

2004



中国移动通信
CHINA MOBILE

Interim Results

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

2004 Interim Results

China Mobile (Hong Kong) Limited

August 18, 2004

Mr. Wang Xiaochu	Chairman & CEO
Mr. Li Yue	Executive Director & Vice President
Mr. Xue Taohai	Executive Director, Vice President & CFO
Mr. Zhang Chenshuang	Executive Director & Vice President
Mr. He Ning	Executive Director & Vice President

**Overall Performance
for 1H2004**

**Financial Results
for 1H2004**

Overall Performance

—— Favorable performance

Sustainable Business Growth



	1H2003	1H2004	Change
Subscribers (Millions)	129.087	158.637	22.9%
Revenue (RMB Millions)	76,657	86,420	12.7%
EBITDA (RMB Millions)	45,201	49,339	9.2%
EBITDA Margin (%)	59.0%	57.1%	- 1.9 ppt
Net Profit (RMB Millions)	17,469	18,828	7.8%

Note: Unless otherwise specified, all data in this presentation is based on the assumption that the group structure as of 30 June 2004 (including 21 operating subsidiaries) existed throughout the relevant period.

Overall Operating Performance



	2003	1H2004
Contract Subscribers (Millions)	51.138	51.977
Prepaid Subscribers (Millions)	90.478	106.660
Blended/Contract/Prepaid MOU (Minutes)	240/417/129	283/503/168
Blended/Contract/Prepaid ARPU (RMB)	102/171/58	96/171/57
Average Revenue per Minute (RMB)	0.425	0.341
Mobile Data Users (Millions)	100.640	123.553
Network Capacity (Millions)	172.022	185.244
Network Utilization Rate (%)	82.3%	85.6%
Average Monthly Churn Rate (%)	1.05%	1.21%

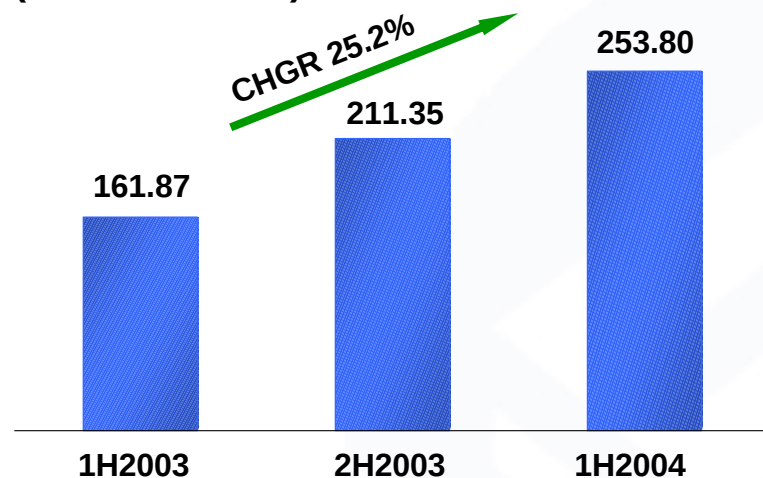
Note: For management reference purposes, contract subscribers are classified to include “GoTone” subscribers and subscribers who have signed service contracts with the Company, while prepaid subscribers are classified to include subscribers of “Shenzhouxing” and “M-Zone” and local brands or packages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

Appropriate Leverage of Price Elasticity to Boost Voice Usage



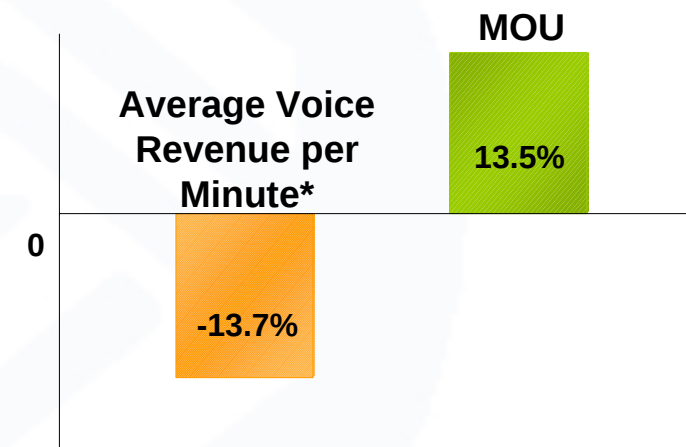
Total Usage

(Billion Minutes)

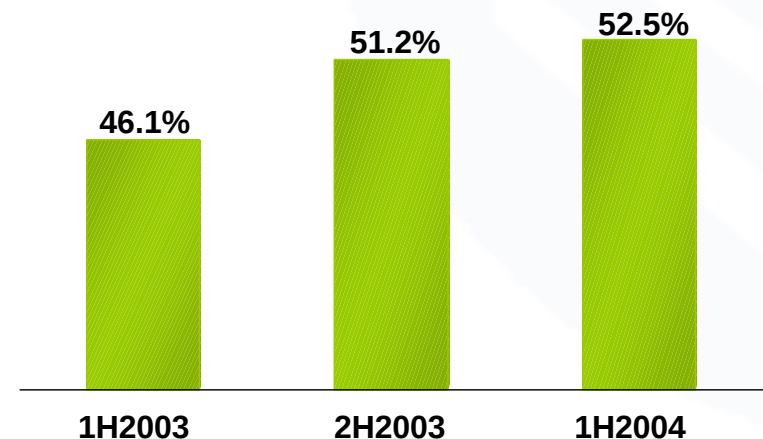


Price Elasticity of Contract Subscribers

1H2004 vs 2H2003



Proportion of Intra-network Usage

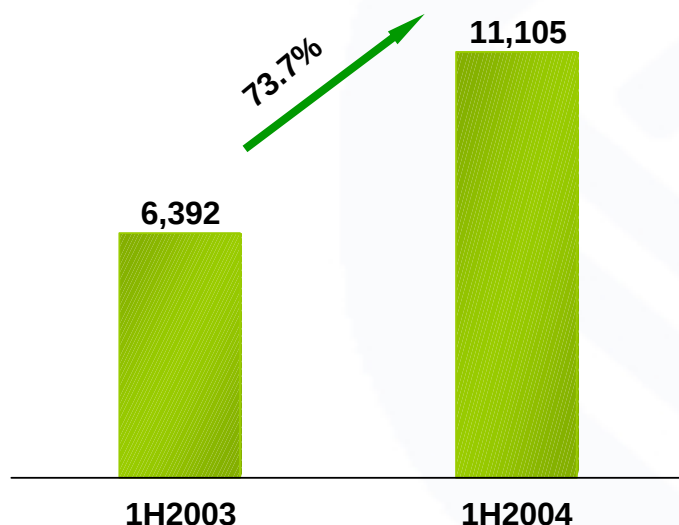


* After deducting new business revenue

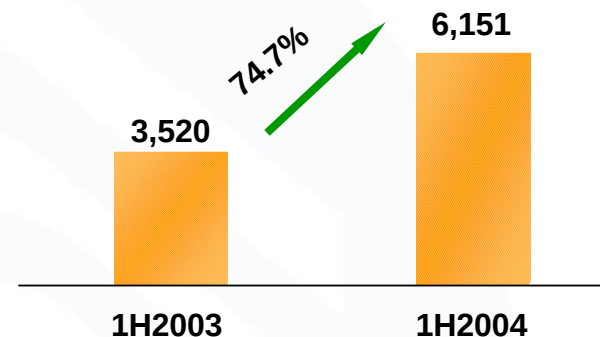
Growing New Businesses



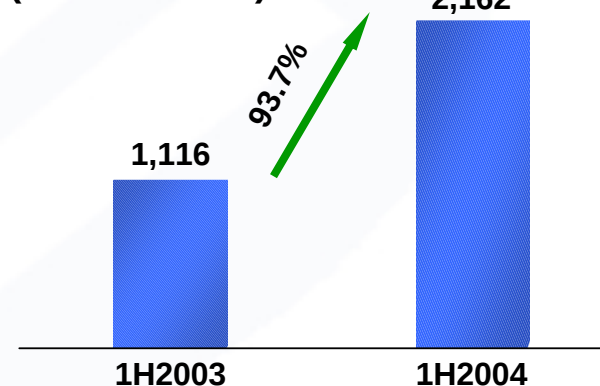
New Business Revenue
(RMB Millions)



