CHINA MOBILE LTD. (ADR)

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Stock Rating:
SELL

Target Price:
$9.09 per ADR

Market Value: (*as of April 15,2003*)
$10.03 per ADR

Valuation Method:
6-Year FCFF Model

52-Week Range:
$9.85-$17.75

CM stock price – a downward trend

2002 Summary:
China Mobile faced great challenges as a result of a market evolution and greater competition. As the number of mobile subscribers in urban China reaches a greater degree of saturation and revenues from existing users are declining, China Mobile faces major threats from China Unicom and its' new rivals. Competition was intense this year with China Mobile also issuing a threat to China Unicom to relax its pricing system lest it risk a price war. Furthermore, towards the end of the year, the big four Chinese Telecom companies were finally given the green light for competition amongst each other on a wireless level. It now appears that China has laid the groundwork for a competitive wireless industry by 2005, a potential danger to China Mobile's future success.

Executive Summary

China Mobile (HK) Ltd. (CHL) is the dominant provider of wireless telephony services in 21 Chinese provinces. At year-end 2002, China Mobile had 117.7 million cellular subscribers, representing a 57% market share of China's wireless subscribers (54%, if PAS subscribers are included) and 66% of the subscribers in its service areas[i]. CHL is 74.6% owned by China Mobile Communications Corp., which is in turn 100% owned by the Ministry of Finance.

Our main discussion is to objectify the value of the company to determine whether the company will be valuable to foreign investors.

China's wireless market is characterized by intensified competition and declining revenue per user. China Mobile is entrenched in a marketing battle between the PAS providers and Unicom, while China Telecom and China Netcom are reading themselves for CDMA entries. The PAS providers will now push their strengths forward as they will target larger cities, and China Unicom, decreasing profit margins into the future as the wireless market is shrinking to marginal users. As a result we arrived at greatly suppressed and in 2005, the peak year of new market entrants, even negative growth expectations. These estimates might seem bold given China Mobile's past performance. We are confident that our analysis will show that China Mobile is justifiably valued at $9.09 per ADR, off from $10.03 that China Mobile is currently traded at.

Synopsis of critical developments

Prepaid pricing has been a pocket of pricing strength for China Mobile, which will now come under pressure in 2003. China Unicom's prepaid CDMA services, expected to debut in second-quarter 2003, are likely to place downward pressure on prepaid GSM tariffs, being that CDMA currently is priced 70-80% of GSM. Meanwhile, limited mobility personal access system (PAS), "little smart", launches in major cities have hurt GSM postpaid tariffs and monthly fees. The increasing presence of PAS in second-quarter 2003 and the advent of CDMA technology should lead to unprecedented declines in GSM tariffs, both prepaid and postpaid.

The current changes in the wireless market have led to lesser purchasing value from consumers, resulting in a longer subscriber payback period. As shown in Figure 1, China Mobile's subscriber payback period has lengthened by nearly four months over the past two years. China Mobile's blended subscriber acquisition cost (SAC, defined as SG&A per gross addition) has risen from CNY630 (US$76) to CNY1, 050 (US$127) between the second half of 2000 and the second half of 2002.

The following factors will be considered and are integral to China Mobile's future performance:

Cash Flow-Destroying:

- New entrants fuel Price-based Competition. Revenue will decline.
- Declining CapEx Efficiency. Incremental Capex does not generate as much revenue as it has done historically, but given past manager successes, this is yet to be seen.
- Margin Contraction. Rising subscriber acquisition and retention costs.
- More Regulatory Costs: USO Fee. In addition to the number fee introduced in January 2003, we expect CHL to be subject to a USO fee beginning in 2004.

Cash Flow-Enhancing:

- Acquisitions. Ten remaining provincial franchises.
- New Revenue Sources. Wireless data, value-added services, must increase capability to rural areas.

With these continually negative factors to China Mobile's current and future growth, as well as the added risk when considering future solvency and profitability as a company, our analysis has turned to a more a qualitative approach. We tried to discern how China Mobile would perform as a result of a larger variety of challenging changes in the mobile telecommunications market. As much as it was tempting to judge China Mobile by its past success as a monopoly, we are certain that that success cannot be repeated in the competitive environment that will have been created in China by 2005.

Historical Information

Country Analysis:

Greater China

China is the world's most populous country and the world's fourth largest country, with a massive population of close to 1.3 billion people. The population is currently growing at a rate of about 0.87% with the birth rate outpacing the death rate by more than a 2:1 ratio. Currently has a socialist government, The Chinese Communist Party where the president is elected by the National People's Congress for a term of five years, The CCP still dominates the entire political spectrum in China, and all important administrative positions in the government are held by party members.

CM's Regional Coverage

As globalization knocks on China's door, the conservative societal and political environment falls short in meeting the demands of its reforming economy. There is a huge disparity between rural and urban incomes that is growing quickly. As "State-Owned Enterprises" are being restructured and downsized, unemployment figures continue to rise. Corruption also continues to be a chief threat to the emergence of China as one of the most prosperous nations in the world.

The Eastern Seaboard is the engine of the Chinese economy, where the majority of the mega-cities are located. It is in the rural, underdeveloped areas of China where unemployment rates are substantial. The China that the Western world perceives is that of the overcrowded metropolis when in reality much of China is rural. With China's recent admission to the World Trade Organization it has opened itself up to new imported products and other foreign investments with its society trying to adjust to this new trade and the ideals that travel along with these new imports. Only the future will tell just how "Westernized" China will become, and whether the disparity between and the rural and city regions will be resolved.

China's investment climate has changed dramatically in the last 20 years. Prior to the early 1980's, foreign firms had to form joint ventures with Chinese companies to sell on the domestic market. With reform, foreign firms were allowed to manufacture and sell on the domestic market. China remains the leading developing country with inward foreign direct investment, with over $400 billion in FDI. The utilized FDI in 1983 was less than a billion dollars, but has grown to close to $47 billion in 2001.

For the last ten years, China has shown positive GDP growth, at least seven percent each year. During the mid-nineties, China had stable growth and low inflation, however, the same stringent monetary policies that allowed for this, caused deflationary prices in the late nineties. Now, despite growing foreign investment and steady GDP growth, China suffers from high unemployment and lack of rising prices, which may cause long-term problems for the world's most populous nation. China's exchange rate has remained stable, even in the wake of the Asian financial crisis, due to strict foreign exchange controls and a large accumulation of foreign currency reserves ($230 billion).

In the last ten years, the Chinese macroeconomic environment has changed dramatically. With the world economic market changing so dramatically in the last ten years from a boom in the west in the mid to late nineties, to the recession-like environment that the west faces today, China's macroeconomic policies have slowly changed to open up their markets and change in response to the changing economic world around them.

