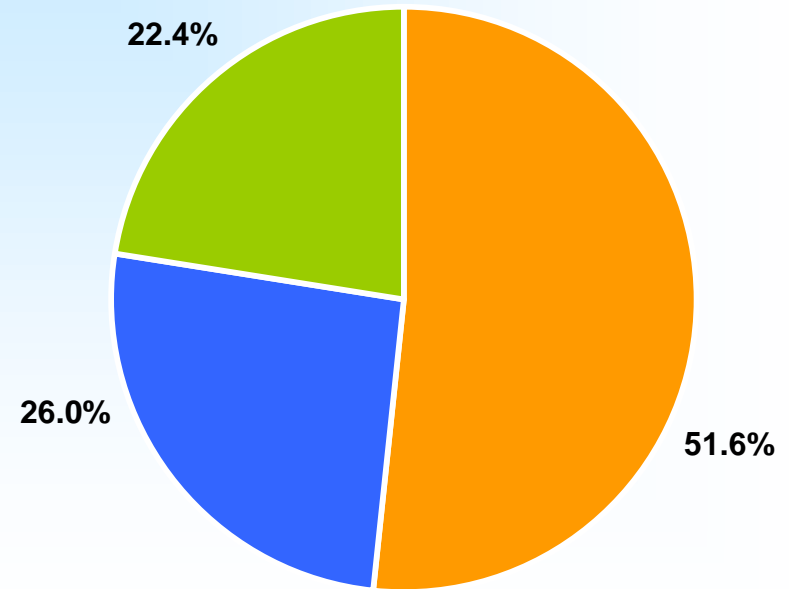
New Businesses Revenue Composition



2004
31 Subsidiaries Combined



1H2005

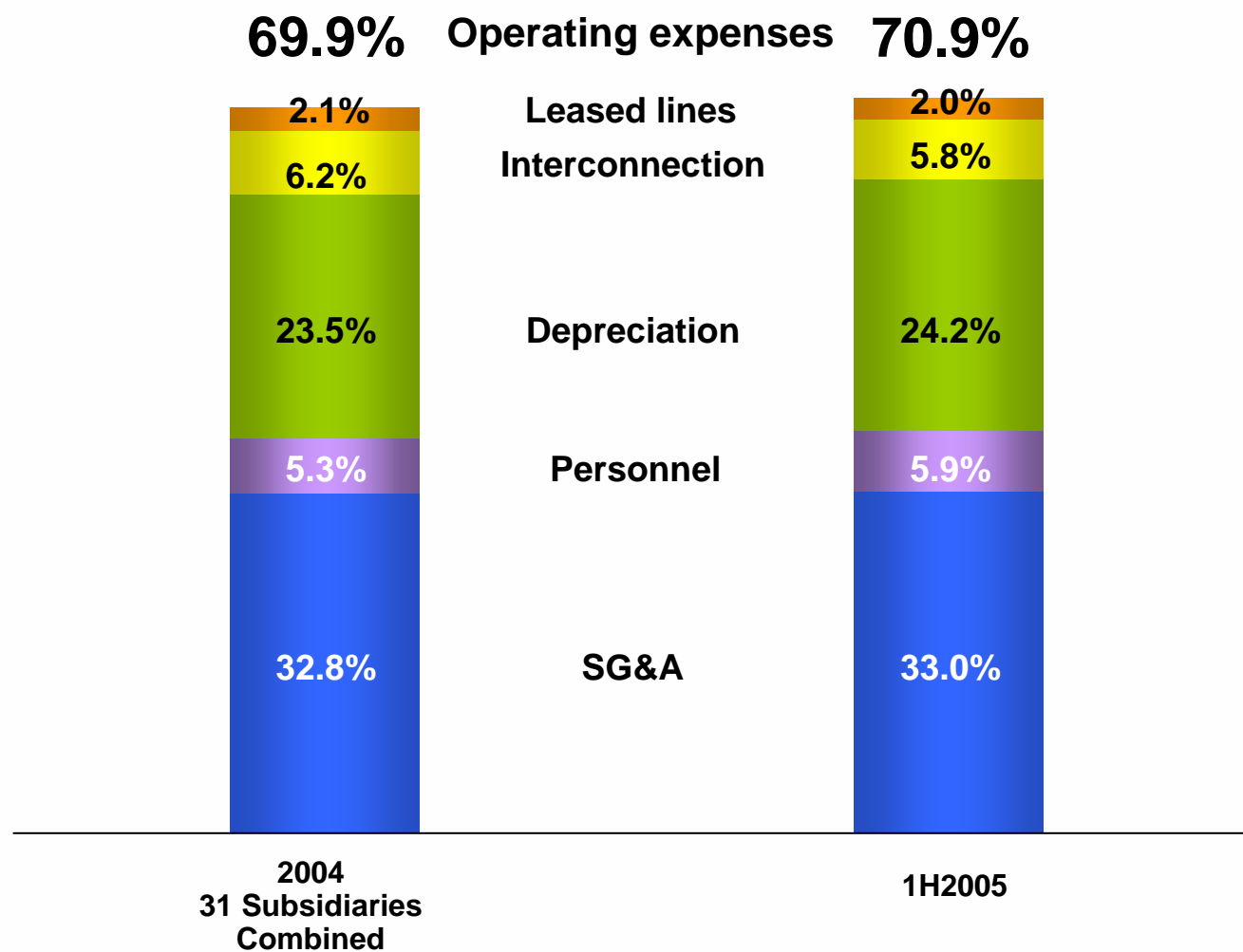


SMS

Voice value-added services

Non-SMS data business

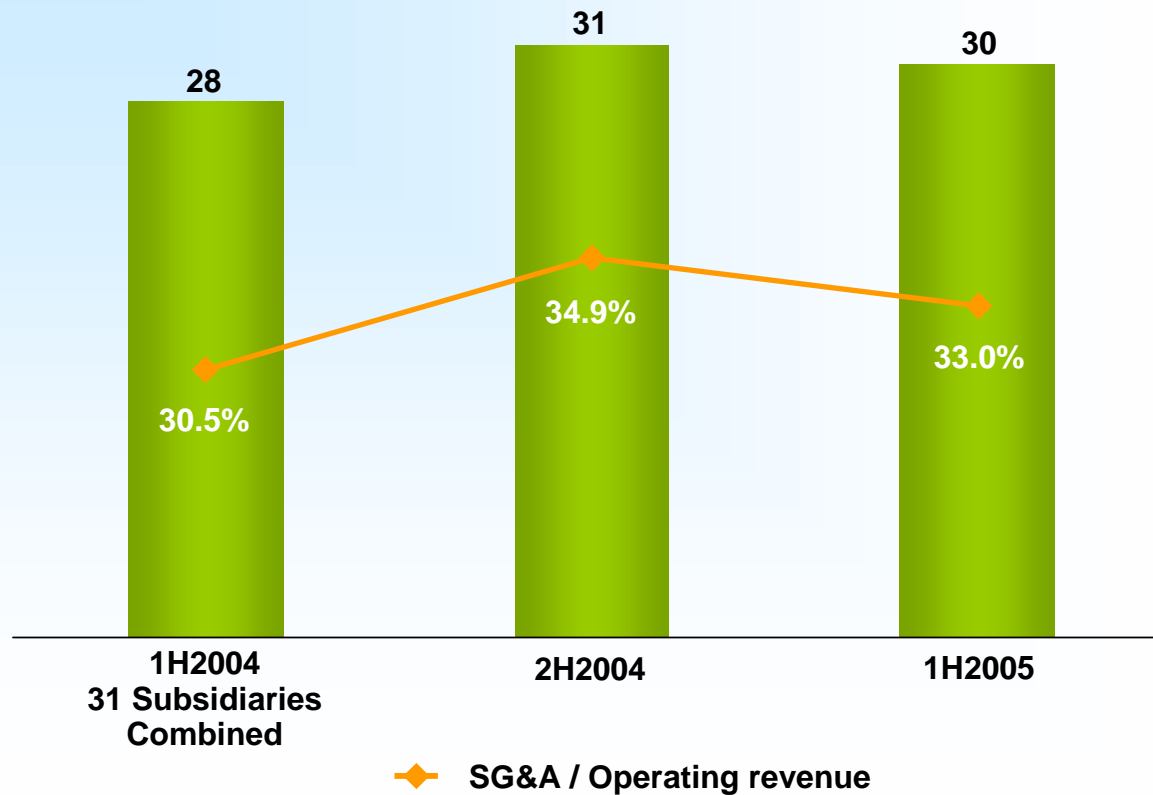
Cost Composition



Note: The above data are expressed as a percentage of Operating revenue

Monthly SG&A per Subscriber

(RMB)



Operating revenue and profits grew steadily, with relatively stable SG&A per subscriber

