

2000 ANNUAL results

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中国移动通信
CHINA MOBILE

Agenda

Major Achievements in the FY2000

Operating Results for the FY2000

Financial Results for the FY2000

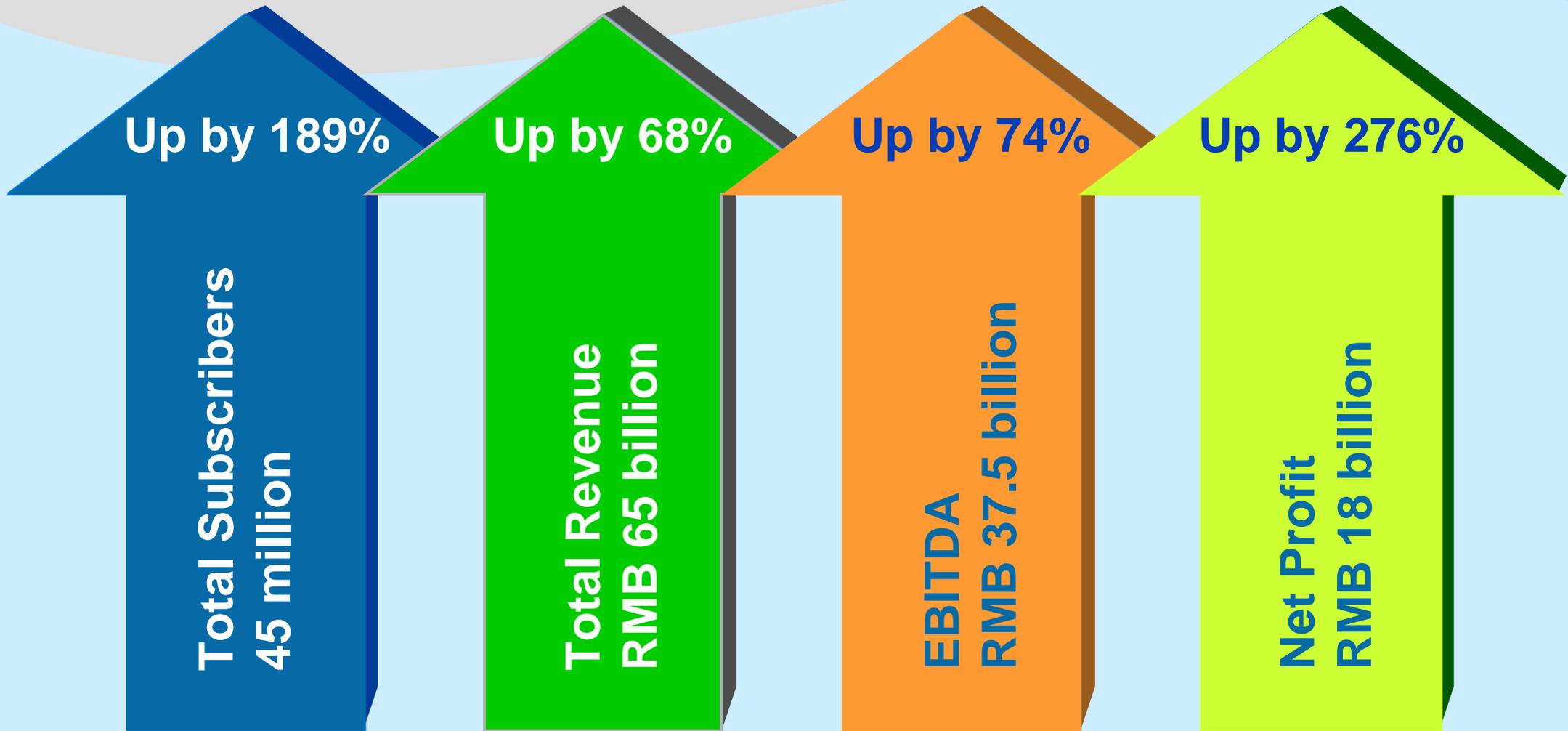
Major Achievements in the FY2000



A Three-Pronged Business Strategy



Strong Business Growth (I)



Note: Included operating results of 7 new subsidiaries from Nov. 13, 2000
(date of acquisition)

Strong Business Growth (II)

Total Revenue	RMB 92.2 Billion
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EBITDA	RMB 52.6 Billion
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Net Profit*	
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Before write-down and write-off	RMB 25.7 Billion
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After write-down and write-off	RMB 24.7 Billion
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Note: Included financial results of 7 new subsidiaries from Jan. 1, 2000.

* After deducting the nominal interest expenses incurred or interest income foregone relating to the financing of the acquisition.

Market Leadership



Subscribers



Revenue

Note: Subscriber number at Dec. 31, 2000
Revenue for the year end Dec. 31, 2000

Promoting Excellence in Corporate Governance

- Promoted international best practices of Corporate Governance
- Enhanced internal control
- Implemented full scope performance appraisal schemes for subsidiaries and staff
- Enhanced market-oriented, performance-based incentive scheme
- Broadened application of employees' share option scheme
- Achieved improved transparency and improved communication with investors

Outperforming Forecasted Results Post-Acquisition

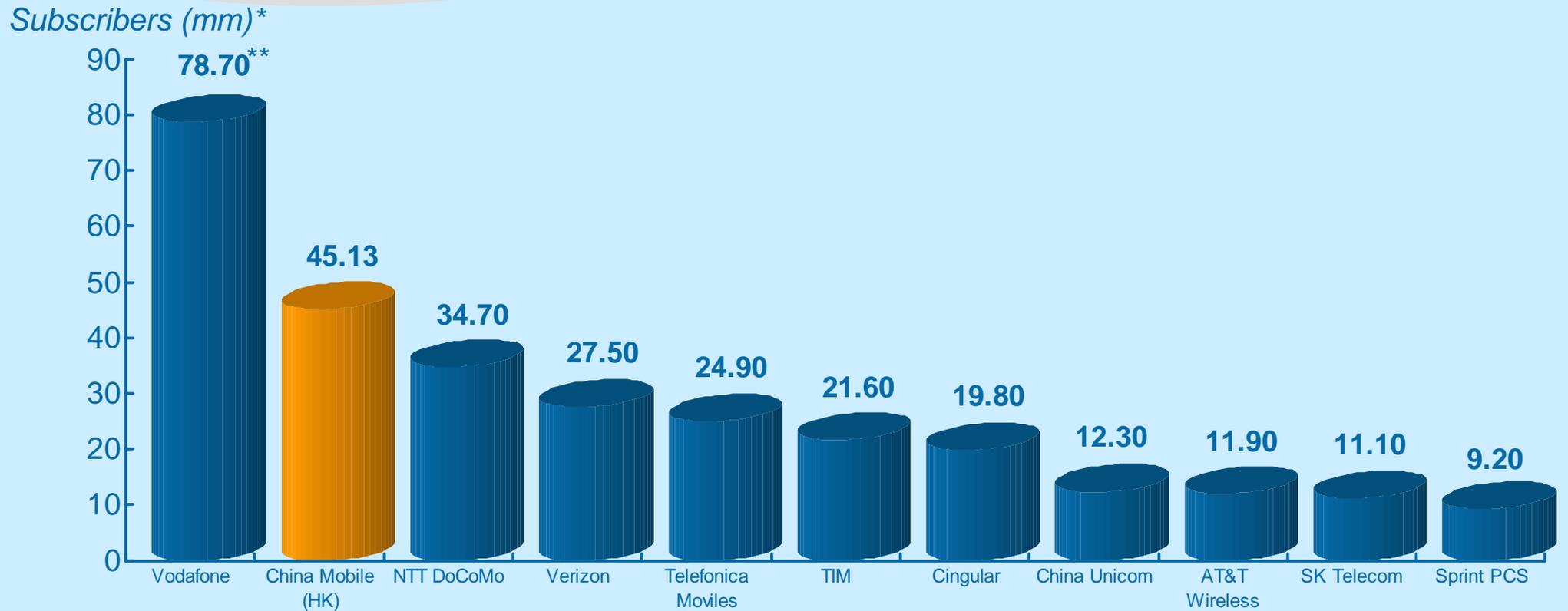


 **Forecasted**  **Outperforming**

Note: Above data is results of 7 new subsidiaries



The Second Largest Mobile Operator by Subscriber Number



* As of December 31, 2000

** On a proportionate basis

New Revenue Streams in the Broader Telecoms Market in China



Strategic Alliance with Vodafone

- Extensive multi-faceted cooperation
 - ◆ Working with us to introduce advanced management mechanisms
 - ◆ Sharing operational experience
 - ◆ Implementing joint research and development of advanced technologies
- Working to sharpen competitive edge