Future Outlook:

Since the historic economic reforms that took place in 1979, privatization has grown in China. However, the state-owned enterprises still play a pivotal role in the Chinese economy. The communist party still maintains the final say in all economic policies as well as managerial appointments in all financial institutions and major industrial companies. To help bolster the economic environment, the Chinese government has taken concrete steps to improve the infrastructure of the urban and especially the rural areas of the country.

Despite, the government's incentives to attract foreign investments, the rudiments of the investing environment in China are still flawed and require a major renovation. Some of the areas that need attention are the legal structure, restricted foreign exchange and the failure to enforce contracts and decisions made by the court. Despite these hurdles, the foreign direct investment flowing into China has grown remarkably.

The Chinese market is one of the biggest and most sought after market for many countries. With the accession of China to the World Trade Organization, Chinese markets are more open to foreign goods and services. However, there are still many restrictions on imports through high tariffs and custom regulations, import quotas, import licensing, weak legal framework and anti-competitive practices such as local protectionism and preservation of industry-wide monopolies.

GDP growth for China is expected to remain above 7% over the next decade. Although these predictions might seem overly optimistic given the past validity of such statements for other countries, China carries a large untouched potential. Its ability to sustain its current high growth rate will be determined by the process of development in its rural areas. Forming the largest part of present day China and inhabiting nearly 2/3 of China's population these areas stand in sharp contrast to the cities on China's east coast. The optimistic consensus predictions for growth above 7% will therefore stand and fall with China's success in its interior.

That said, China continues to be a very large untapped market, with huge potential, very dependant on future policies of expanding domestic demand and market demand are major forces driving economic development and if China can continue to rollout its' Infrastructure investments including roads, property, and power grids, to the urban population, which has risen 21.8% in the past few years.

China's Telecommunication

Industry Overview

China is currently the world's top market for cellular phones, with 200 million subscribers as of 2002. This figure, more than two-thirds of the US population, in nominal terms, still represents a relatively low penetration rate of 20% for all of China, 11% for the Mainland. In recent years the mobile industry has seen tremendous growth. However, this growth comes with an asterisk, as 50% of mobile subscribers are located in 30 larger, mega-cities, essentially the urban areas on the eastern seaboard.

China was historically among the most conservative and controlled cellular markets in the world, with rivalry tightly controlled by the government. An industry which China has protected from competition, and which strived from China's centralization of the fixed line telecommunications industry, will soon be open to not only the main Chinese competition of China Mobile (70% Mk Share), China Unicom (11%), China Telecom and China Netcom, both fixed- line providers, but possibly to outside nations.

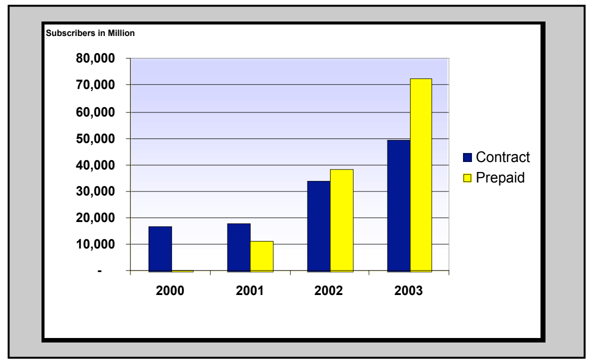
Chinese government officials have recognized the importance of cellular telecommunications and have worked out ambitious strategies for mobile telecommunication development in the coming 12 years. According to government plans, all cities above the regional level will be covered by mobile service and 95 percent of the county-level cities and certain villages and towns with main transport lines will also be covered. They created two commissions to oversee future growth in the industry, MII for overseeing current conditions, as well as tariffs and licensing, and the ITU, to determine the future of a CDMA technology.

The MII has become one of the most important government agencies in China. It was created to 1) improve the electronic information products manufacturing industry and the communication and software industries; 2) draw up development strategies, policies and regulations for the industry; 3) be responsible for the overall planning and construction of the national communication backbone networks (including local and long-distance telecommunication networks), radio and television (including wireless and cable television), special communication networks for the military industries and other government departments; 4) reasonably allocate resources and prevent redundant construction; 5) oversee information security; and 6) administer and supervise the information industry. This commission has forged China Mobile's only competitors. China Unicom was a reply to China's promise to allow competitive environments, when joining the World Trade Organization. China Telecom was split up, with the Northern Provinces, now being controlled by China Netcom. A new minister of MII is expected in March, with potential implications to the new Telecom Laws that will arise by the end of this year. In addition, increased pressure to make the industry more globally competitive could factor into the new laws.

While the International Telecommunications Union (ITU) works on developing a consensus about an international standard for CDMA networks, China is holding back from large-scale investment in its own CDMA network, thus avoiding a concrete CDMA policy. The U.S. government has raised this issue with China several times this year and Minister Wu Jichuan (MII) has agreed to

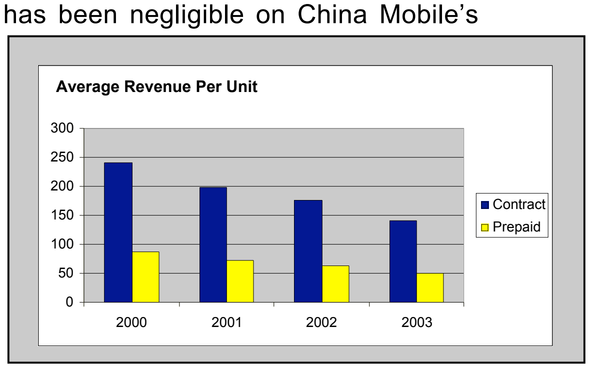
accelerate work on unresolved questions about CDMA control, construction, technology transfer and interconnectivity, but has not committed to a date certain for commercial deployment.
Chinese sources say that once the ITU sets an international standard for CDMA systems, the government will begin investing on a large scale in China's CDMA network. They also predict that if CDMA commercial deployment is handled responsibly and with adequate coverage and support, in five years CDMA penetration in China can account for 30-35 percent of new subscribers.

China Mobile and Current Industry Status Quo: Heavy Competition



China Mobile networks are essentially based on the cellular service network known as GSM, a service with the capacity to roam to countries and regions sharing the same system. At present and in the near future, China's mobile telecommunication network will be primarily based upon a digital network supported by the older analog network, to protect the existent user base and so as not to render previously invested capital useless. China Mobile has been extremely successful in the Chinese Market, the largest provider of mobile services in China and in the world, with a customer base that covers 66% of the total cellular customers in its service areas, yet it is limited in it's service areas. China Mobile acquired 10 more regions in 2001, from its' previous 8, yet is still limited to the eastern seaboard, where they have already reached about 15% penetration, until infrastructure is installed in the rural areas. In the last five years, it has been able to maintain a very high growth rate of revenue close to an average of about 70%, which reflects the growth of China's economy as a whole. However, a trend developed in the past two years, which has contract/prepaid users growing at a decreasing rate, while a boom has occurred in the prepaid market[ii], thus detracting from China Mobile's high end business and industry strength that is associated with their prepaid services.