SMS Revenue
(RMB Millions)



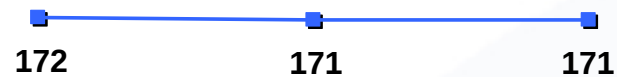
Non-SMS Data Business Revenue
(RMB Millions)



Stable ARPU Supporting Revenue Growth



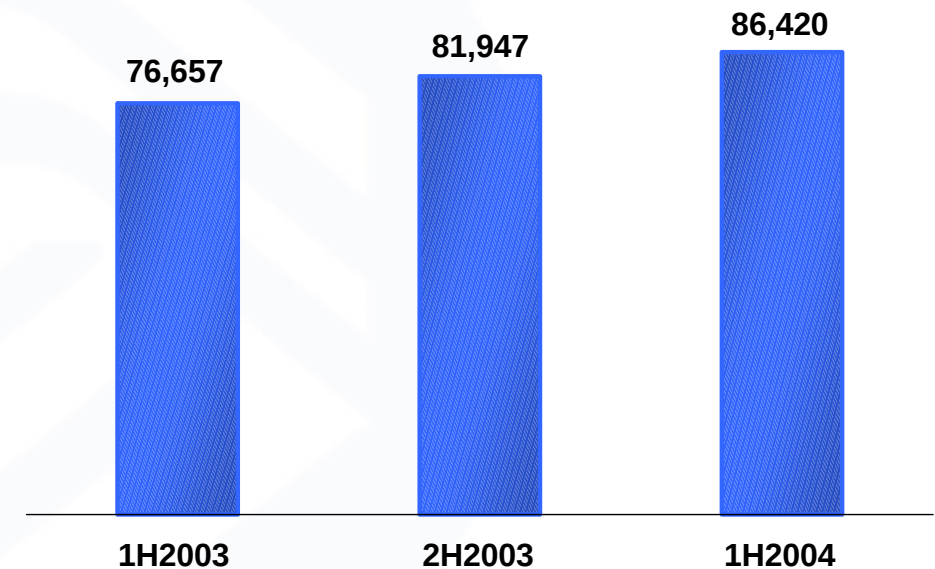
ARPU (RMB)



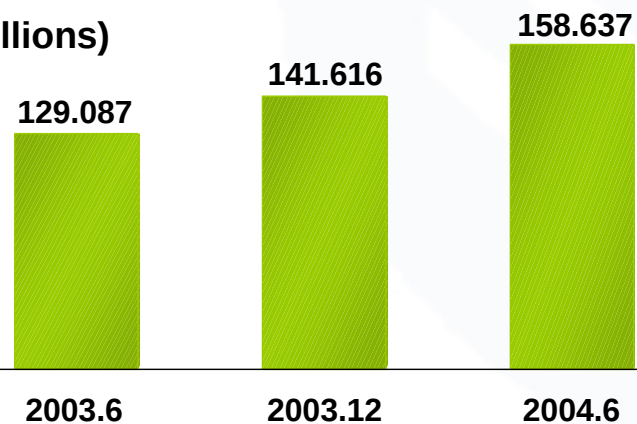
1H2003 2H2003 1H2004

Blended Contract Prepaid

Operating Revenue (RMB Millions)



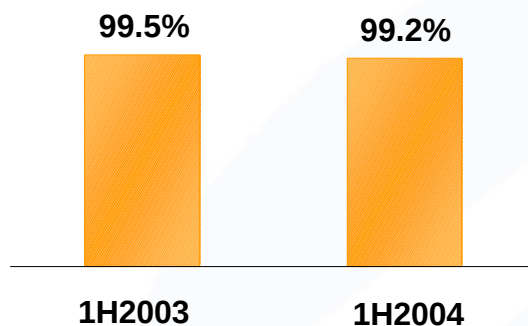
Total Subscribers (Millions)



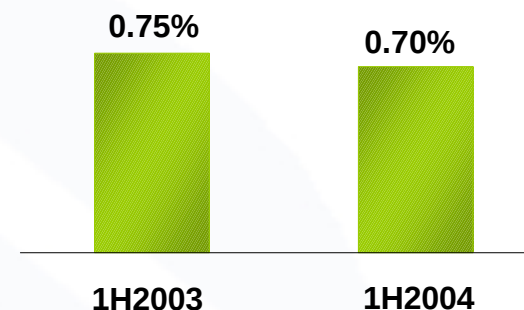
The Quality Leader



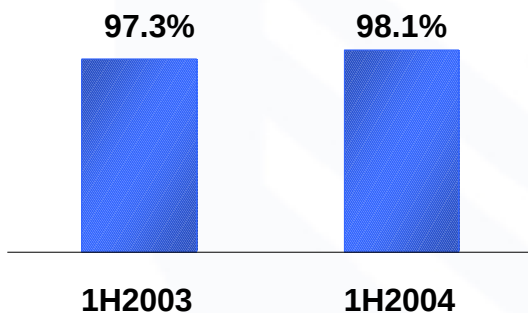
Wireless Connection Rate



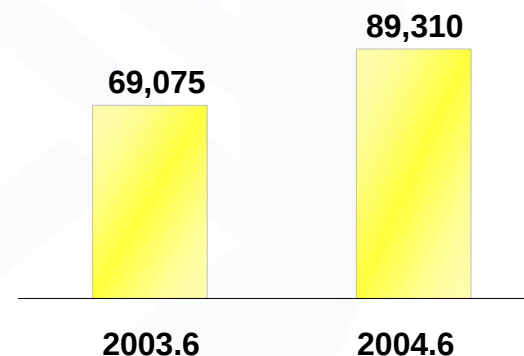
Call Drop Rate



SMS Delivery Rate



Distribution Channels



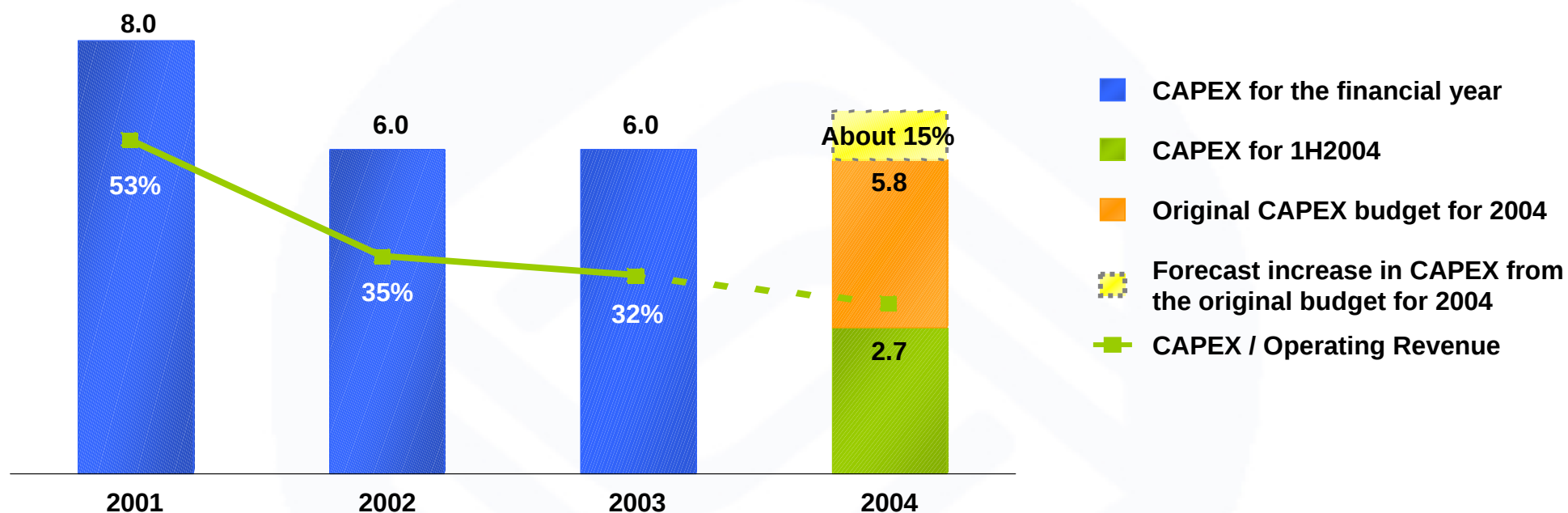
- Rated one of the top ten most valued brands in China in 2004*
- Customer satisfaction sustained at a high level