Future Acquisition Possibilities

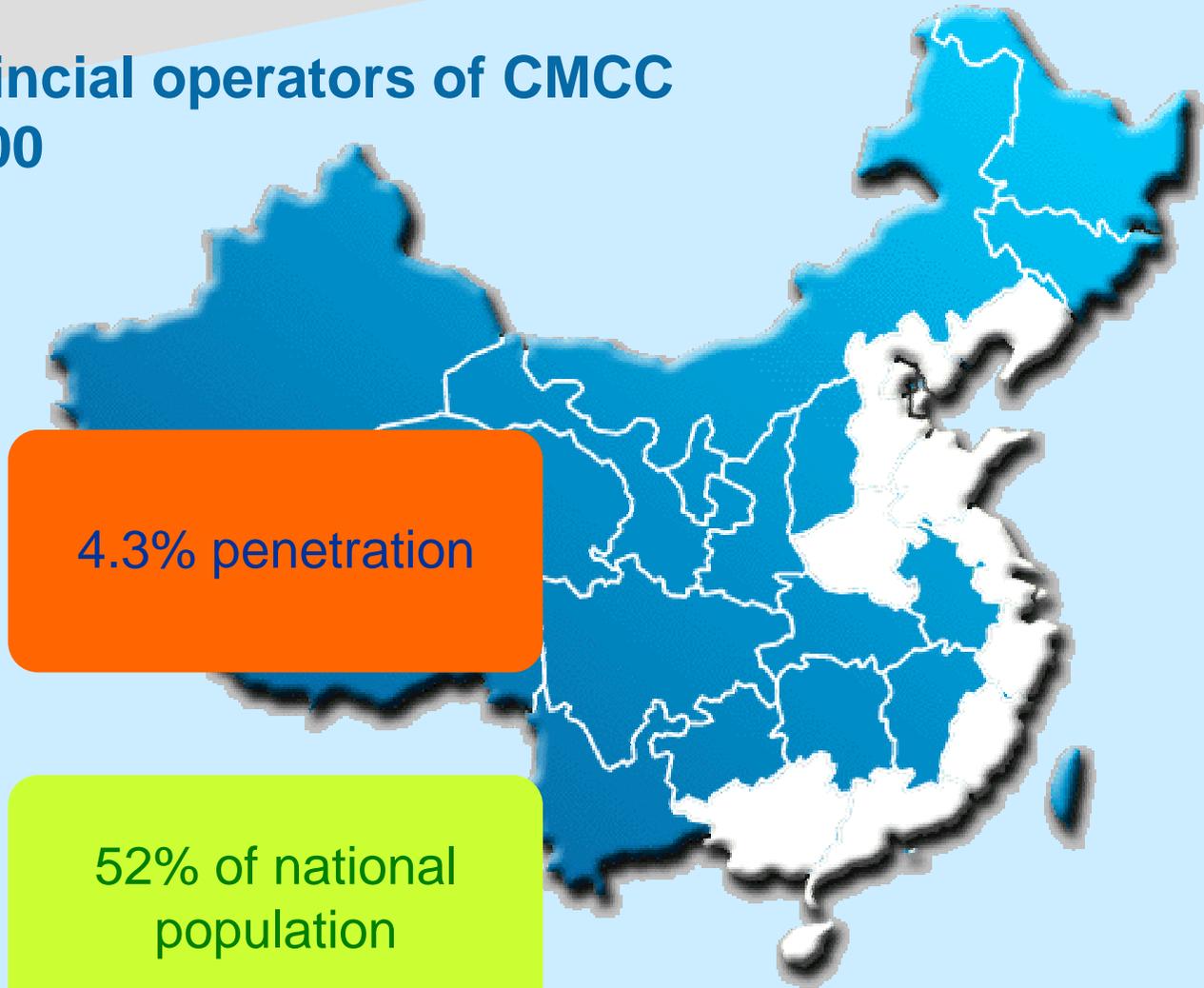
The remaining 18 provincial operators of CMCC
as of December 31, 2000

21 million subscribers

Subscriber CAGR
75.1% (1997-2000)

4.3% penetration

52% of national
population



3G Strategy

Management believes that CMHK may become the largest wireless ISP in China

- Low PC penetration rate
- Basic messaging and email services are the driving force

Migration towards GPRS

- SMS has achieved considerable scale
- WAP services are increasingly popular
- Successful GPRS trials
- Development of Chinese content and application is crucial

Wireless Data Evolution Strategy

- Focus on the roll-out and implementation of GPRS
- Closely monitor developments in 3G technology and services

Core Mobile
Business

A World-Class Global Wireless Multimedia Services Provider

New
Opportunities
in the Broader
Telecoms
Market in
China

Further
Acquisition
Opportunities

Operating Performance

Operations Review

Operating Statistics	2000	1999
Total number of subscribers (Millions)	45.1	25.7
Contract subscribers	32.4	25.7
Prepaid subscribers*	12.7	-
Market share	77.5%	86.6%
Total minutes of usage (Billion min.)	125.1	89.4
MOU (min.)	299	366
Contract subscribers	326	366
Prepaid subscribers	125	-
ARPU (RMB)	221	299
Contract subscribers	241	299
Prepaid subscribers	87	-

Note: Above data is on a proforma basis

* Including contract prepaid subscribers

Rapid Growth

Total Subscribers

(*'000*)



Total Usage

(*Billion min.*)



Note: Above data is on a proforma basis

Strong Performance of Original 6 Subsidiaries

Total Subscribers

(*'000*)



Total Usage

(*Billion min.*)



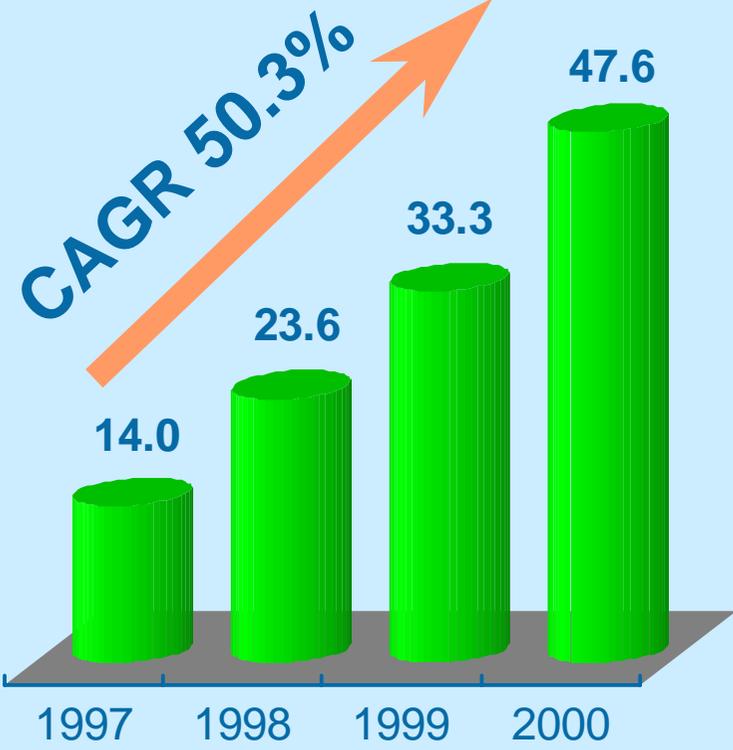
Note: Above data is on a proforma basis

Outstanding Performance of 7 New Subsidiaries

Total Subscribers
(’000)



Total Usage
(Billion min.)