- Enhanced customer loyalty
- Expanded customer base

Rational and effective investment in SG&A initiatives

Solid Capital Structure

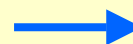


(RMB Millions)	31.12.2004	30.6.2005
Short Term Debt	9,924	6,940
Long Term Debt	36,633	36,539
Total Debt	46,557	43,479
Total Equity	233,404	249,348
Total Book Capitalization	279,961	292,827
Total Debt / Total Book Capitalization	16.6%	14.8%
Cash & Bank Deposits	65,413	95,198
Net Cash	18,856	51,719
Interest Coverage	37X	52X

Credit Rating

S&P's

BBB+ / Positive



A- / Positive

Moody's

A3 / Positive



Under review for possible upgrade

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

THANK YOU



Extracts from unaudited consolidated income statement for the 6 months ended 30 June 2005 – Appendix I



(RMB Millions)	1H2004 (restated)	1H2005
Operating Revenue		
Usage Fees	59,284	73,813
Monthly Fees	11,253	13,826
New Business	11,105	22,557
Others	4,778	4,351
	<u>86,420</u>	<u>114,547</u>
Operating Expenses		
Leased Lines	2,030	2,278
Interconnection	6,430	6,634
Depreciation	20,100	27,730
Personnel	4,307	6,723
Others	25,876	37,845
	<u>58,743</u>	<u>81,210</u>
Operating Profit	<u>27,677</u>	<u>33,337</u>

	1H2004 (restated)	1H2005
Operating Profit	27,677	33,337
Amortization of Goodwill	(929)	--
Other Net Income	1,502	1,608
Non-operating Net Income	261	464
Interest Income	480	607
Finance Cost	(803)	(680)
Taxation	<u>(9,359)</u>	<u>(11,275)</u>
Profit from Ordinary Activities after Taxation	<u>18,829</u>	<u>24,061</u>
Equity shareholders of the Company	18,828	24,043
Minority Interest	1	18
	<u>18,829</u>	<u>24,061</u>

Note: The Group's financial results for 1H2005 has recognized the impact upon the adoption of new and revised HKFRSs, and the relevant data of 2004 have been restated accordingly. Detailed information can be found in Note 2 of the unaudited interim financial report of 2005 Interim Report. The resultant impact of adopting new and revised HKFRSs is a net increase of profit attributable to shareholders by RMB 309 million.

Extracts from unaudited consolidated balance sheet as at 30 June 2005 – Appendix II



(RMB Millions)	Audited at 2004.12.31 (restated)	Unaudited at 2005.6.30
Current Assets	79,909	109,836
Non-current Assets	288,843	285,818
Total Assets	<u>368,752</u>	<u>395,654</u>
Current Liabilities	(97,666)	(108,736)
Non-current Liabilities	(37,682)	(37,570)
Total Liabilities	<u>(135,348)</u>	<u>(146,306)</u>
Net Assets	<u><u>233,404</u></u>	<u><u>249,348</u></u>

Note: According to revised HKFRSs, minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders of the Company. Hence, net assets in 2004 has been restated.

Changes In Accounting Policies – Appendix III



The Group has adopted a number of new and revised HKFRSs. In accordance with the standards, the relevant comparatives have been restated for the first half of 2004. These impacts are summarised as follows:

(RMB Millions)	<u>HKFRS 2</u>	<u>HKFRS 3</u>	<u>HKAS 17</u>	<u>HKAS 39</u>
<u>1H 2004 Impact</u>				
Decrease in depreciation			60	
Increase in land lease expense			(60)	
<u>1H 2005 Impact</u>				
Decrease in depreciation			101	
Increase in land lease expense			(101)	
Increase in personnel expenses	(697)			
Goodwill no longer amortised		1,000		
Change in finance costs				6

Note: The above positive data represents an increase in net profit.

Operating Data – Appendix IV



	2004 31 Subsidiaries Combined	1H2005
Contract Subscribers (Millions)	59.887	60.632
Prepaid Subscribers (Millions)	144.405	163.149
Blended/Contract/Prepaid MOU (Minutes)	297/517/194	328/571/233
Blended/Contract/Prepaid ARPU (RMB)	92/167/56	90/176/56
Average Revenue per Minute (RMB)	0.309	0.274
Mobile Data Users (Millions)	156.834	185.122
SMS Usage (Billion Messages)	172.6	115.7
Network Capacity (Millions)	244.370	264.081
Network Utilization Rate (%)	83.6%	84.7%
Average Monthly Churn Rate (%)	1.31%	1.66%

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.