* According to the "China Top 500 Brand Project" conducted by the World Executive Institute

Capital Expenditure



(USD Billions)



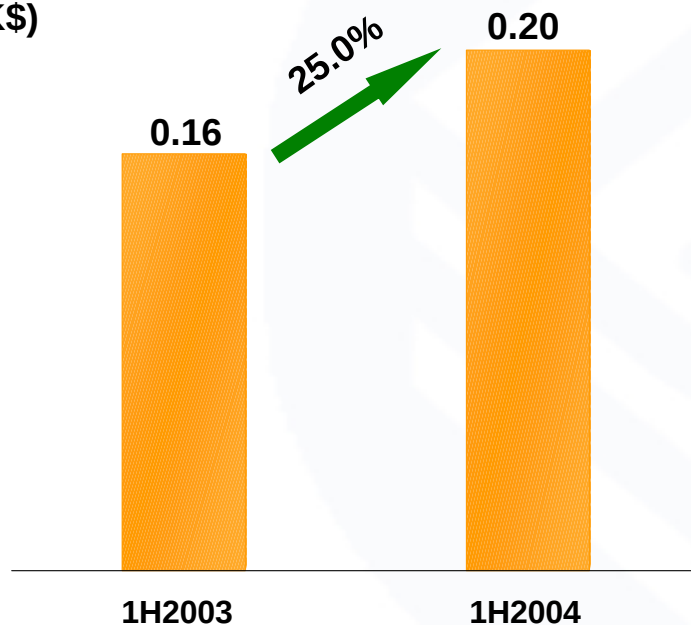
- To sustain revenue growth and a robust return
- To maintain our leadership in network quality
- CAPEX/Revenue ratio continues its downward trend

Continued Dividend Growth

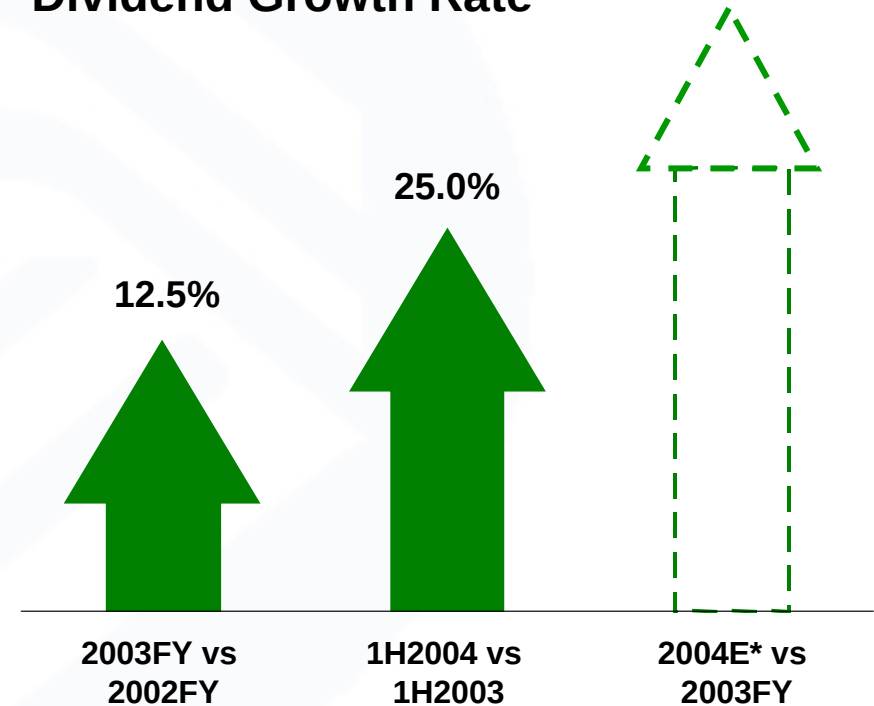


- Dividend payout will be HK\$0.20 per share for 1H2004, a 25% increase compared with that in 1H2003
- Strive to achieve a sustainable and steady dividend growth over the longer term, while providing the best return for shareholders

**Dividend
(HK\$)**



Dividend Growth Rate



* Total dividend payout for 2004 will be determined by the Board on approving the accounts for the full year of 2004 after taking into consideration such factors as the Company's future business development, financial position and cash flow

Overall Performance

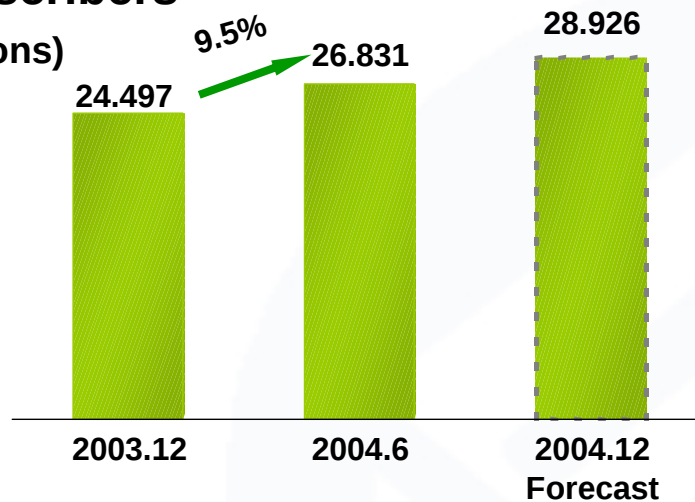
- Reforms to newly acquired subsidiaries have enhanced performance

Upgraded Management Has Greatly Improved Performance



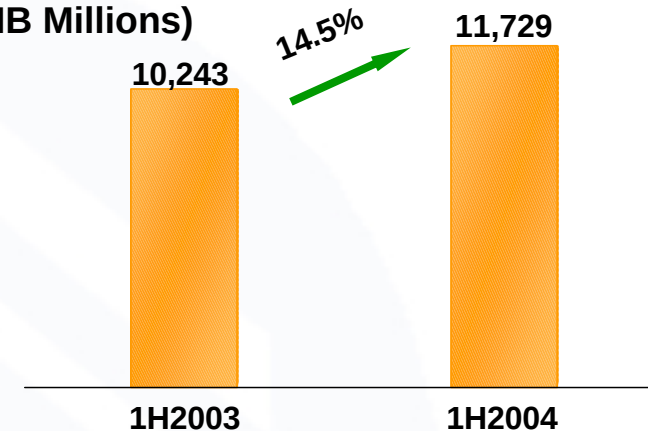
Subscribers

(Millions)



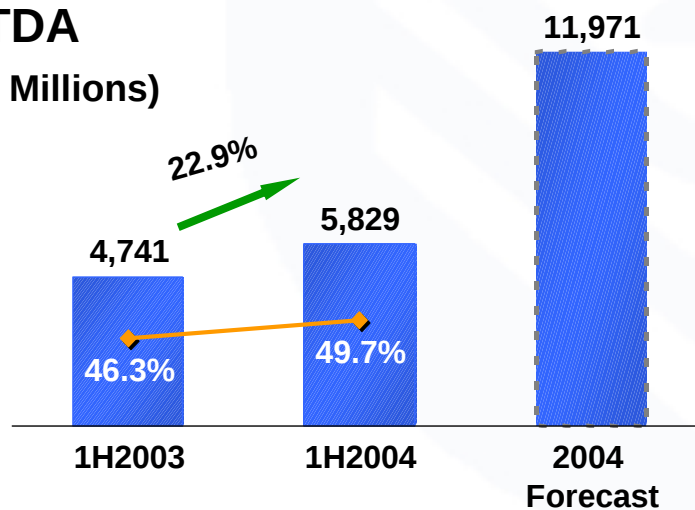
Revenue

(RMB Millions)