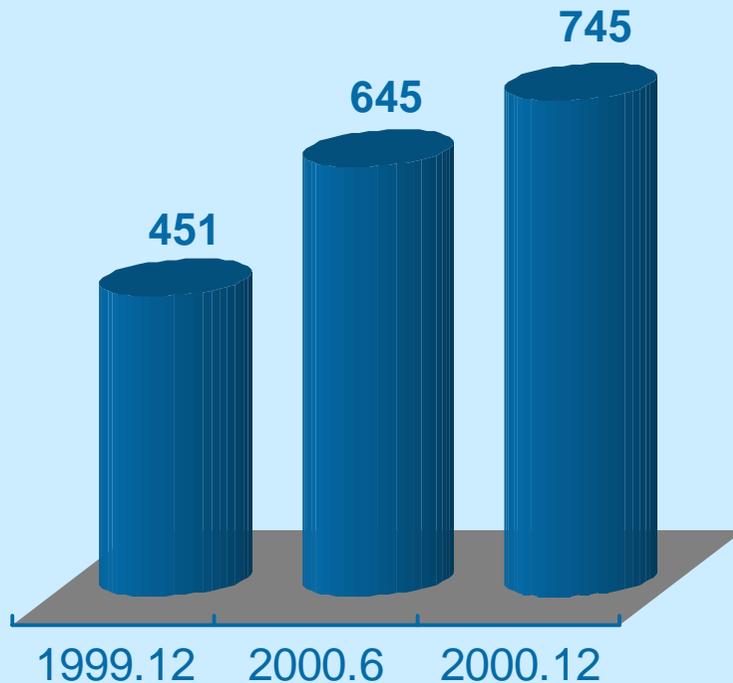


Note: Above data is on a proforma basis

Exceptional Synergistic Effect

Productivity Rate

(Subscribers / Employee)



Bad Debt Ratio

(%)



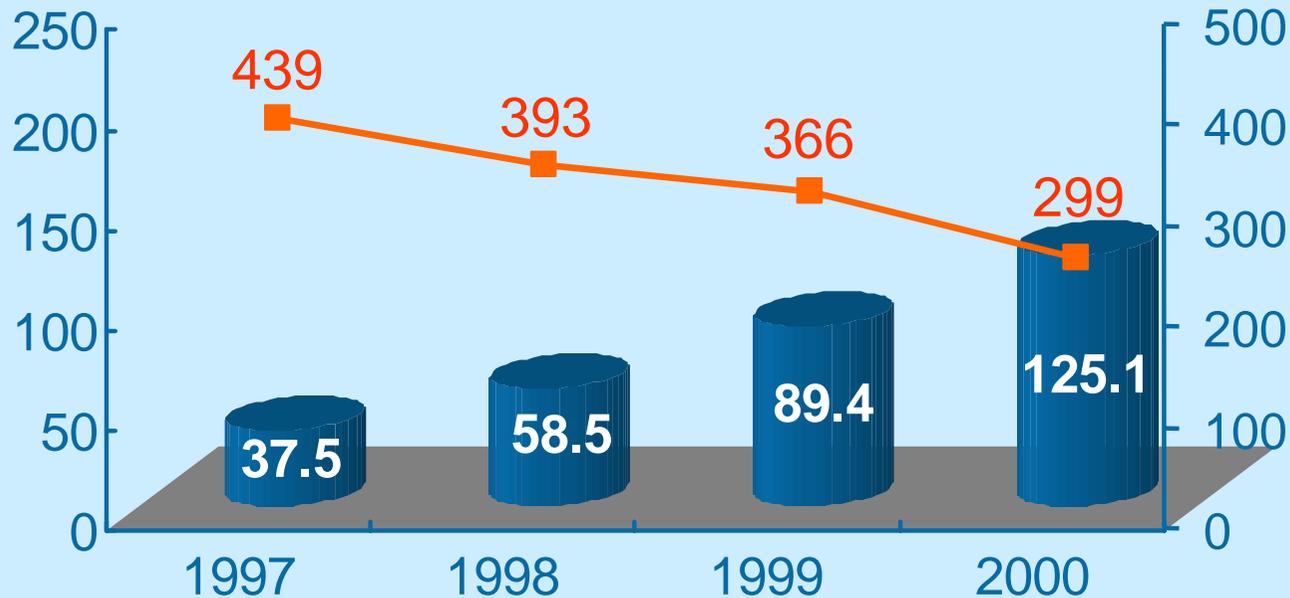
Note: (1) Above data is on a proforma basis for 7 new subsidiaries

$$(2) \text{ Bad Debt Ratio} = \frac{\text{Bad debt provision}}{\text{Revenue (excluding connection fees)}}$$

MOU / Total Minutes of Usage

(Total Minutes of Usage : Billion min.)

(MOU : min.)



Total Minutes of Usage



MOU

Note: Above data is on a proforma basis



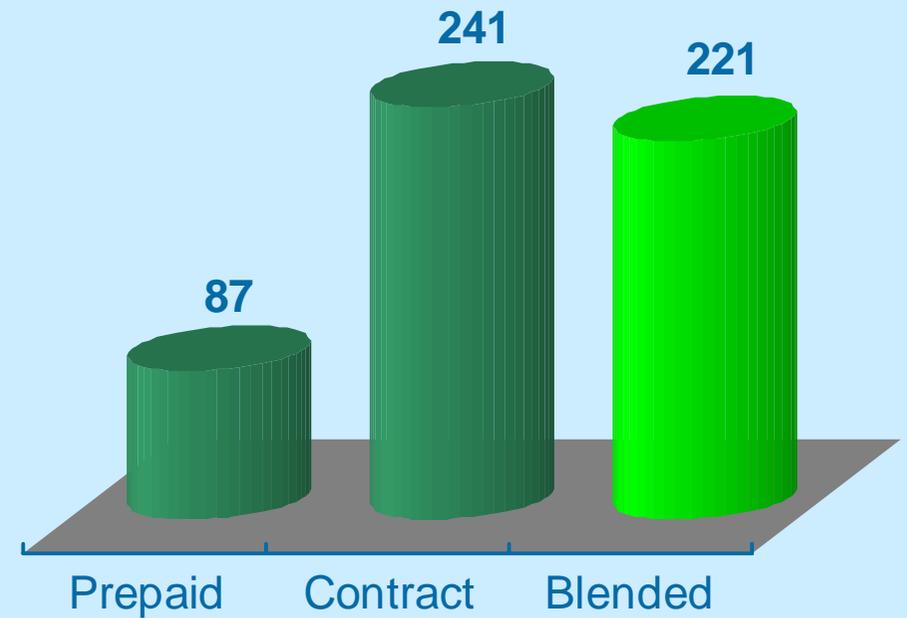
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MOU and ARPU

MOU (min.)



ARPU (RMB)



Note: Above data is on a proforma basis

Effective Control of Bad Debt

Bad Debt Ratio



Note: (1) Above data is on a proforma basis

$$(2) \text{ Bad Debt Ratio} = \frac{\text{Bad debt provision}}{\text{Revenue (excluding connection fees)}}$$

Tremendous Demand for SMS

Number of SMS (Millions)