CDMA rival, China Unicom, owns about 11% of the market, and has been in a price war with China Mobile for the past year. China Unicom contract services are currently about 85-90% of GSM pricing, while their mobile handsets continue to sell at a US$20-50 premium.
Possibly the most influential threat for China Mobile comes from a cellular service network known by the name of Personal Access System (PAS), a limited service network, applied by China Telecom and China Netcom, fixed line providers. This relatively new introduction into the cellular market, popularly known as the "Xiao Ling Tong" network, has thus far met with remarkable success in China. The major advantage for this kind of service is its low-cost, with PAS instruments typically priced 50-70% lower than GSM instruments and their tariffs typically 20-30% lower than GSM tariffs. Other advantages include cheaper handsets, about 20% cheaper than GSM and 50% less than CDMA, 50% off incoming calls, and the ability to switch SIM cards if a user leaves a region. The pricing has caused an increasing number of dual usage subscribers, who would like to avoid incoming call charges associated with GSM/CDMA, but would like the range that comes with those technologies.
So far, the effect of the introduction of PAS networks has been negligible on China Mobile's market, with the notable exception of the city of Chengdu, primarily because expansion efforts have so far been concentrated on more rural areas rather than the 30 mega-cities that make up the bulk of China Mobile's market. Judging by the remarkable growth PAS networks have seen in the last two years in cities such as Chengdu, Harbin, and Changsha, "little smart" has become a major competitor. They currently operate in 21 regions, and have much potential for



future expansion. China Mobile will not compete directly with the fixed line providers, China Unicom and China Telecom. Despite fixed line growth, it is yet to be seen whether this technology can compete in the long run against China Mobile. China Mobile plans to segment the high- end (primarily business- will provide higher service), middle-end (students- focus on billing flexibility), and the low-end market (lower prices when user uses near home- cold affect fixed line subscribers as they already operate with a low EBITDA margin).
Due to the increased competition, the benefits system of tariffs, forged by China Mobile and China Unicom, has faltered. China Mobile declined 19.5% in Average Revenue Per User[ii], driven by a 16.8% decline in postpaid/ contract tariffs and a 7.5% decline in prepaid tariffs. The current price war has also declined monthly fees to customers by 3%. The average revenue per unit has decreased in the past 3 years as the number of subscribers has increased, because of the number of marginal users and because the decreasing value of tariffs.

Foreign Competition

One possible scenario would allow for foreign companies to enter the Chinese market. It is a very unlikely event though, given the Minister of Information's recent comment that there will be no foreign carrier in the market for the next 20 years. This is a definite security for China Mobile's long-term strategy, and is thus a source of threat that is not very substantial.

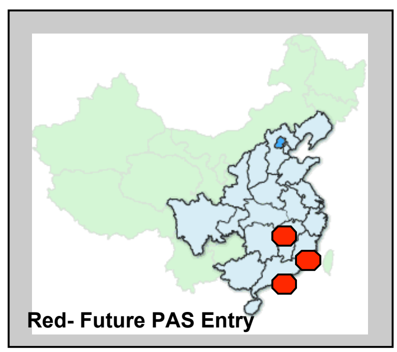
Prospectus Industry Concerns

Future Market Concerns:

- PAS- "Little Smart" Expansion to Major Cities
- Increasing Prepaid Competition
- 3G - Next-generation CDMA: 2 new entrants by 2005 and more competition
- Increased Regulatory Costs
- All will contribute to the current Price War- Supply already exceeds Demand
- Continued Irrationality of Operators

PAS- The Future Developments

In the 2nd quarter of 2003, PAS networks will be launched in several of these 30 mega-cities, doubling the capacity of the network to a number of major eastern and coastal cities, which are the mainstay of China Mobile's profitability. This is judging by the remarkable growth PAS networks have seen in the last two years in cities such as Chengdu, Harbin, and Changsha, with the number of subscribers growing 250% from 3 million to 10.5 million in this period. Chengdu Telecom, a subsidiary of China Telecom grew its' subscribers from zero to 700,000 between March 2002 and February 2003, despite the presence of GSM and CDMA technologies.



Despite past failure of the PAS network and its' negligibility to China Mobile in the past, it is likely that the further introduction of these services in more mega-cities will become a major threat to the more expensive GSM networks of China Mobile, in particular, placing significant burdens on China Mobile, where a majority of its' subscribers are located. Despite China Mobile's downplay of the PAS system, claiming that it targets low-end users not in Mobile's market, the movement by PAS to the mega-cities should show a substantial drop in China Mobile net additions, and will force China Mobile to decrease it's tariff pricing to remain competitive.
Not only does this competitive threat put pressure on China's future revenue growth, it also forces China Mobile to take corrective action. Since PAS is moving into the future heartland of Chinese

economic growth already China Mobile will be forced to make a similar move earlier than it might have been expected without competition. The rural areas are still underdeveloped though. Trying to establish a presence in these regions will mean to incur lower revenue/CapEx payoffs. This creates upward pressure on CapEx in nominal terms and in relation to revenues.

Prepaid Competition

China Mobile has operated in a non-competitive environment in prepaid competition. It doesn't offer the full array of services of GSM, but it has low pricing because of lesser tariffs, slightly above PAS but more flexible usage. In the 2nd quarter of 2003, China Telecom and China Unicom will offer their own prepaid services to compete with China Mobile's growing division. This will inevitably decrease the tariffs that China Mobile has on its' prepaid services. Prepaid tariffs decreased 7.5% in 2002; so similar figures are expected for 2003.

2005: Judgment Day for China Mobile

China Telecom and China Netcom are expected to receive 3G licenses in 2004, allowing them to launch wireless services in 2005. To balance the competition, the Chinese government will split up new additions in the launch year, both receiving 23% of the total. This will have a negative effect on China Mobile growth, but it yet to be seen if China Mobile can leverage their current service and loyalty offerings to keep customers, or if Telecom and Netcom can leverage their fixed line standing into a healthy client base. This upcoming battle is the main reason for our depressed growth assumptions.

The potential selection of the next generation may bear more on China Mobile's future. While China has authorized the trial of several CDMA systems the government has still not licensed these systems for commercial use. China Mobile has so far chosen to prepare for the European W-CDMA standard. Should the Chinese government decide to go with the Qualcomm standard CDMA2000 though, these efforts will be in vain. Furthermore, Unicom would be in an advantageous position due to their preparations for that standard. The government could very well decide for a third standard though. TD-SCDMA has been developed by Siemens and has also been the subject of research funding by the Chinese government. Should authorities enforce this standard, China Mobile would have to make changes to its strategy and planned supplier bases. No matter which standard will be chosen, implementing that standard will require increased capital expenditures. Due to the incompatibility of GSM and CDMA existing networks would have to be slowly phased out. The process equals a re-planting of an existing network.