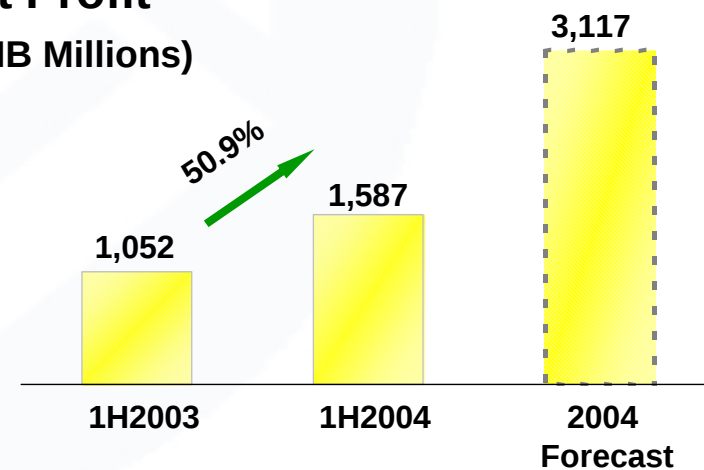
EBITDA

(RMB Millions)



Net Profit

(RMB Millions)

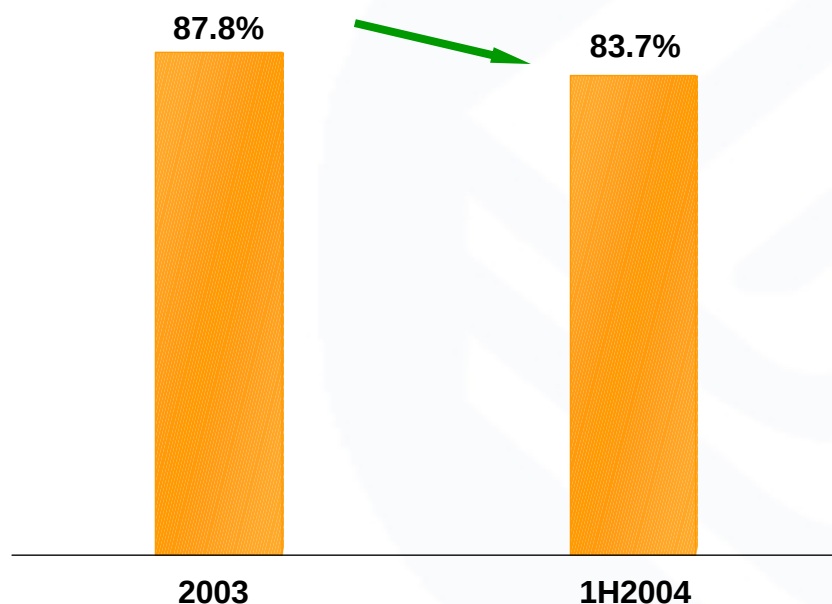


◆ EBITDA Margin

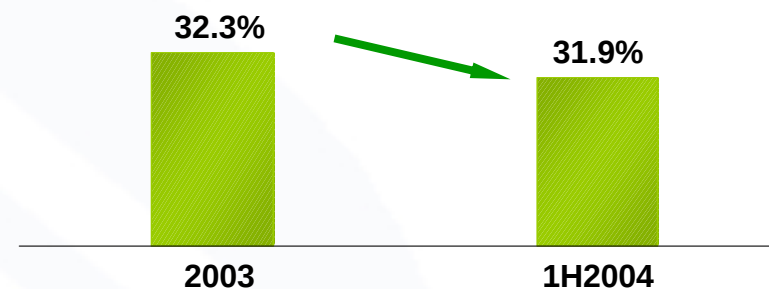
Improved Operating Efficiency



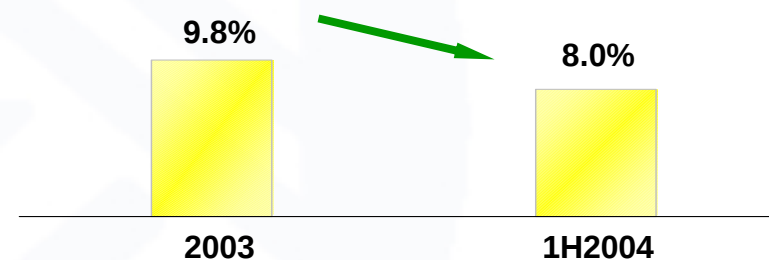
Operating Expenses/Operating Revenue



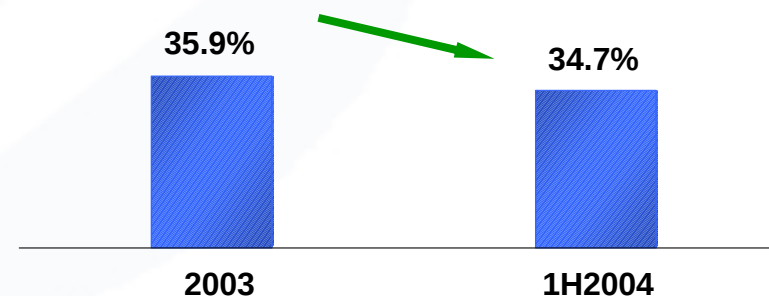
Depreciation / Operating Revenue



Personnel / Operating Revenue



SG&A / Operating Revenue

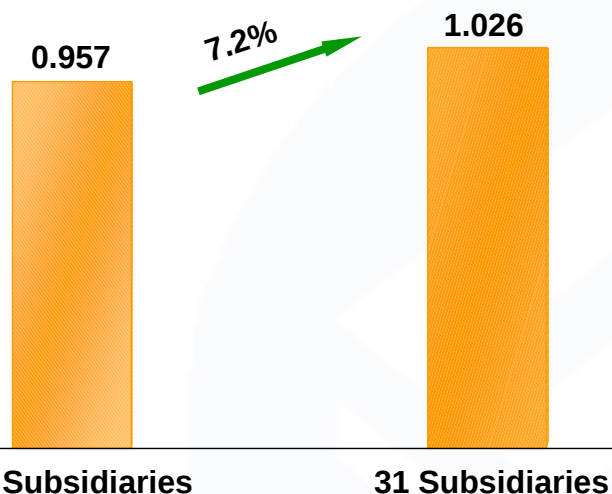


EPS Growth Boosted by Acquisition



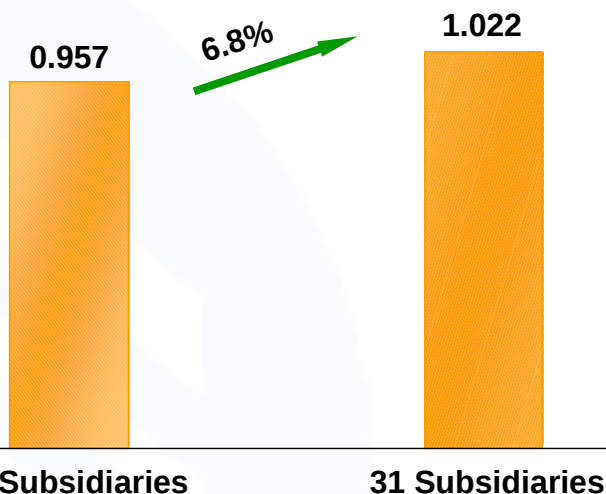
EPS Prior to Goodwill Amortization*

1H2004
(RMB)



EPS After Goodwill Amortization*

1H2004
(RMB)



- Reasonable valuation
- “Win-win” financing package
- Improved efficiency and synergies
- Broader opportunities for future earnings growth