Note: Above data is on a proforma basis

Establishment of Aspire as a Wireless Data Technology Provider

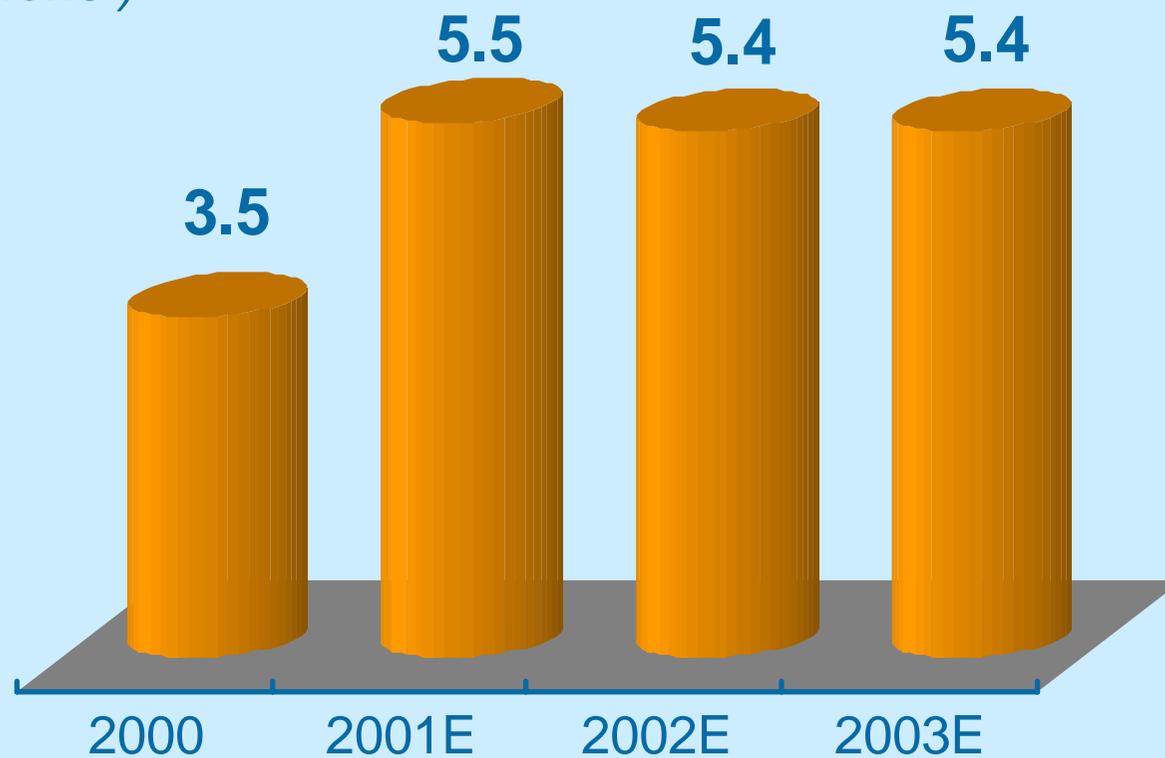
- Aspire is a majority-owned subsidiary of CMHK established to focus on the development of wireless data enabling technologies and applications
- Aspire will spearhead the roll out of
 - ◆ MISC platform: A standardized nationwide platform for wireless data for all CMHK and CMCC operators
 - ◆  : A wireless portal / unified brand for all of CMCC's and CMHK's wireless data initiatives
- Aspire will continue to form strategic partnerships with leading technology players

Entering the Era of Digital Networks

- Ever-changing communications technologies have fostered digitalization
- A digital network can:
 - ◆ improve operational efficiency
 - ◆ lower operational costs
 - ◆ better facilitate new services
- The Company has decided to write down and write off all analog assets to pave the way for the Era of Digital Networks

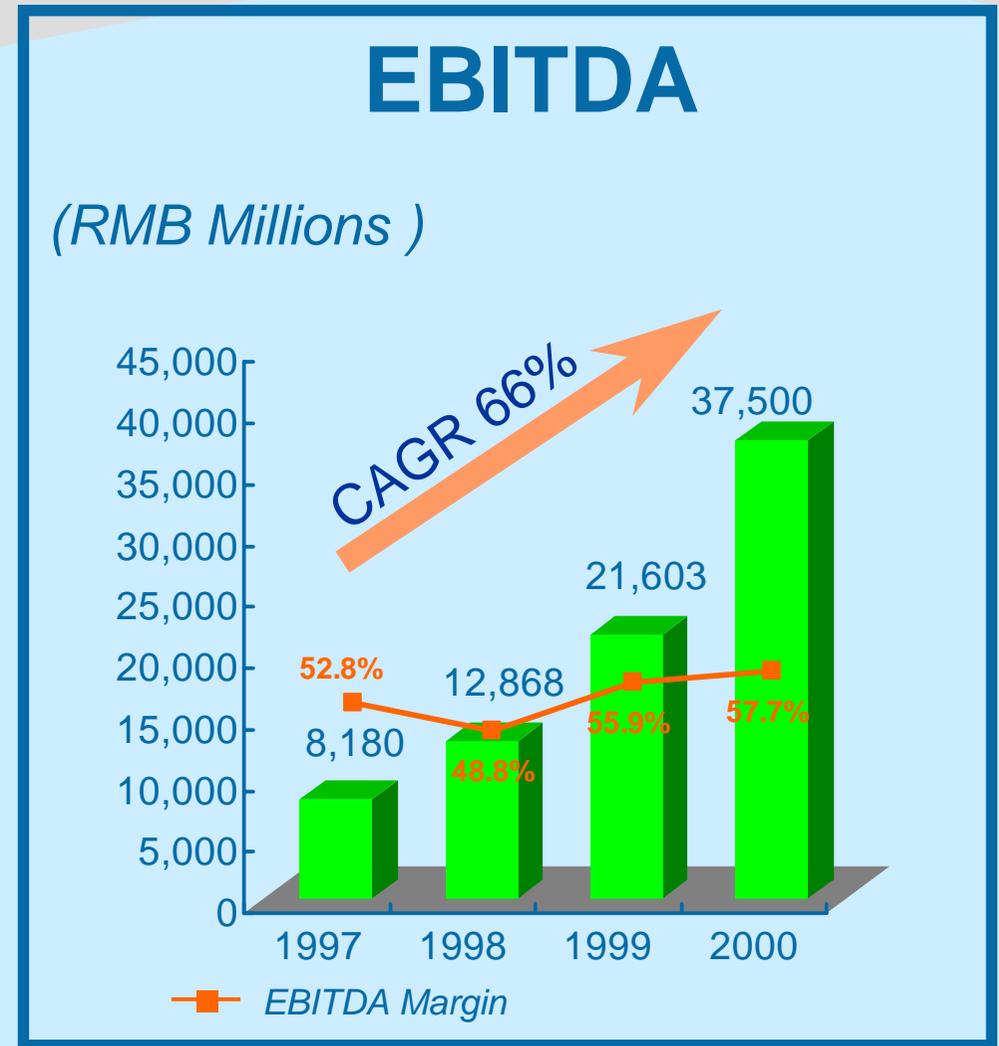
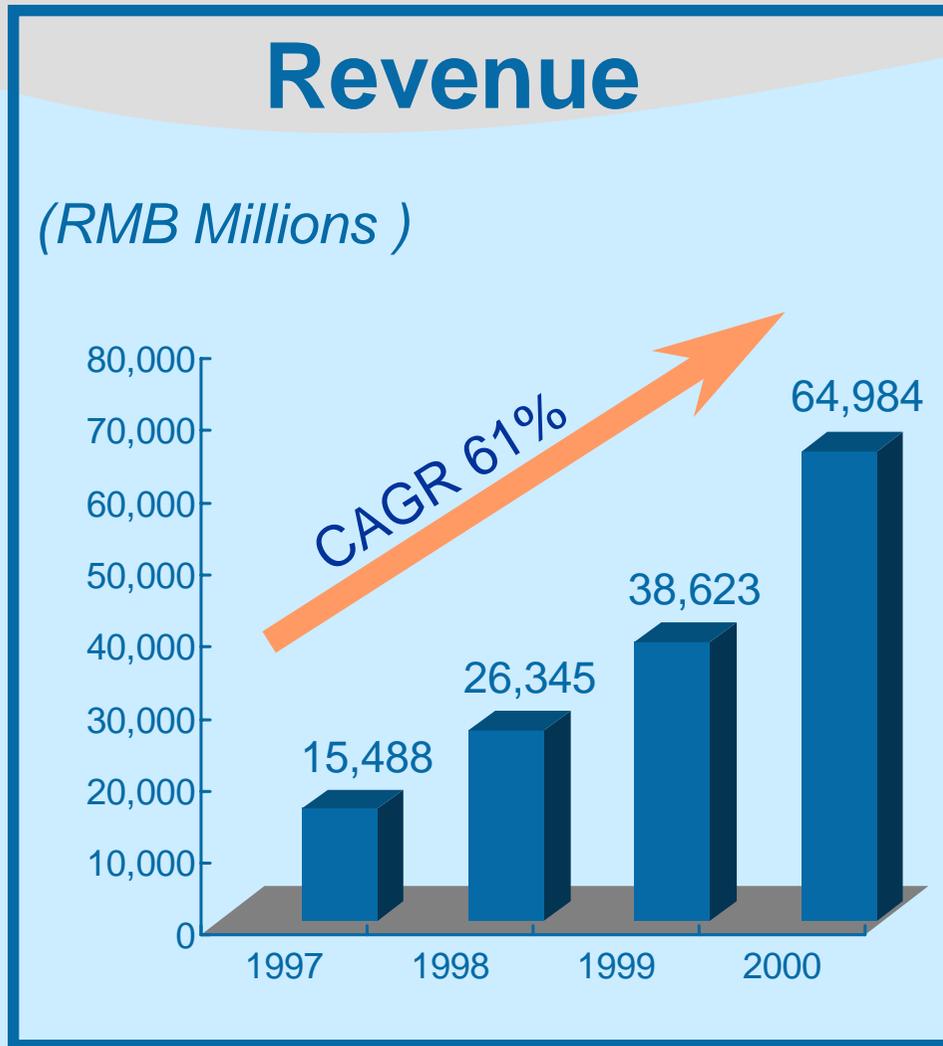
CAPEX