Increasing Regulatory Costs:

Though not considering in our current valuation, the MII will institute a USO fee in 2004, similar to Korea's USO regime. China Mobile's USO fee is expected to amount to 0.6% of service revenue in 2004 and to rise to 1% of revenue by 2005. In Korea, all operators (including the fixed line operators) contribute to a USO fund that is intended to compensate the universal service provider for constructing unprofitable lines in rural areas, with the dominant mobile operator (SK Telecom) bearing the largest USO burden (in 2002, SK Telecom paid a USO fee equivalent to 1.01% of revenue to KT Corp.). China is expected to announce the fee imminently for two main reasons: 1) the need for accounting clarity following the public listing of China Telecom Corp. and the pending IPO of China Netcom; and 2) the rising proportion of rural lines among newly installed fixed lines in service, raising the universal service loss.

The MII has introduced two new regulatory expenses, a spectrum fee and a number fee. It is unknown how much these fees will detract from revenues, but these will have a negligible impact on China Mobile, as these will be universal fees to all competitors, as well. Additionally, Requests from fixed-line operators could portend additional changes in the current competitive/tariff structure in China.

Current Price War= Allow Future Revenues?

Two years ago, China Mobile and its main competitor China Unicom were allowed to introduce a multi-tiered tariff system. Heavy regulation made China Mobile one of the world's most profitable mobile companies, and so this new wave of deregulation was threatening to the company. The earlier heavily regulated policy was essentially based on letting China Unicom undercut China Mobile's tariffs by 10 % in order to build it into a credible competitor for the former state-owned monopoly. As a result of this looser regulatory policy and new tariff system instituted in the last few years, competition between China Mobile and China Unicom has intensified leading to lower earnings growth for both companies. Furthermore, considering the above factors and the emergence of Pas, it is likely that there will be a reduction in FCF visibility for China Mobile. It is possible, though; that the CDMA technology will create a need for them to update their technology and increase Capex per user in response to these new more technologically advanced networks.

A natural bi-product of increased competition in the cellular market in China is escalating marketing costs. This is simply to say that as the number of cellular service providers and consequently the supply of such services continue to expand in China, and the total demand remains fixed and moreover the incremental demand declines, wireless pricing will be forced downward. We have already seen this happening as a result of the introduction of China Unicom into the market. Even then, owing to government protection, it was then possible for both these companies to acquire subscribers with the minimum marketing expenditures. However, as a result of the combined effect of increased supply of wireless services and also the introduction of services with lower tariffs, China Unicom and in particular China Mobile now have no option but to adapt to this new situation. In other words, not only do they both have to simultaneously reduce their tariffs, but both also have to raise their marketing expenditures in an attempt to keep as much of their existing customer base as possible and to grab as much of the new markets, particularly the rural areas, as possible. Those latter target markets will initially decrease the marketing expense to created revenue ratio significantly though. This is adding to the pressure on a variety of crucial margins and the increased uncertainty that has become part of China Mobile's future.

Valuation

China Mobile: A Financial Outlook

China Mobile Hong Kong Ltd. is owned to 76% by China Mobile Communications, which is directly subordinated to the Ministry of Information Industry. Its remaining share is distributed over institutional and private investors. One of the most decisive developments in change of ownership since the public offering of China Mobil has been the gradual acquisition of a 3.27% stake (latest acquisition mid 2002) by Vodafone, Europe's biggest mobile phone carrier. In the scope of this investment Vodafone entered into a strategic alliance with China Mobile, aiding the booming company with European expertise while securing its first step into the potentially biggest market of the world. No other notable telecom company was able to secure such a stake.

The majority owner China Mobile Communications is not really interested in profits but the long-term success of the Chinese phone market. In conducting our evaluation we will have to be aware of the willingness of the Ministry of Information Industry to sacrifice the relative market share of its spin-offs China Mobil, Unicom, Netcom and China Telecom in order to achieve the politically desired market structure. The Ministry, through licenses and regulations, has the ability to mold the competitive landscape.

China Mobile's net profit has grown phenomenally in the last five years. The net profit from 1999 to 2000 grew more than 275 percent.2001 was also a very good year for the telecommunications industry in China. China mobile posted net profit growth of over 55% while China Unicom, China Mainland's second largest telecommunications provider also posted a net profit growth of almost 38%. This rise in productivity was mainly due to rising income levels in China and with the rapid opening of China's economy. The rapid opening of the Chinese economy has fostered the need for cellular phone services, which has led to the healthy financial numbers that China Mobile enjoyed at the time. 2002 was also a relatively good year for China Mobile in terms of net profit with a more than 33 percent rise in profits. However, in recent months there has been relatively very little good news in the Chinese wireless sector including the threats of CDMA, PAS and possible new licenses. The stock price of China Mobile is at one of the lowest in the last 52 week period (as of January 27th 2003) The China Mobile Hong Kong shares have been one of the worst performers in the Asian telecom sector since January 2002. With their growth in profits, their taxation rate increased a little more than 16.5 % in 1997 to 32.847% in 2001. China Mobile also invested in capital expenditure. Their fixed assets grew close to 600 percent from 1997 to 2001; however their long-term debt also increased almost ten times in the same period. Similarly China Mobile's equity also increased from HKD 54.5 billion to HKD 111.779 billion in the '97 – '01 time period. The net cash flows from operating activities increased from HKD 41.4 billion to close to HKD 64 billion from 2000 to 2001.

Two decisions that will have an immediate result on the cost and competitive structure China Mobile faces stem from the debate on 3G technologies. China Mobile will have to deal with a variety of new costs and negotiations with technology suppliers, depended on which form of CDMA the ministry will decide on. Since China Mobile has already developed plans on adopting the European standard, any other CDMA standard would throw them back in the planning stages and create opportunity for its competitors. The second decision that could have adverse effect on China Mobile's financial performance is on the subject of whether Netcom or China Telecom should receive wireless licenses. If they are awarded 3G licenses the future growth potential as a direct result of 3G technology will be diminished for China Mobile and its wireless competitor Unicom.

Being controlled by the government brings along not only risks, but also stabilizing benefits. Such benefits include the security of a lender of last resort, a shield from foreign market forces and the protection from other government bodies by the Ministry of Information Industry that is gaining political importance in China.

In June 2001, the Group, for the first time, issued RMB5 billion bonds in Mainland China through Guangdong Mobile, a wholly-owned operating subsidiary of the Company, for the repayment of part of the syndicated loan raised by the Group in 2000 for the acquisition of the seven mobile communications companies. The bonds will mature in 2011. The issuance of Renminbi bonds has enabled the Group to raise capital at a relatively lower cost and broadened the Group's financing channels and investor base, thereby assisting the Group in optimizing its capital structure and reducing capital costs

By the end of June 2001, the debt to capitalization ratio (capitalization represents the sum of total debt and shareholders' equity) was approximately 29 per cent, which is in line with last year's. As at the end of June 2001, total cash and bank balance of the Group was RMB45, 135 million, of which 85.0 per cent, 12.3 per cent and 2.7 per cent was denominated in Renminbi, US dollars and Hong Kong dollars, respectively.