**Increased
shareholder
value**

* Refers to goodwill of RMB2.86 Bn arising from this acquisition only

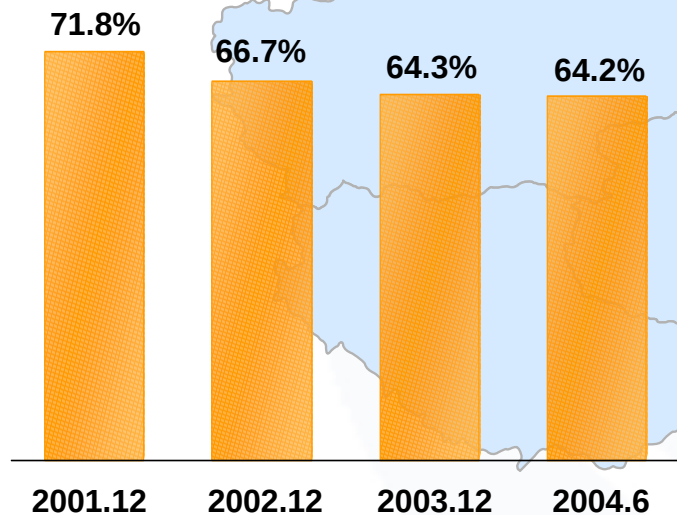
Assumptions:

- (1) The Acquisition was completed on 1st January, 2004
- (2) Forgone interest income at 1.02% p.a. on initial consideration of US\$2.0 Bn
- (3) Interest expense at 2.595% p.a. on deferred consideration of US\$1.65 Bn
- (4) Effective tax rate of 33% in relation to the forgone interest income

Future Prospects



Subscriber Market Share
(31 Subsidiaries)



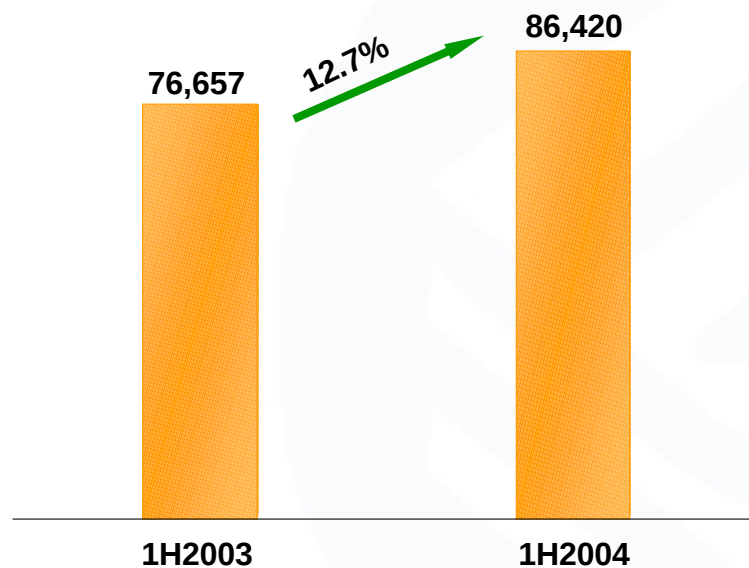
- Sustained and steady economic growth driving the demand for mobile services
- New businesses are continuing contributors to growth
- Nationwide footprint offers enormous potential
- Secure market position
- More orderly and rational competition will promote sustainable development

Financial Results

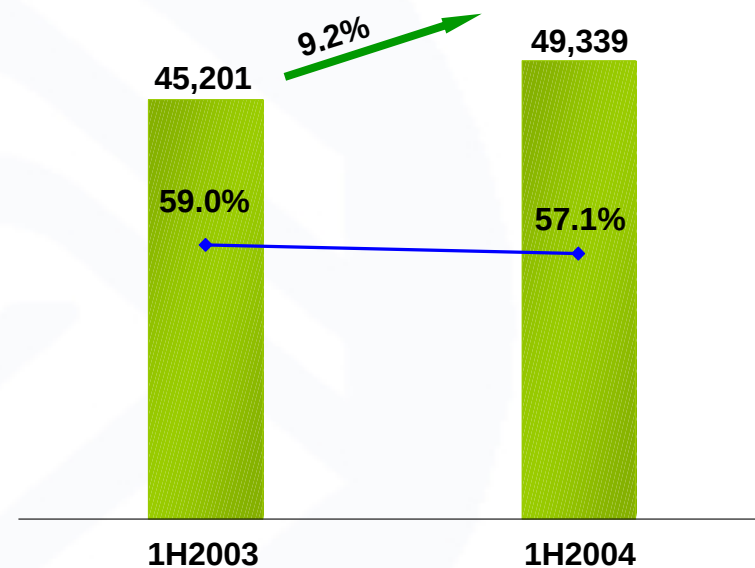
Revenue and EBITDA



Revenue
(RMB Millions)



EBITDA
(RMB Millions)



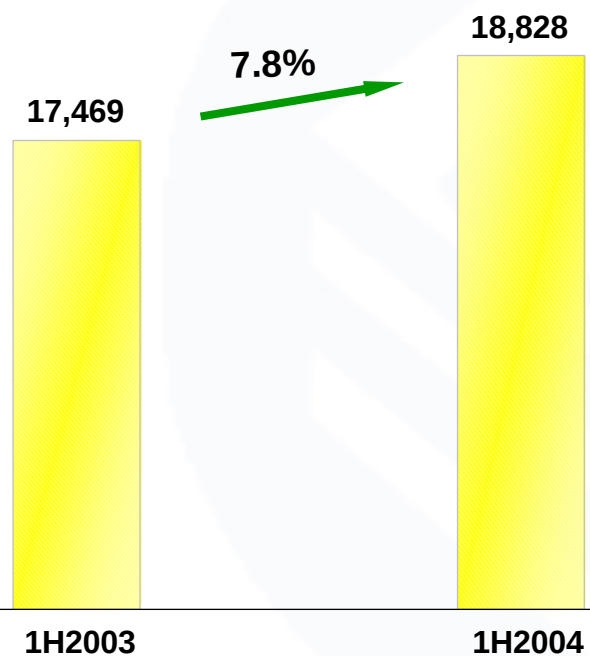
◆ EBITDA Margin

- Revenue increase driven by favorable growth of subscriber base, strong demand for voice services and new businesses
- Effective cost controls and economies of scale sustained a high EBITDA margin