(USD Billions)



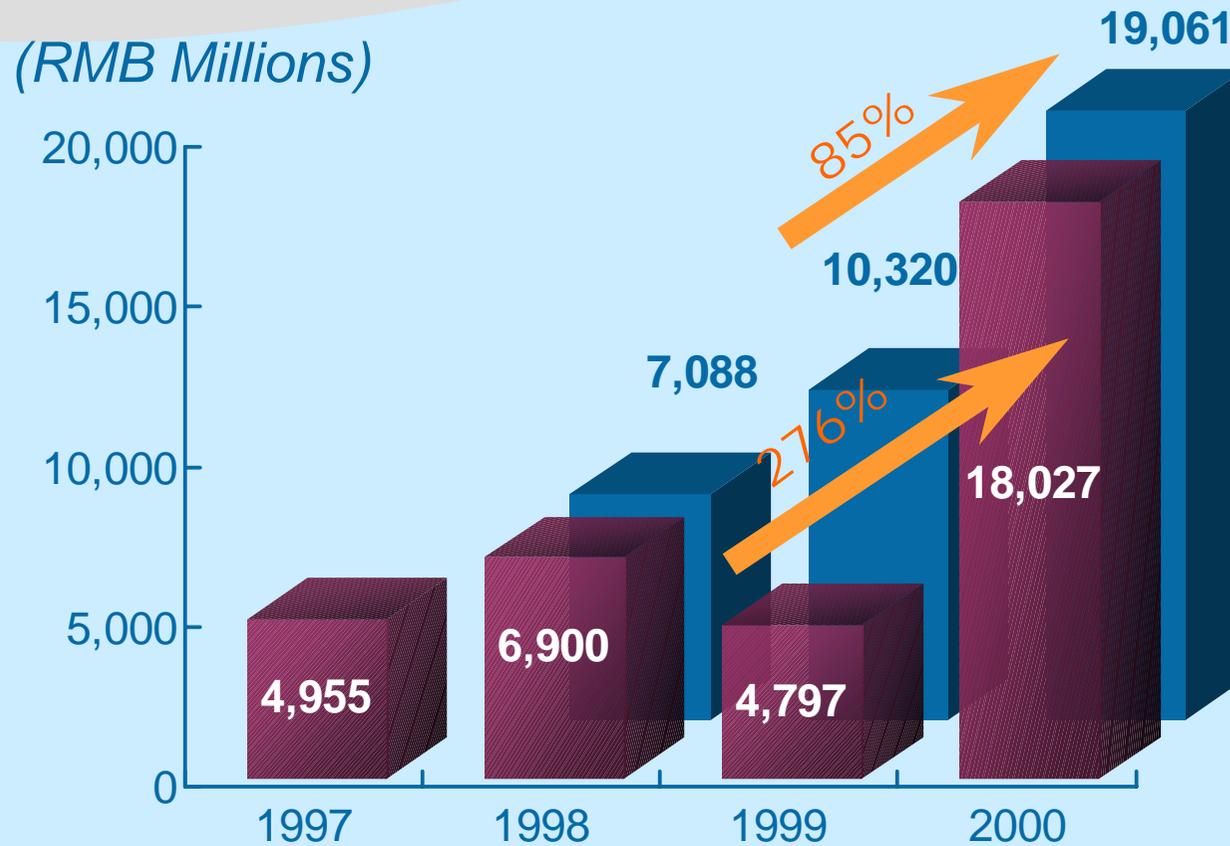
Financial Results

Growth of Revenue & EBITDA



Note: Data for 1997 is proforma combined results of GMCC and ZMCC

Net Profit



Actual earnings



Actual earnings prior to write-down
and write-off of Analog Assets



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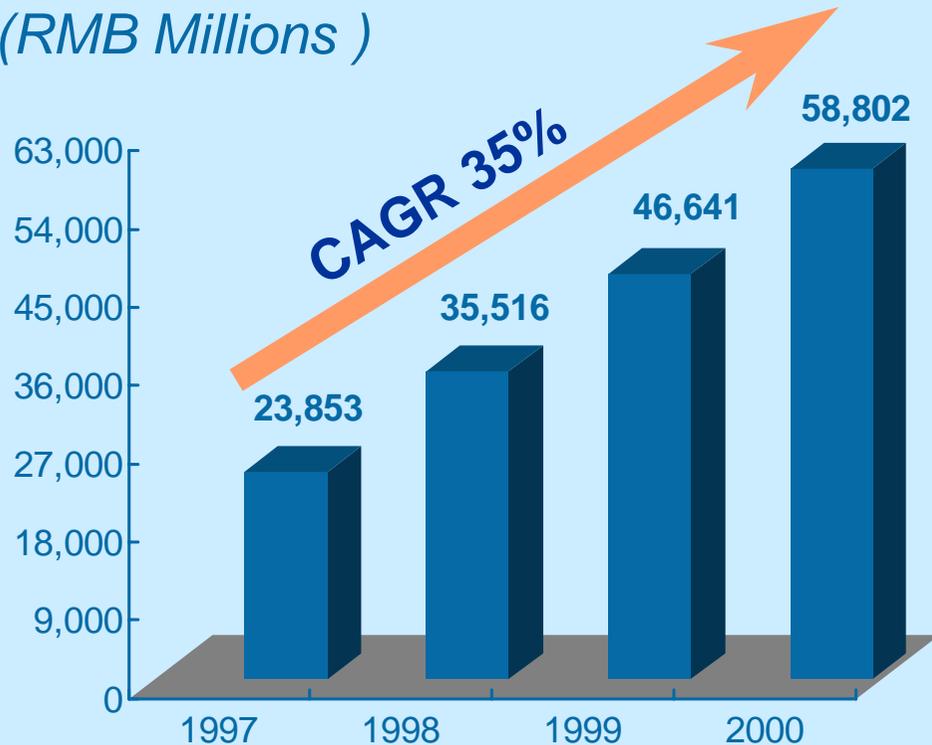
Major Financial Data

	2000 Proforma (RMB Millions)	1999 Proforma (RMB Millions)	Comparison (%)
Operating Revenue			
Usage Fees	64,220	47,726	35%
Monthly Fees	14,364	10,935	31%
Connection Fees	2,976	6,885	(57%)
Others	10,655	7,479	42%
	92,215	73,025	26%
Operating Expenses			
Leased lines	8,092	7,999	1%
Interconnection	13,094	12,549	4%
Depreciation	14,694	13,922	6%
Personnel	4,773	3,023	58%
SG&A	14,800	10,803	37%
	55,453	48,296	15%
Operating Profit	36,762	24,729	49%

Revenue Growth

6 Original Subsidiaries

(RMB Millions)