At the end of June 2001, short-term and long-term borrowings of the Group totaled RMB39, 011 million, representing an increase of RMB1, 542 million over the end of 2000. 68.5 per cent and 31.5 per cent of the borrowings were denominated in Renminbi and US dollars; respectively 21.5 per cent of the total borrowings of the Group were made at floating interest rates.

The average interest rate of borrowings (ratio of interest expenses to the average balance of borrowings) of the Group was maintained at approximately 5 per cent in the first half of 2001, whereas the interest coverage multiple (ratio of earnings before interest and tax to interest expenses) amounted to 22 times.

The increase in debt offering will allow China Mobile to maintain future growth, magnify future revenues, considerable as long as China Mobile chooses a stable debt structure and manages their risk profile.

China has seen consistent Real GDP growth in the 7-10% range, with mobile subscribers CAGR from 1996-2000 being 87%. Interestingly, despite a late charge from fixed line providers in 1999 and 2000, 109% and 144%, the mobile line subscribers still managed to increase by 85%. The urban population has reached a penetration rate of only 36% allowing for positive future growth. The rural population, historically the most difficult area for corporations to target, seems to be improving as the % total users/population growth doesn't correspond to the somewhat slow urban growth. The problem arises, though, as these urban users are more inclined to use the cheaper fixed line subscriptions. China Mobile will be in the high growth process for a few years to come, obviously depending on if the government will allow competition and where the penetration rate will lull. It is expected that they will continue to increase revenues, though not necessarily as high as the 25% average since 1996, due to uncertainties regarding the future CDMA 1X versus G3 technology, fixed line success, and the addition of new competition.

FCFF Valuation

We decided to value China Mobile (CHL) ADR using Free Cash Flow to Firm analysis. We obtained current Income Statement and Balance Sheet figures but were unable to find binding FY 2002 results, having to piece it together through various analyst reports. Our main sources of information were the Merrill Lynch and Credit Suisse First Boston reports.

The FCFF analysis seemed most fitting since China Mobile has relatively new equity, and carries high leverage with over 20 % debt financing, and being that its main competitors are not traded on the market, it would not be useful to value equity if we cannot even compare this figure to that of the competitors.

The relevant starting figures in our analysis are as follows:

- High growth period Beta = 1.57 *(ADR performance against S&P500)*
- Stable period Beta = 1.38 (*adjusted beta figures obtained from Bloomberg)*
- **Cost of Equity = 13.65%**
    - Market Return = 9.98%
    - Risk Premium = 6.05%
    - Risk-free rate = 3.93%

  K_e was obtained using the Goldman Integrated Sovereign Yield Spread Model. Our calculations yielded a sovereign spread value of 0.023, obtained from calculating the 5-year difference between US and Hong Kong bonds.
- **Cost of Debt = 6.03%** *(Rf+ Country Risk Spread + Company Risk Spread)*
  Kd combines a country risk spread for Hong Kong, the location of China Mobile's market listing, and a very lenient company spread that was justified by China Mobile's ownership structure. Kd seems conservative given significantly lower estimates by covering analysts.

FCFF Projection *(All figures in thousands)*

	Base	2003	2004	2005	2006	2007	2008
Growth in Revenue		*15%*	*7%*	*-8%*	*-4%*	*2%*	*5%*
Deprec'n of Rev		*19%*	*19%*	*20%*	*20%*	*21%*	*21%*
Capex of Rev		*38%*	*41%*	*40%*	*38%*	*35%*	*31%*
Revenues	**$ 15,531,754**	**$ 17,861,517**	**$ 19,111,823**	**$ 17,582,877**	**$ 16,879,562**	**$ 17,217,154**	**$ 18,078,011**
COGS							
% Of Revenues	60%	60%	60%	60%	60%	60%	58%
- $ COGS	$ 9,319,052	$ 10,716,910	$ 11,467,094	$ 10,549,726	$ 10,127,737	$ 10,330,292	$ 10,485,247
EBIT	$ 6,212,702	$ 7,144,607	$ 7,644,729	$ 7,033,151	$ 6,751,825	$ 6,886,861	$ 7,592,765
Tax Rate	33.00%	33.00%	33.40%	34.40%	34.40%	34.40%	34.40%
EBIT (1-t)	**$ 4,162,510**	**$ 4,786,887**	**$ 5,091,390**	**$ 4,613,747**	**$ 4,429,197**	**$ 4,517,781**	**$ 4,980,854**
+ Depreciation	$ 3,439,358	$ 3,393,688	$ 3,631,246	$ 3,516,575	$ 3,375,912	$ 3,615,602	$ 3,796,382
- Capital Expenditures	$ 6,000,000	$ 6,787,376	$ 7,835,848	$ 7,033,151	$ 6,414,234	$ 6,026,004	$ 5,604,183
- Change in WC	$ (331,538)	$ 174,732	$ 93,773	$ (114,671)	$ (52,749)	$ 25,319	$ 64,564
= FCFF	**$ 1,933,406**	**$ 1,218,466**	**$ 793,016**	**$ 1,211,842**	**$ 1,443,625**	**$ 2,082,060**	**$ 3,108,488**
Terminal Value							**$ 54,889,337**

Using these figures, we were able to obtain the Weighted Average Cost of Capital. WACC for the stable period was derived based on the adjusted Beta of 1.38. Consequently, WACC for the stable period is lower. Also, as the company stabilizes growth, it will be able to reduce the level of debt financing, which is not completely incorporated into our analysis.

To obtain FCFF for the observed period of 6 years, it was necessary to estimate several relevant figures, such as expected percent growth rate in revenue and depreciation, operating expenses as a percent of revenue. With the increased competitive pressure starting this year China Mobile will be experiencing rapid growth decline over the next 2 years. In 2005 a negative growth is very likely given the scheduled entry of Netcom and Unicom into the CDMA market. Stable growth is set at 4%, a figure that is given some second thought in our sensitivity analysis. Operating expenses as a percent of revenue are expected to remain relatively constant given managements commitment to improve margins while suffering from decreasing revenue per user. Depreciation in relation to revenues should increase slightly over the 6-year period. As for Capital Expenditures, they are expected to grow due to the updating and renewal costs incurred by phasing out the old GSM network. They will only start decreasing once this updating process has been completed and the reduced maintenance costs of CDMA come to the forefront. This will not happen until late 2005 or early 2006. Thus, based on these estimates and using piecemeal information obtained from a number of sources, we were able to estimate the Free Cash Flow to Firm for the years 2003 to 2008 as specified above.