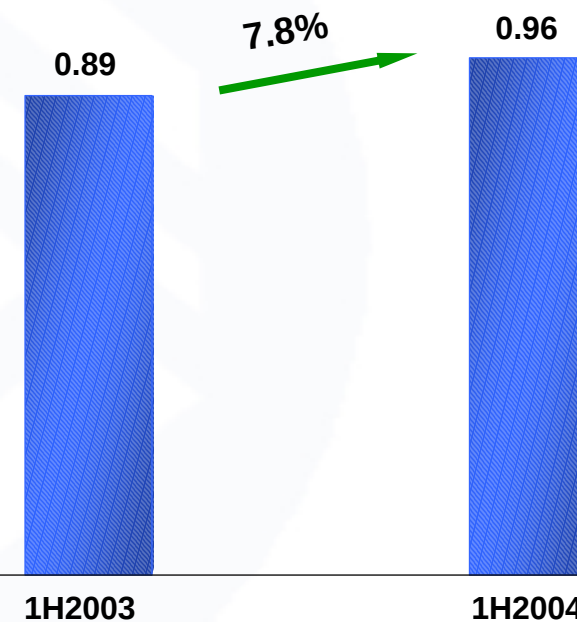
Net Profit and EPS



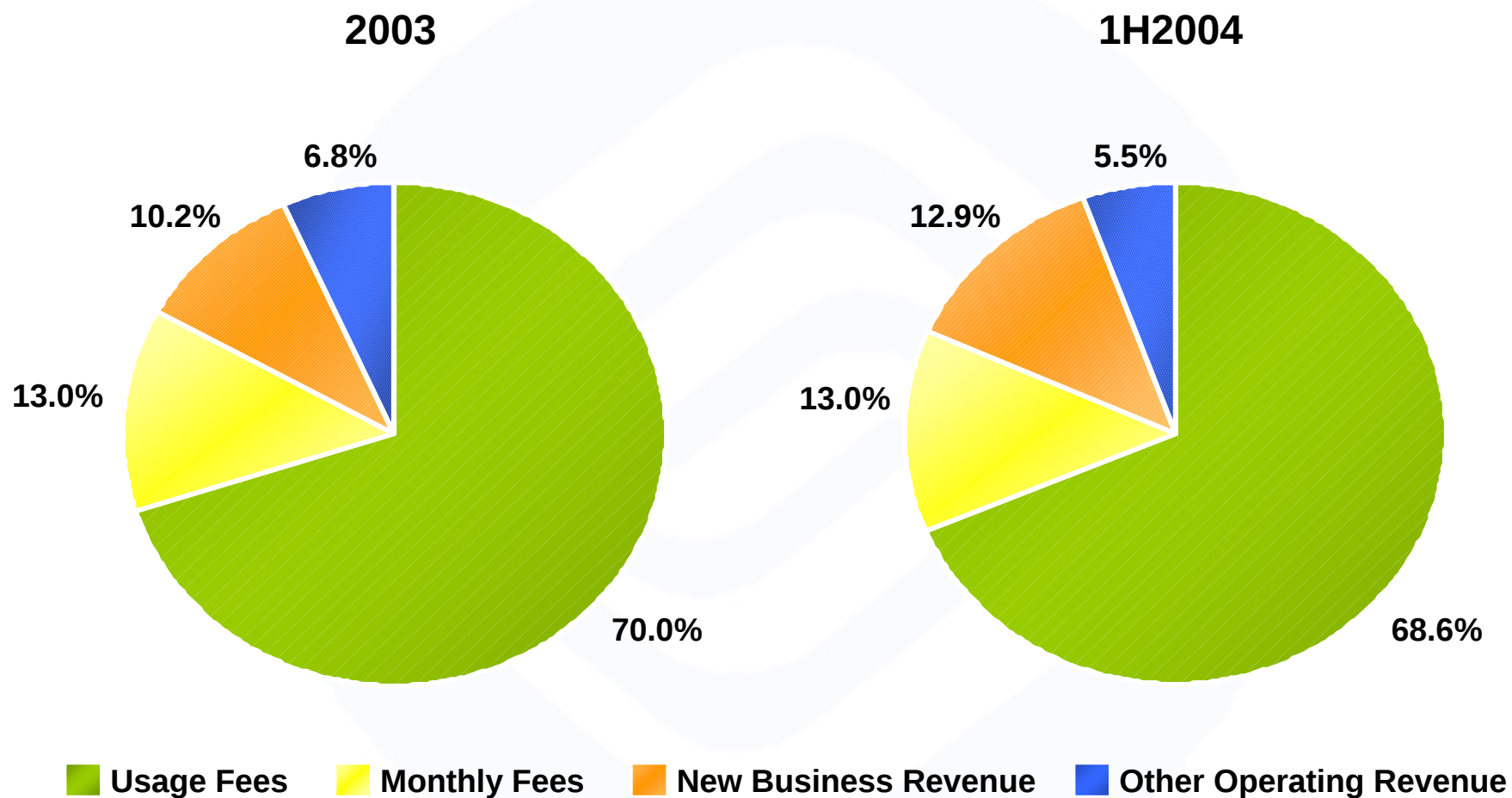
Net Profit
(RMB Millions)



EPS
(RMB)