7 New Subsidiaries

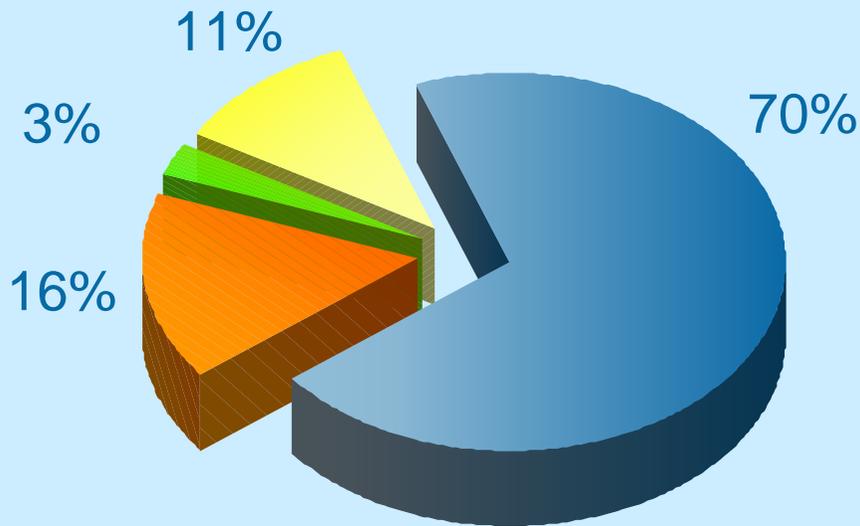
(RMB Millions)



Note: Above data is on a proforma basis

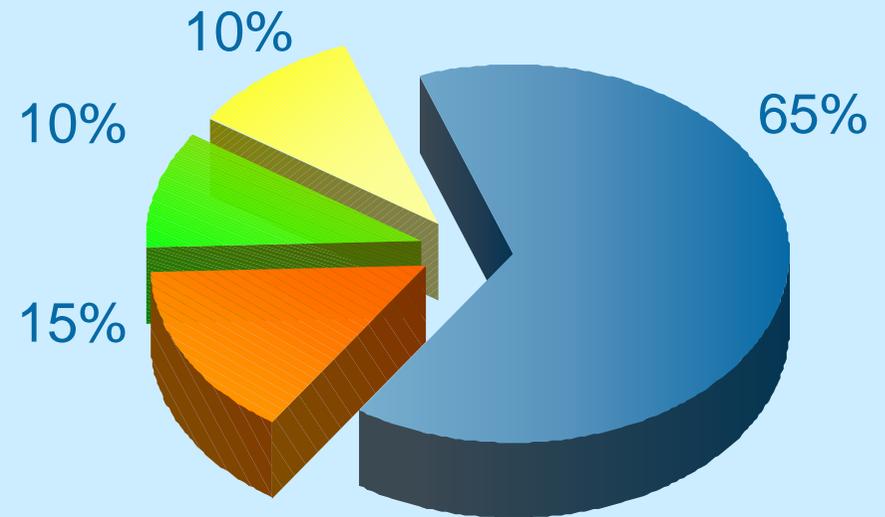
Revenue Composition

2000 (Proforma)



Total Revenue RMB 92,215 Million

1999 (Proforma)

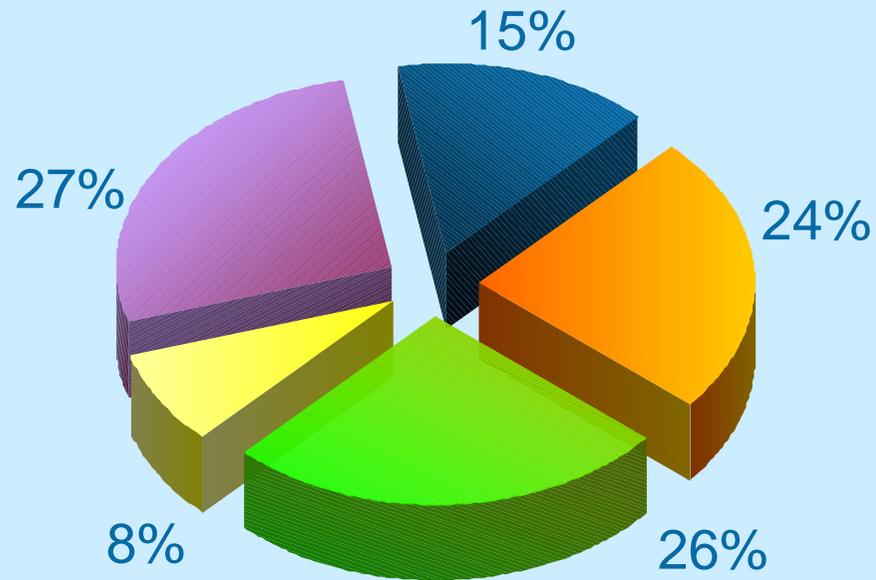


Total Revenue RMB 73,025 Million

■ Usage Fees ■ Monthly Fees ■ Connection Fees ■ Others

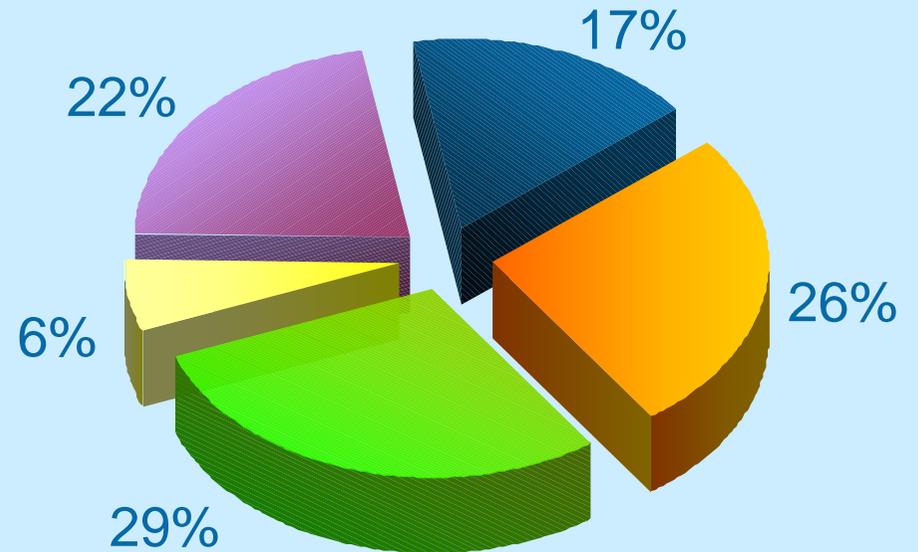
Expenses Composition

2000 (Proforma)