Using the given data to construct the WACC we can now calculate the PV of the FCFF

***PV** (All figures in thousands)*

	2003	2004	2005	2006	2007	2008
Present Value	**$ 1,100,634**	**$ 647,054**	**$ 893,170**	**$ 961,107**	**$ 1,252,103**	**$ 31,505,615**

Value of Firm	**$ 36,359,683**
- Value of Debt	$ 2,088,000
Value of Equity	$ 34,271,683
Value per Share	**$ 9.09**

Shares Outstanding 3.77 Billion

The value of equity per share per ADR (5 shares/ADR) was equal to $9.09 in U.S. dollars.

Sensitivity Analysis

There were some key factors that we wanted to give some room as a result of difficulties in evaluating the immense number of qualitative wildcards we faced. We did sensitivity analysis that take into account variations in CapEx, competitive drivers, and the risks of China Mobile expanding into other provinces, as well as the stable growth rate of the company.

The amount of capital expenditures is dependent on the cost of the 3G introductions and future plans of network expansion. 3G introductions is an imminent issue and we believe it will drive up CapEx in the short-term. Expansions into underdeveloped provinces might in addition be a result of a fight for market share and yield less revenue per CapEx expenditure.

Case for CapEx	Value per Share
+ 10%	$ 8.41
Base	$ 9.09
- 10%	$ 11.28

Given our pessimistic outlook for CapEx performance we can say that downward potential with even higher CapEx is limited. We still remain confident about our bearish estimates and do not expect the highly attractive upward possibility.

We assumed CM's stable growth rate after the six-year period to be 4%, but with the chance of the Chinese Economy to grow at a more rapid pace, it would be a possible assumption to make their stable growth rate approach that of the economy as a whole. Another factor affecting growth rates and probably our largest unknown is the amount of success that China Mobile will have on mastering the competition. In order for China Mobile to continue to grow they will have to devise strategies of sustainable growth that depart from its previous habits as a quasi monopolist. We expect this to happen through a painful learning process signified by revenue losses during the climax of new market entries.

Stable Growth Period	Revenue Growth Adjustments						
	-3%	-2%	-1%	0%	+1%	+2%	+3%
3%	6.71	7.08	7.47	7.88	8.30	8.75	9.21
4%	7.73	8.17	8.62	**9.09**	9.58	10.10	10.64
5%	9.18	9.70	10.24	10.80	11.39	12.01	12.65
6%	11.37	12.01	12.68	13.39	14.12	14.89	15.69
7%	15.08	15.93	16.83	17.77	18.75	19.77	20.84

Also the underdeveloped interior can pose great uncertainty to CM. Should it be pushed into a fight for market share in underdeveloped regions it will have to except low margin investments. This will put pressure on the overall margins of the company, with little growth effect in the immediate future. The development of the Chinese Economy once again will play a large part in this scenario.

Although China Mobile currently does not fund many projects with debt and most analysts predict that it will stay this way, there is the possibility that this will change in the future, thereby changing there capital structure. Our assumptions are based on the fact that are largely owned by the state and should have access to cheaper debt. Should creditors cease to follow this logic cost of debt might increase. This provides for yet another possible change in some of our estimates.

Relative Valuation Analysis

Through our study of China Mobile we have had most difficulty in assessing relative comparisons of the company. Firstly, we have decided to value the ADR, which would be more useful to U.S. investors, but at the same allow us to compare to a more competitive U.S. mobile market. Secondly, the HK counterparts of China Mobile lag in both penetration due to the segmented market between fixed line subscribers and mobile subscribers and in equity issuance (thus contributing to our inability to find more than three years of data for either China Unicom or China Telecom). The fourth competitor, China Netcom, is not listed on the HK stock exchange.

	ML			3/14/2003	M.C.		FCF Yield			Dividend Yield		P/E					EV/EBITDA	
	Symbol	QRQ	FX	Price	($B)	'02E	'03E	'04E	'02E	'03E	'04E	'02E	'03E	'04E	PEG	'02E	'03E	'04E
ASIA-PACIFIC					66	1.9%	2.8%	10.8%	1.0%	1.7%	2.4%	10.1	8.5	8.1	0.9	4.7	3.8	3.2
Advanced Info -F	AVIFF	C-1-7	THB	40.75	2.8	-12.3%	15.2%	19.2%	1.0%	3.8%	5.0%	10.5	8.1	6.5	0.5	4.9	3.8	3.1
Bharti	BHTIF	C-1-9	INR	27.00	1.1	-38.1%	-17.0%	1.0%	0.0%	0.0%	1.0%	NMF	NMF	9.8	NMF	12.8	7.3	4.0
China Mobile - A	CCMKF	C-1-7	HKD	16.20	40.6	1.9%	5.0%	9.8%	1.0%	1.7%	2.4%	10.3	8.7	8.3	1.2	4.3	3.6	3.1
China Unicom -A	CUNCF	C-2-7	HKD	4.53	7.3	-7.4%	-16.6%	8.1%	0.7%	1.4%	2.1%	12.9	10.3	9.1	1.0	3.9	3.9	3.4
KTF	KTFTF	C-1-9	KRW	23,150	3.4	23.0%	-1.2%	19.2%	0.9%	1.7%	2.6%	8.0	7.6	7.0	NMF	5.3	4.3	3.7
SK Telecom	SKMTF	C-1-7	KRW	148,000	10.1	13.7%	9.7%	12.5%	1.1%	1.4%	1.4%	8.7	7.6	6.4	0.5	4.2	3.5	2.9
SmarTone	STTFF	B-1-7	HKD	9.20	0.7	7.8%	6.4%	4.5%	4.9%	5.0%	5.5%	13.6	13.2	12.1	NMF	2.2	2.0	1.8
Total Access	TACPF	C-2-9	USD	0.52	0.2	-28.3%	4.8%	25.3%	0.0%	0.0%	0.0%	5.1	3.6	3.2	0.2	5.6	4.6	4.0
EESA					13	3.0%	7.7%	9.3%	0.2%	0.7%	0.8%	21.0	14.1	12.1	1.4	7.5	6.0	5.0
ECMS MobiNil	EGYMF	C-2-7	EGP	33.74	0.6	21.8%	25.2%	19.1%	4.4%	4.4%	4.4%	6.4	6.9	10.9	11.7	3.7	3.3	3.0
MTN Group	MTNOF	C-1-9	ZAR	12.35	2.5	-1.5%	7.9%	13.7%	0.0%	2.4%	3.2%	8.8	6.9	5.3	0.4	4.5	3.7	2.8
MTS	MBT	C-1-7	USD	42.70	4.3	-3.3%	-3.6%	-2.7%	0.0%	0.0%	0.0%	22.9	19.8	18.9	1.8	9.5	7.7	6.9
Partner	PTNRF	C-2-9	USD	3.11	0.6	-4.9%	2.2%	5.1%	0.0%	0.0%	0.0%	32.0	16.5	12.9	0.3	5.9	5.3	4.5
Turkcell	TKCZF	C-2-9	TRL	9,100	2.8	8.6%	18.2%	17.7%	0.0%	0.0%	0.0%	29.8	10.8	6.7	NMF	7.5	5.2	3.6
VimpelCom	VIP	C-1-9	USD	36.56	1.8	11.7%	13.5%	16.3%	0.0%	0.0%	0.0%	21.0	16.9	14.3	1.1	8.9	7.4	6.1
LATIN AMERICA					12	4.5%	7.8%	13.3%	0.8%	1.2%	1.3%	18.8	21.0	11.8	0.1	6.5	5.7	4.8
America Movil	AMX	C-1-7	USD	13.91	9.0	4.4%	5.2%	9.6%	0.7%	0.8%	0.9%	20.2	14.2	11.0	NMF	6.2	5.1	4.5
Tele Celular ^^	TSU	C-2-8	USD	6.71	0.2	NMF	18.6%	33.7%	4.6%	4.8%	6.0%	10.3	7.4	5.0	0.2	2.1	2.1	1.2
Tele Centro.	TRO	C-2-7	USD	4.36	0.5	7.2%	12.1%	17.4%	0.0%	0.0%	0.0%	5.0	4.4	3.3	0.2	3.2	3.1	2.3
Tele Nordeste ^^	TND	C-2-7	USD	13.73	0.2	32.3%	6.7%	16.6%	1.7%	1.8%	2.4%	6.5	9.9	6.9	NMF	2.2	2.5	1.9
Telemig Celular	TMB	C-2-7	USD	16.86	0.3	23.4%	20.7%	25.5%	0.0%	0.0%	0.0%	17.2	8.6	5.3	0.2	3.1	3.6	2.6
Telesp Celular ^^	TCP	C-2-8	USD	2.90	1.4	-9.1%	11.0%	16.2%	0.0%	2.4%	2.8%	NMF	58.0	12.6	0.5	5.5	5.9	4.6
GEM MOBILE					90	2.3%	4.1%	10.8%	0.9%	1.5%	2.0%	12.6	10.8	9.1	0.9	5.3	4.3	3.6
GLOBAL MOBILE					1,155	6.2%	8.9%	10.3%	2.1%	2.3%	2.5%	16.3	13.3	11.3	1.7	5.4	4.8	4.4