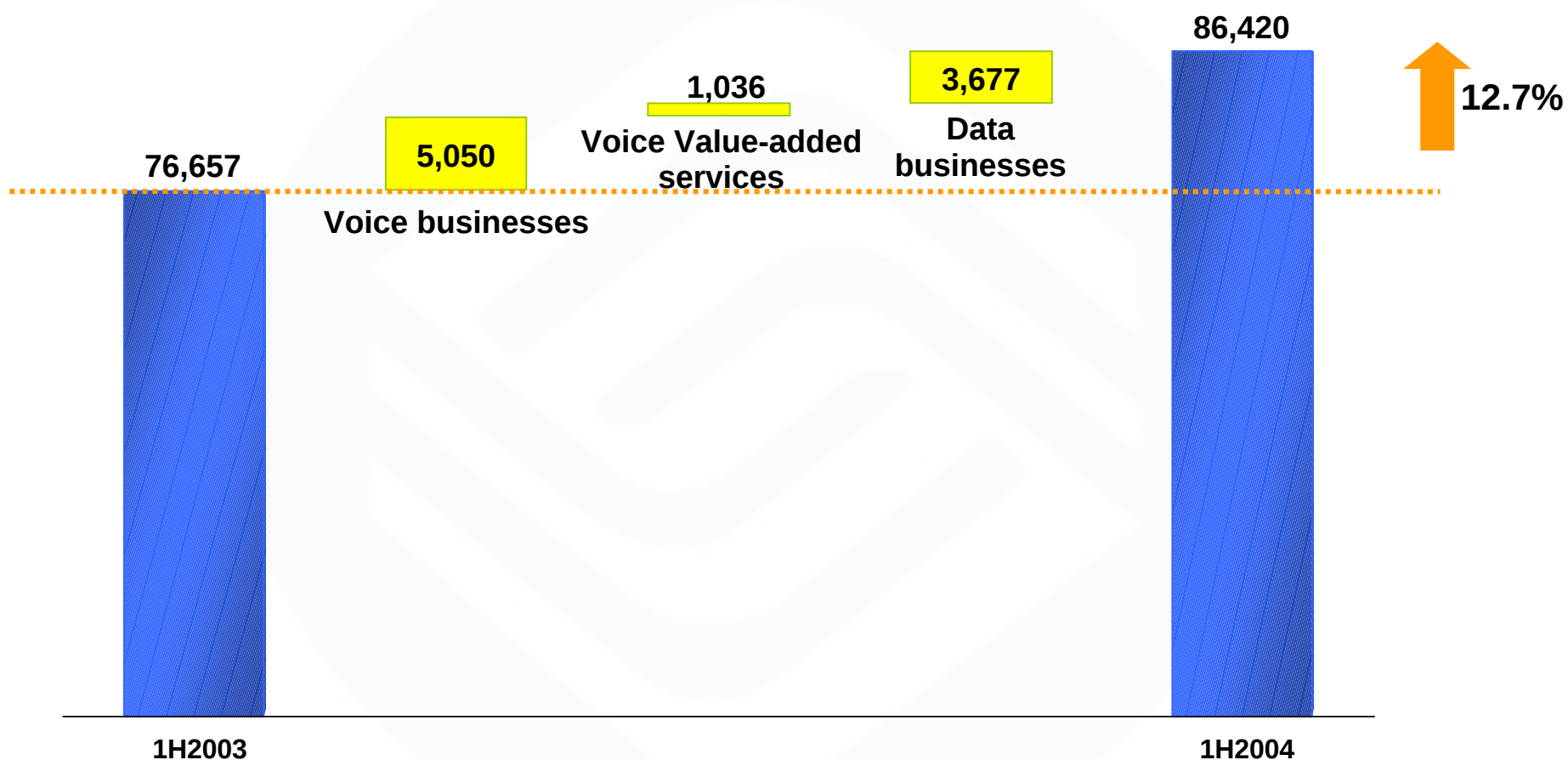
Revenue Composition



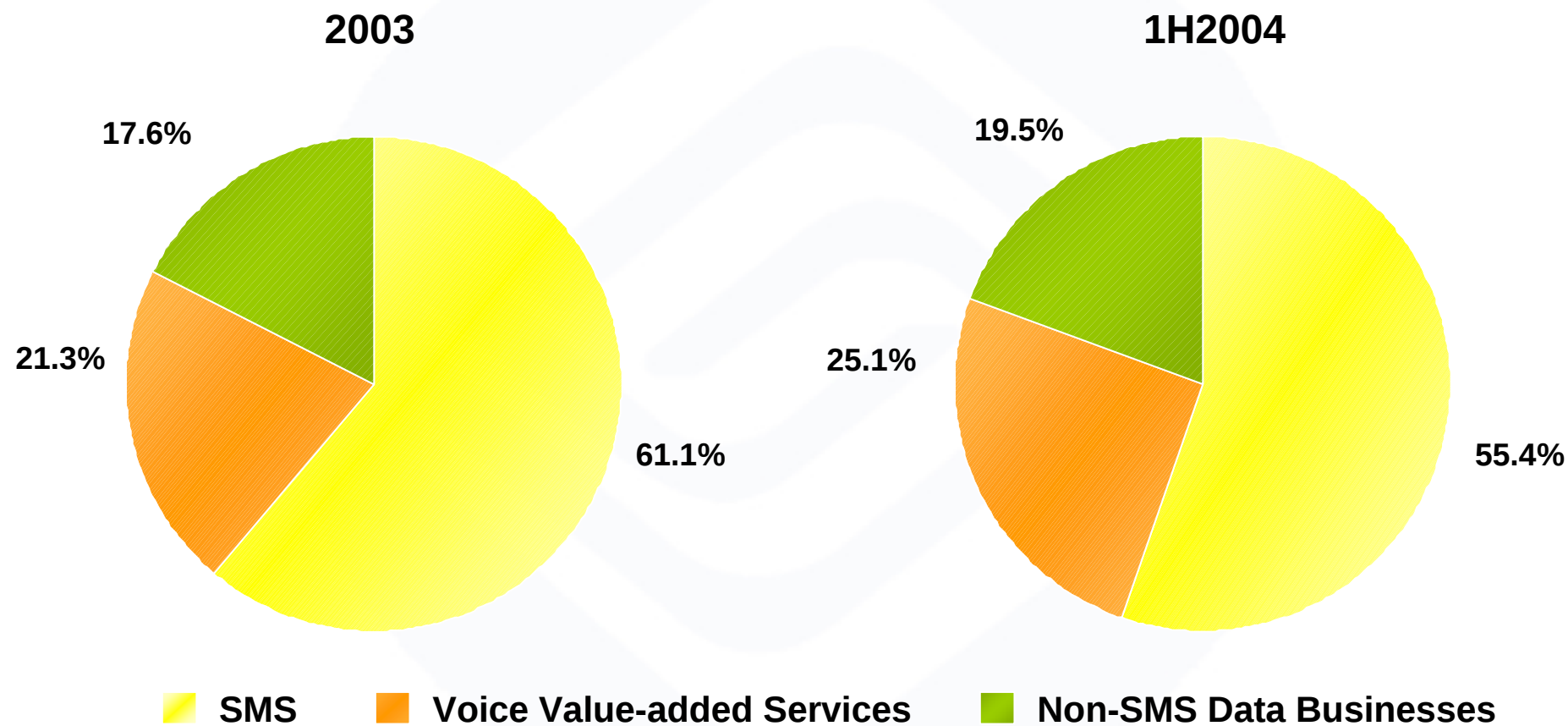
Composition of Revenue Growth



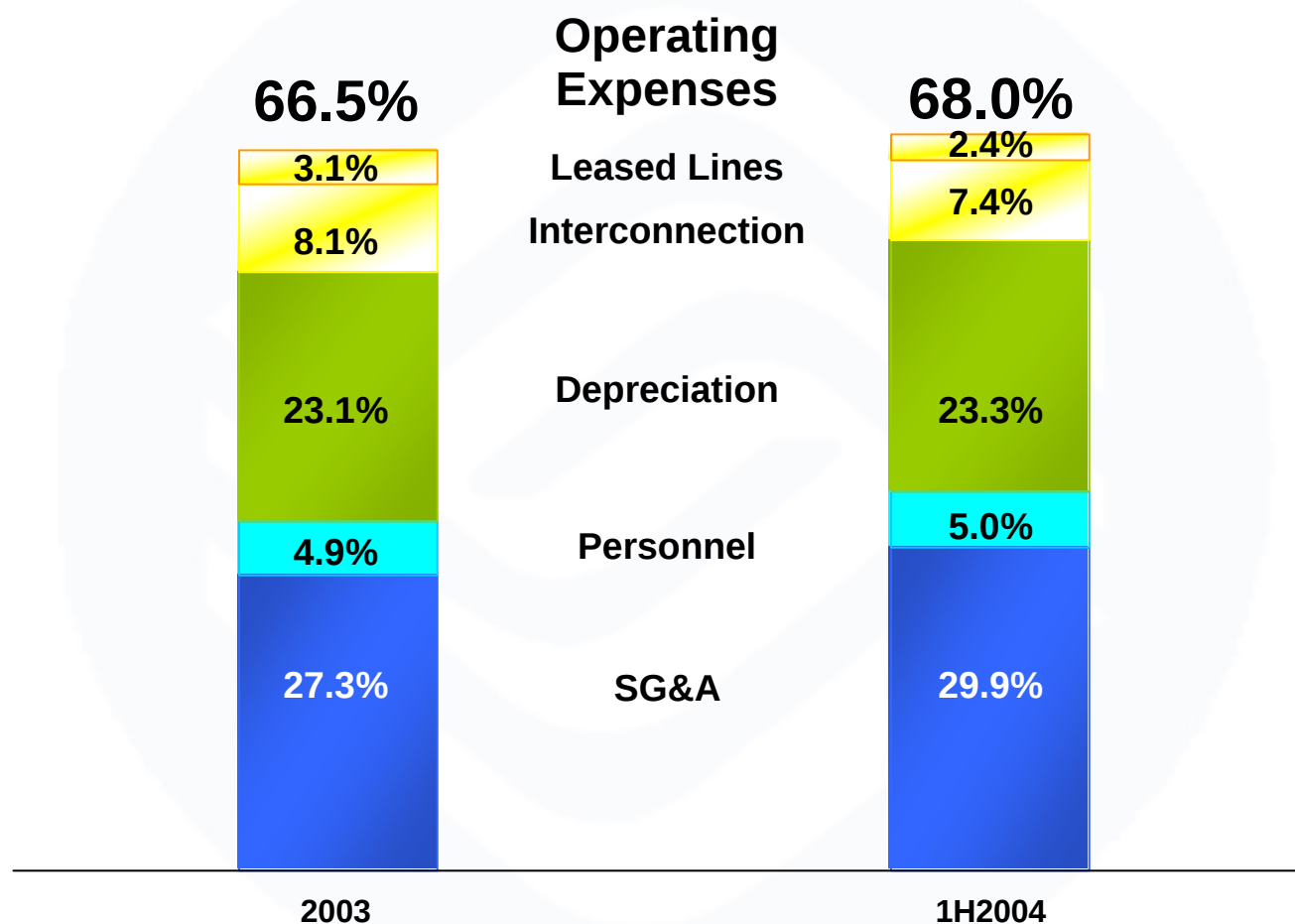
(RMB Millions)