Total Expenses RMB 55,453 Million

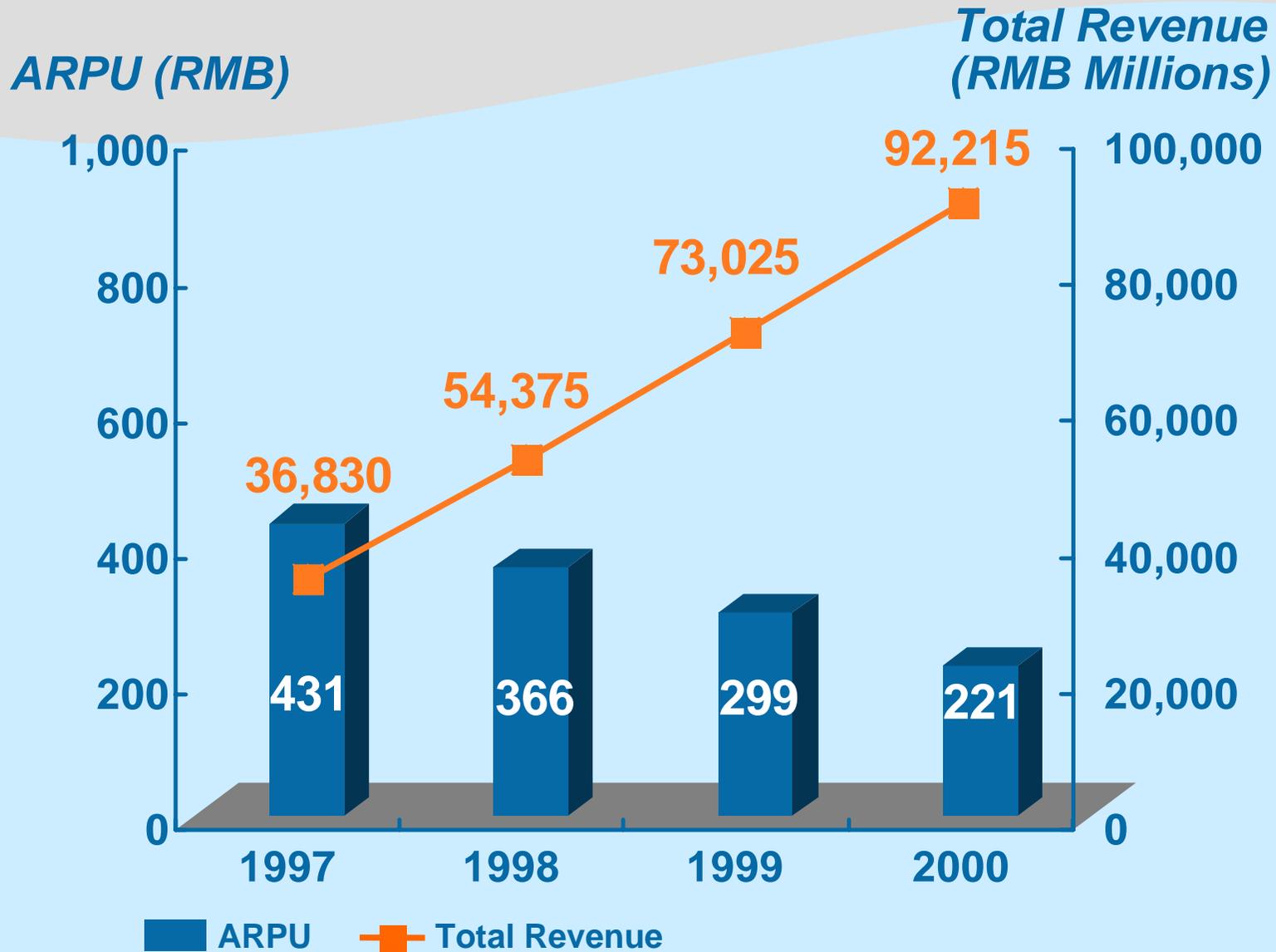
1999 (Proforma)



Total Expenses RMB 48,296 Million

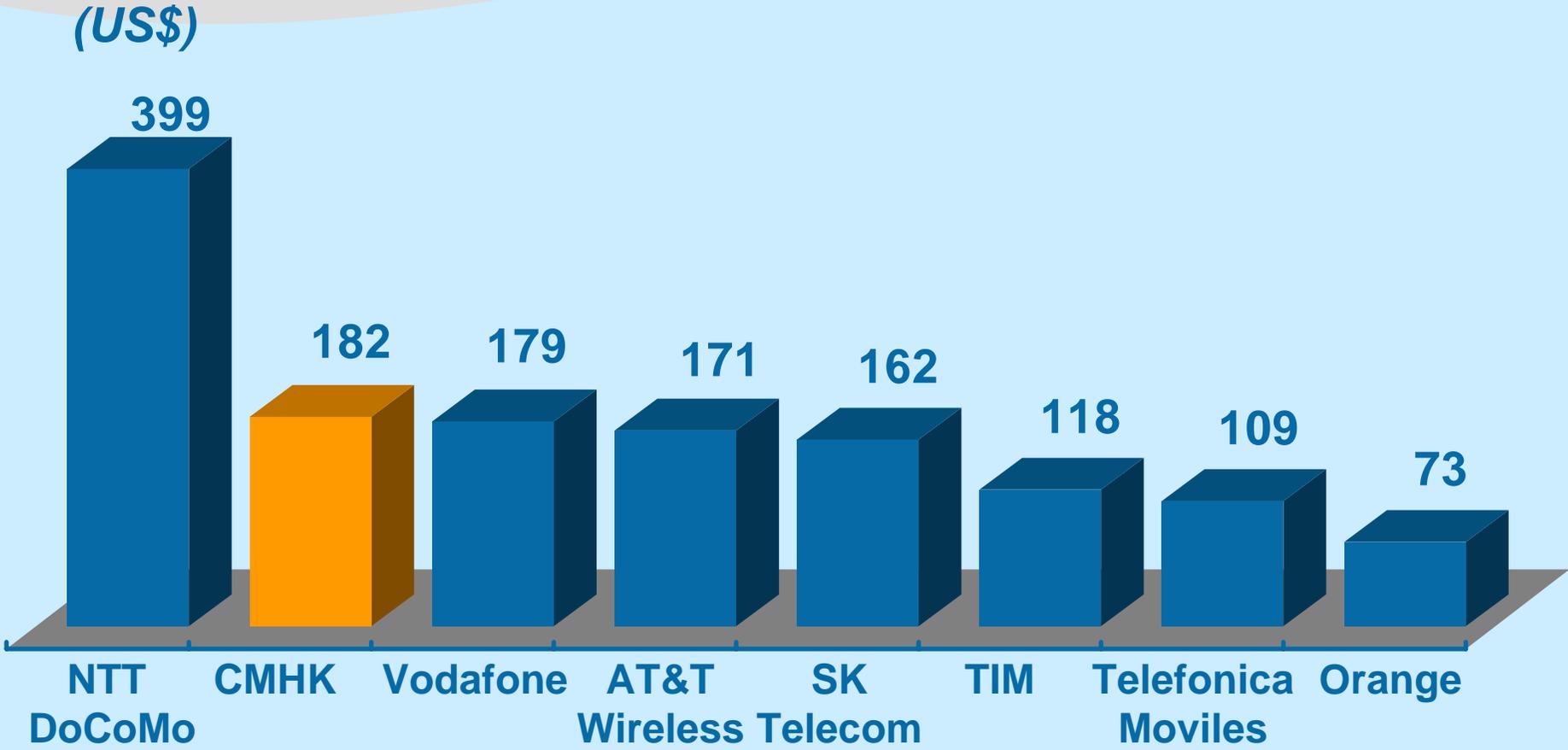
■ Leased Lines ■ Interconnection ■ Depreciation ■ Personnel ■ SG&A

ARPU



Note: Above data is on a proforma basis

Comparison of EBITDA Per Subscriber



Note: For CMHK, Telefonica Moviles and Orange, year-end 2000 figures are used. For other mobile operators, June 2000 or September 2000 interim results have been annualized.

Capital Structure

December 31st

2000 Actual

1999 Actual

(RMB Millions)

Short Term Debt

13,100

6,199

Long Term Debt

24,369

7,285

Total Debt

37,469

13,484

Shareholders' Equity

83,760

57,092

Capitalization

121,229

70,576

Total Debt / Capitalization

30.9%

19.1%

Cash, bank balances and deposits

39,906

27,576

Net Cash Position

2,437

14,092

Robust Financial Profile

	2000 Actual	1999 Actual
EBITDA / Interest Exp.	45.5X	62.9X
(EBITDA-CAPEX) / Interest Exp.	20.3X	28.0X
Total Debt / Capitalization	30.9%	19.1%
Total Debt / EBITDA	0.999	0.624

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Thank You



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Breakdown of Subscriber Figures

('000 subscribers)

	Contract	Prepaid	Total
Guangdong	7,960.3	3,253.1	11,213.5
Zhejiang	3,531.6	1,493.5	5,025.1
Jiangsu	2,020.7	2,460.4	4,481.1
Fujian	2,607.1	775.0	3,382.1
Henan	1,982.6	678.8	2,661.4
Hainan	327.8	57.1	384.8
Beijing	1,989.1	818.5	2,807.6
Shanghai	1,815.0	1,018.9	2,833.9
Tianjin	808.1	192.8	1,000.9
Hebei	2,137.6	490.0	2,627.6
Liaoning	3,217.2	440.5	3,657.8
Shandong	2,842.9	728.8	3,571.7
Guangxi	1,168.6	317.9	1,486.5
Total	32,408.6	12,725.4	45,134.0

As at Dec. 31, 2000

Note: In the above statistics, including and not limited to “Gold and Kuaijietong” in Jiangsu province, the numbers of subscribers under all local brands with similar tariff as the Group’s “Shenzhouxing” are calculated as prepaid subscriber.