Having difficulty looking at the financial ratios of the last report for China Mobile strength or interesting point, and additionally no local competitors to look at, it seemed even more assuring to use an ADR to compare to local US firms, or try to compare to other emerging markets cellular markets. Knowing that either would be a report in itself, we scoured Investext to help our secondary valuation model.

Merrill Lynch, March 18 2003[iii], compares the financial ratios of developed market full service telephone companies (more remnant of China Telecom and Netcom), developed market wireless companies, emerging market full service telephone companies, and emerging market wireless companies. Clearly, this leaves us in a conundrum. China Mobile's largest competitor is China Telecom, which is also fixed line subscriber and should share different risk characteristics but some of the same growth. This company will be touched upon layer on in the analysis.

Table 16: Merrill Lynch Emerging Markets Full-service Valuation Comps

MERRILL LYNCH	ML			3/14/2003	M.C.	FCF Yield			Dividend Yield			P/E			PEG	EV/EBITDA		
	Symbol	QRQ	FX	Price	($B)	'02E	'03E	'04E	'02E	'03E	'04E	'02E	'03E	'04E		'02E	'03E	'04E
ASIA-PACIFIC					47	3.6%	7.2%	8.6%	2.6%	3.6%	3.4%	9.6	10.0	9.1	0.8	5.1	4.9	4.5
China Telecom	CHJHF	C-2-7	HKD	1.39	13.5	4.2%	9.3%	12.8%	0.8%	4.7%	4.9%	9.4	9.2	8.2	0.8	2.5	2.5	2.4
Dacom	DFFAF	C-2-9	KRW	9,700	0.2	-28.5%	-11.5%	-6.0%	0.0%	0.0%	3.1%	NMF	NMF	NMF	NMF	4.4	3.9	3.6
KT –A	KTCNF	B-1-7	KRW	43,900	7.7	7.6%	10.4%	12.9%	2.3%	2.8%	3.4%	5.5	5.2	5.9	NMF	5.0	4.0	3.4
MTNL	MHTNF	C-2-7	INR	97	1.3	28.8%	32.2%	32.9%	5.6%	6.2%	6.7%	3.9	3.5	3.4	NMF	1.5	0.8	0.2
PCCW	PCWLF	C-3-9	HKD	5.90	3.5	-21.1%	5.9%	12.2%	0.0%	0.0%	0.0%	NMF	13.0	12.4	3.3	6.4	6.9	6.5
PLDT	PLTLF	C-2-9	PHP	295	0.9	16.7%	29.9%	NMF	0.0%	0.0%	0.0%	11.8	9.7	6.3	0.3	4.2	3.7	2.9
Singapore Tele	SGTJF	B-2-7	SGD	1.30	13.2	5.2%	5.2%	6.2%	4.2%	4.2%	3.8%	18.3	16.1	14.1	1.2	9.0	8.9	8.4
Telekom Malaysia	MYTEF	C-2-8	MYR	7.30	2.1	8.4%	7.1%	6.7%	1.4%	1.4%	1.4%	19.6	18.8	18.7	NMF	6.3	6.2	6.0
VSNL	VSLSF	C-2-8	INR	81.50	0.5	24.6%	-1.1%	N.A.	12.3%	12.3%	N.A.	3.2	4.4	NMF	NMF	0.2	1.2	N.A.
Telkom	TLKMF	C-1-7	IDR	3,425	3.9	N.A.	N.A.	N.A.	6.2%	7.5%	6.0%	4.6	6.7	5.8	0.4	3.4	2.9	2.4
EESA					12	6.6%	11.6%	14.8%	0.5%	1.0%	1.5%	14.9	13.5	12.8	0.5	4.2	3.7	3.3
Cesky Telecom	CKTEF	C-2-9	CZK	290	3.2	12.7%	14.7%	16.1%	0.0%	1.8%	2.4%	21.9	22.1	17.0	1.2	4.0	3.5	2.9
Matav	MTVXF	C-1-7	HUF	725	3.3	12.9%	14.4%	17.0%	1.6%	1.7%	2.8%	10.4	10.3	8.8	0.6	4.7	4.3	3.8
Rostelecom	ROSMF	C-2-7	USD	1.39	1.0	23.7%	12.7%	17.4%	0.6%	0.6%	0.7%	8.7	6.9	6.1	NMF	2.5	2.1	1.8
TP SA	TKMIF	C-3-9	PLN	11.75	4.1	-7.4%	6.7%	11.2%	0.0%	0.0%	0.0%	14.6	11.1	14.5	NMF	4.3	3.9	3.7
LATIN AMERICA					24	11.8%	16.5%	16.2%	3.7%	3.9%	4.7%	8.7	7.4	8.8	0.0	4.1	3.8	3.3
Brasil Telecom ^^	BRP	C-1-7	USD	27.60	1.9	4.7%	19.5%	29.9%	2.4%	4.4%	10.9%	10.2	8.1	5.4	NMF	3.7	3.7	2.7
Embratel	EMT	C-2-8	USD	0.96	0.3	10.5%	39.9%	NMF	0.0%	1.0%	2.1%	NMF	3.6	3.2	0.1	4.1	3.1	2.2
Tele Norte Leste ^^	TNE	C-1-8	USD	7.55	2.9	3.4%	14.7%	21.7%	4.8%	4.5%	5.4%	NMF	NMF	17.6	NMF	3.9	4.3	3.4
Telmex L	TMX	C-2-7	USD	29.82	19.2	13.7%	16.0%	14.3%	3.8%	3.8%	4.0%	9.9	8.5	7.9	NMF	4.2	3.8	3.4
GEM FULL SVC					83	6.4%	10.6%	11.7%	2.6%	3.3%	3.5%	10.1	9.7	9.5	0.5	4.6	4.4	4.0