New Business Revenue Composition



Cost Composition

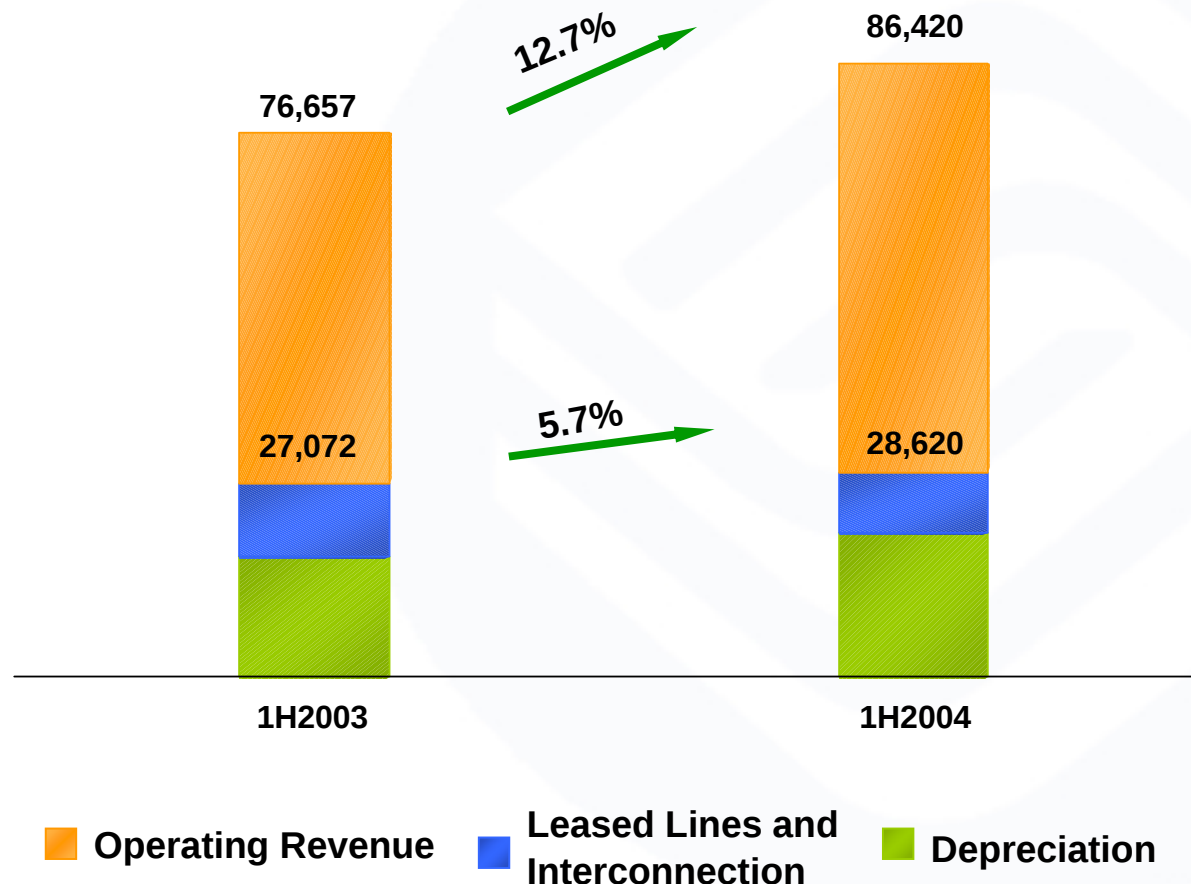


Note: The above data are expressed as a percentage of operating revenue

Effective Control of Network Operating Cost



(RMB Millions)

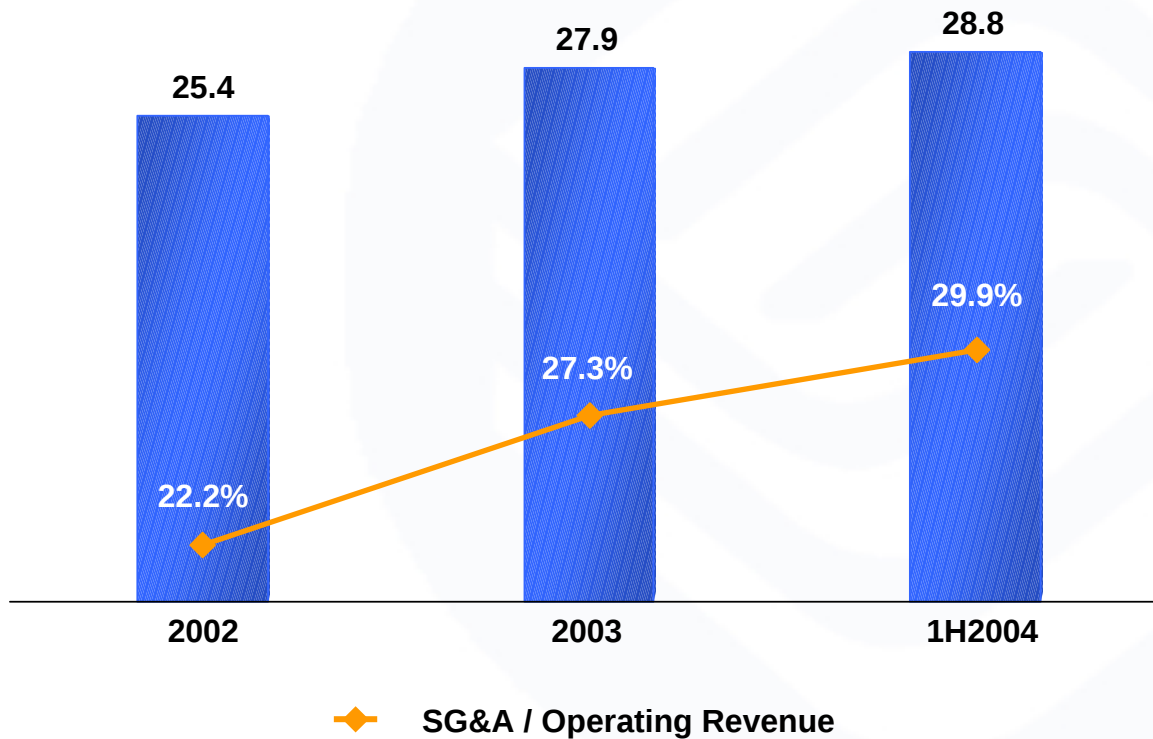


Operating revenue growth exceeded the growth in network operating cost

It effectively supported the savings in leased lines and interconnection

Although appropriate investments increased depreciation

Monthly SG&A per Subscriber (RMB)



Operating revenue and profits have grown steadily, with SG&A increase moderating

- Improved customer loyalty
- Expanded customer base

Rational and effective investment in SG&A initiatives

Solid Capital Structure



(RMB Millions)	31.12.2003	30.06.2004	01.07.2004*
Short Term Debt	15,217	9,386	12,887
Long Term Debt	29,383	28,979	42,635
Total Debt	44,600	38,365	55,522
Shareholders' Equity	198,803	213,465	213,465
Total Book Capitalization	243,403	251,830	268,987
Total Debt / Total Book Capitalization	18.3%	15.2%	20.6%
Cash & Bank Deposits	56,356	73,738	61,498
Net Cash	11,756	35,373	5,976
Interest Coverage	26X	35X	--

Credit Rating

S&P's

BBB / Positive



BBB+ / Positive

Moody's

Baa1 / Positive



A3 / Positive

* The capital structure as at 1 July 2004 included the 10 newly acquired provincial mobile telecommunications companies in Neimenggu (Inner Mongolia) and other provinces.

**The Only Operator in
Mainland China
Exclusively Specialized in
Mobile Telecommunications**



**中国移动通信
CHINA MOBILE**

THANK YOU

中國移動(香港)有限公司
China Mobile (Hong Kong) Limited
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Extracts from unaudited consolidated income statement for the 6 months ended 30 June 2004 – Appendix I



(RMB Millions)	1H2003	1H2004		1H2003	1H2004
Operating Revenue			Operating Profit	27,197	27,677
Usage Fees	54,528	59,284	Amortization of Goodwill	(936)	(929)
Monthly Fees	10,075	11,253	Other Net Income	1,097	1,502
New Business	6,392	11,105	Non-operating Net Income	222	261
Others	5,662	4,778	Interest Income	325	480
	<u>76,657</u>	<u>86,420</u>	Finance Cost	(1,088)	(803)
Operating Expenses			Taxation	(9,355)	(9,359)
Leased Lines	2,655	2,030	Profit from Ordinary Activities after Taxation	17,462	18,829
Interconnection	7,510	6,430	Minority Interest	7	(1)
Depreciation	16,907	20,160	Net Profit	<u>17,469</u>	<u>18,828</u>
Personnel	3,900	4,307			
Others	18,488	25,816			
	<u>49,460</u>	<u>58,743</u>			
Operating Profit	<u>27,197</u>	<u>27,677</u>			

Extracts from unaudited consolidated balance sheet at 30 June 2004 – Appendix II



(RMB Millions)

Audited
at 2003.12.31

Unaudited
at 2004.6.30

Current Assets

69,457

87,460

Non-current Assets

237,846

237,474

Total Assets

307,303

324,934

Current Liabilities

(78,150)

(81,612)

Non-current Liabilities

(30,168)

(29,674)

Total Liabilities

(108,318)

(111,286)

Minority Interest

(182)

(183)

Net Assets

198,803

213,465

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.