CHINA MOBILE (HONG KONG) LIMITED

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

GROUP RESULTS

China Mobile (Hong Kong) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2000.

SELECTED CONSOLIDATED FINANCIAL INFORMATION (Note 1)

	Note	2000 RMB million	1999 RMB million
Operating revenue (Turnover)	2		
Usage fees		46,287	25,812
Monthly fees		9,823	4,981
Connection fees		2,213	4,319
Other operating revenue		5,861	3,511
		<u>64,984</u>	<u>38,623</u>
Operating expenses			
Leased lines		5,501	3,723
Interconnection		8,329	6,453
Depreciation		9,759	7,411
Personnel		3,991	2,256
Other operating expenses		10,578	5,140
		<u>38,158</u>	<u>24,983</u>
Profit from operations		26,826	13,640
Write-down and write-off of TACS network equipment	3	(1,525)	(8,242)
Other net income		915	552
Non-operating (expenses)/income		(5)	70
Interest income		1,006	787
Finance costs		(824)	(343)
Profit from ordinary activities before taxation		26,393	6,444
Taxation	4	(8,366)	(1,647)
Profit attributable to shareholders		18,027	4,797
Appropriations			
Transfer to PRC statutory reserves	5	(6,916)	(3,524)
Retained profits for the year		11,111	1,273
Earnings per share			
Basic	6(a)	RMB1.25	RMB0.40
Diluted	6(b)	RMB1.25	RMB0.40

Information for reference

EBITDA	7	37,500	21,603
Profit attributable to shareholders (before write-down and write-off of TACS network equipment, net of taxation)		18,061	10,320
Basic earnings per share (before write-down and write-off of TACS network equipment, net of taxation)		RMB1.32	RMB0.86

Notes:

Appendix 2a

1 Basis of preparation

The Group's audited consolidated results for the year ended 31 December 2000 include the results of the Company, Guangdong Mobile Communication Company Limited ("Guangdong Mobile"), Zhejiang Mobile Communication Company Limited ("Zhejiang Mobile"), Jiangsu Mobile Communication Company Limited ("Jiangsu Mobile"), Fujian Mobile Communication Company Limited ("Fujian Mobile"), Henan Mobile Communication Company Limited ("Henan Mobile") and Hainan Mobile Communication Company Limited ("Hainan Mobile") for the year ended 31 December 2000, the post-acquisition results of Beijing Mobile Communication Company Limited ("Beijing Mobile"), Shanghai Mobile Communication Company Limited ("Shanghai Mobile"), Tianjin Mobile Communication Company Limited ("Tianjin Mobile"), Hebei Mobile Communication Company Limited ("Hebei Mobile"), Liaoning Mobile Communication Company Limited ("Liaoning Mobile"), Shandong Mobile Communication Company Limited ("Shandong Mobile") and Guangxi Mobile Communication Company Limited ("Guangxi Mobile") for the period from 13 November 2000 to 31 December 2000, and the results of China Mobile (Shenzhen) Limited and Aspire Holdings Limited from the respective dates of their incorporation to 31 December 2000. The Group's audited consolidated results for the year ended 31 December 1999 include the results of the Company, Guangdong Mobile, Zhejiang Mobile and Jiangsu Mobile for the year ended 31 December 1999 and the post-acquisition results of Fujian Mobile, Henan Mobile and Hainan Mobile for the period from 12 November 1999 to 31 December 1999.

2 Turnover

Turnover primarily represents usage fees, monthly fees and connection fees for the use of the Group's cellular telephone networks, net of PRC business tax and government surcharges and central irrigation construction levy. Business tax and government surcharges are charged at approximately 3.3 to 3.65 per cent. of the corresponding revenue and central irrigation construction levy is charged at approximately 3 per cent. of certain connection and surcharge revenue.

3 Write-down and write-off of TACS network equipment

	2000 RMB million	1999 RMB million
Write-down of fixed assets in respect of TACS network (a)	1,330	6,720
Write-off of fixed assets in respect of TACS network (b)	195	1,522
	<u>1,525</u>	<u>8,242</u>

(a) The Group reviewed the carrying value of all TACS network and related equipment at 31 December 1999. Based on the estimated recoverable value of these assets, a write-down of RMB6,720 million was made in 1999. In 2000, based on the operating and net cashflow position of the TACS network, the Group considers that the recoverable amount of the TACS network has declined to below its carrying amount. Based on the expected future cash flows to be generated by the TACS network, a full provision has been made against the carrying amount of the TACS network at 31 December 2000. The amount of the write-down of RMB1,330 million has been recognised as expenses in the profit and loss account.

(b) This represents the write-off of certain TACS network equipment which has been removed from service.

4 Taxation

	2000 RMB million	1999 RMB million
Provision for PRC income tax on the estimated taxable profits for the year	8,371	3,776
Under-provision in respect of PRC income tax for prior year	12	24
Over-provision in respect of Hong Kong profits tax for prior year	—	(2)
	8,383	3,798
Deferred tax assets	(17)	(2,151)
	8,366	1,647

- (i) No provision has been made for Hong Kong profits tax as there were no estimated Hong Kong assessable profits for the years ended 31 December 2000 and 1999.
- (ii) Pursuant to the income tax rules and regulations of the PRC, the Group's subsidiaries in the PRC were subject to the statutory income tax rate of 33 per cent. for the year ended 31 December 2000, except for Hainan Mobile and certain cellular telephone operations of Guangdong Mobile located at Special Economic Zones, which were subject to a tax rate of 15 per cent. According to notices from the PRC Ministry of Finance, connection fees and certain surcharges of Fujian Mobile, Henan Mobile, Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile, which were previously not subject to income tax, are subject to income tax at the rate of 33 per cent. when these companies are registered as wholly foreign-owned enterprises. For Hainan Mobile, those incomes which were previously not subject to income tax, are subject to income tax at the rate of 15 per cent. when the company is registered as a wholly foreign-owned enterprise.

5 Transfer to the PRC statutory reserves

The Group transferred RMB6,916,000,000 (1999: RMB3,524,000,000) from profit after tax for the year to the PRC statutory reserves.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to shareholders of RMB18,027,000,000 (1999: RMB4,797,000,000) and the weighted average number of 14,394,312,587 shares (1999: 12,069,107,688 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to shareholders of RMB18,027,000,000 (1999: RMB4,797,000,000) and the weighted average number of 14,409,503,167 shares (1999: 12,072,382,655 shares) after adjusting for the effects of all dilutive potential ordinary shares, as if all the outstanding share options issued by the Company had been exercised at the date of issue. If all the convertible notes that have been issued by the Company are converted into ordinary shares, profit per share attributable to shareholders would increase. As a result, the effects of those non-dilutive potential ordinary shares are ignored in calculating diluted earnings per share.

(c) Reconciliations

	2000 Number of shares	1999 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	14,394,312,587	12,069,107,688
Deemed issue of ordinary shares for no consideration	15,190,580	3,274,967
Weighted average number of ordinary shares used in calculating diluted earnings per share	14,409,503,167	12,072,382,655

7 EBITDA

EBITDA represents earnings before interest income, interest expense, non-operating income/expenses, income tax, depreciation, amortisation and write-down and write-off of fixed assets. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with generally accepted accounting principles and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to other similarly titled measures of other companies.

DIVIDENDS

The Board of Directors considers that with the increase in the number of operating subsidiaries as well as the expansion of the Group's business after the acquisition of Beijing Mobile, Shanghai Mobile, Tianjin Mobile, Hebei Mobile, Liaoning Mobile, Shandong Mobile and Guangxi Mobile, additional funds will be required for network expansion and integration in order to sustain rapid business growth. At the same time, with the rapid development of wireless communications technology, it is necessary for the Group to maintain sufficient flexibility in the employment of capital for future investment and development in new mobile technologies and business opportunities in order to bring a favourable return to shareholders. Therefore, the Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2000.