Comparing the subscriber figures of the China market to the U.S. or Europe market really limits the use of comparison. The latter markets are heavily saturated, putting them more at the point of stable growth compared to our FCFF market. Thus, they will have much lower FCF yields, will have a higher P/E as the market more clearly understands the value of the company, should have a lower PEG ratio being that the growth in these companies is the not the same as it would be in an emerging market. Likewise, these companies will share different structural financial factors, like lower cost of equity, WACC, lower debt structure (particularly in U.S.)- Which will be a factor considering the different and higher debt structure that occurs in Asian markets. Overall, this limited our search heavily to the emerging markets wireless industry.

The emerging markets in consideration are the Asia Pacific and Latin America, but it seems that the Latin America market experiences little to no growth, due to the high volatility the larger companies have seen the last few years. Thereby, it seems more credible to compare China Mobile to the Asia Pacific, mainly Thailand, India, and HK.

The competitors of interest include Advanced Info of Thailand, Bharti of India, China Unicom, KTF and SK Telecom of Korea.

Despite the similar nature of each of these markets, only China Mobile, KTF, and SK Telecom have positive FCF yields. This really shows the competitiveness for the open Asian Pacific emerging market wireless market. Advanced Info may see future gains because they are performing well in the Thai market; likewise, Bharti and China Unicom have to overcome their current leverage situations. Interestingly, all these companies have earnings, clearly evident of the high growth of the company markets. All these companies have P/E around 10, which are expected after the Asian market crisis, but could be evident of equity possibilities. Most of these offer dividend yields of about 2%, intriguing now as China Mobile issued its first ever dividend payment for the HK stock of HK$.32 per share, a 20% payout. This exceeds that of SK Telecom, payout of 10%, and of the rest of the peer group.

Table 4: Global Wireless Stocks- Dividend Summary

	Payout Ratio		Div Yield	
	2002	2003E	2002	2003E
CMHK	20%	25%	1.9%	2.8%
SK Telecom (SKMTF, C-1-7, KRW 148,000)	10%	10%	1.1%	1.4%
NTT DoCoMo (NTDMF, C-2-7, JPY 219,000)	3%*	4%*	0.2%	0.2%
Vodafone (VODPF, B-1-7, GBP1.15)	29%	26%	1.4%	1.6%
AIS (AVIFF, C-1-7, Bt140.75)	30%	40%	1.0%	3.8%
SmarTone (STTFF, B-1-7, HK$9.20)	35%	66%	4.9%	5.0%
GEM Mobile Average			0.9%	1.5%
Global Mobile Average			2.1%	2.3%

China Mobile has received significant pressure from its' shareholders, and due to China Mobile's superior efficiency and decreasing capital expenditures, will likely increase payout next year. This could affect future growth and be a sign that China Mobile's high growth period may not be as long as the 10 years that we assumed. Likewise, it is also possible that China Mobile will dominate the competition in China, and will be able to pay these dividends anyway. Either way, the shareholder pressure will inevitably play into the value of the ADR.

The true indicator of these companies success will be PEG. A higher PEG will allow us to look at which company is most valuable at its' relative PE. Considering that all these companies have PE ratios of about 10, this factor will be more or less limited to the growth rate of each relative firm. China Mobile is the most positive of these companies with a PEG ratio of 1.2, while these other companies derive less value, each lying under the 1.0 value indicator.

Table 2: CMHK – New provinces HoH performance in 2002

	2H02	1H02	FY01
Subs (mn)	29	25	21
ARPU (Rmb)	101	111	129
Op Rev (Rmb mn)	16,282	15,222	26,081
EBITDA (Rmb mn)	9,156	8,035	12,768
EBITDA margin	56%	53%	49%

Though we decided to value the firm, these values are still relevant as to whether to invest in these emerging market firms. EV/EBITDA more readily values the firm, and is a great indicator of how much value is derived from the firm earnings, the higher the value, the more efficient the firm will be. Currently, China Mobile derives about double the value of the firm that any of the peer group can. This is indicative of the EBITDA margins that are close to 60%, 58.8% for FY 2002. Down from the 59.1 that China Mobile had in the first half of 2002, this will be an interesting figure as China Mobile acquired additional provinces in the second half of 2002. However, based on the management's previous track record of acquisitions it is almost assured that management will be able to increase efficiency higher, and experience even greater cost savings. Compared to the rest of the peer group, China Mobile does seem unrivaled.

However, it is necessary to add China Telecom to the equation, despite the advantages of being a fixed line subscriber or the disadvantaged future of being a fixed line subscriber with a quasi-wireless service that may be short-lived (though great subscriber increases may say otherwise). China Telecom actually exceeds China Mobile in FCF yield; a factor that would mean nothing alone, but is considerable being that Telecom has a 2.6% dividend yield. This is indicative that Telecom is outperforming Mobile. The PE ratios are comparable, and will allow a comparison of the PEG ratios. China Mobile's PEG ratio is 1.2, compared to a ratio of 0.9 for Telecom, implying that Mobile is a growing at a much higher rate. China Telecom is also able to derive more value from the EBITDA and its' EV/EBITDA ratio is 5.1 compared to 4.3 for mobile. Again, this would be expected since Telecom is a maturing firm and is somewhat monopolistic with its landline service. There may not be true basis for comparison between these firms, which is indicative of this whole process. China Mobile simply operates under a different situation than the other emerging markets, comparison to China Unicom would not be fruitful as they are not as far in the maturity cycle as is China Mobile, and China Telecom has a completely different financial risk structure due to their more stable revenue stream and the added possibilities of the land line. This difficulty will extend through our project and has become our greatest problem in redefining our thesis. Another difficulty is the unpredictability of China Mobile's growth rate. Considering the projected growth rates for FY 2003 Q1, China Mobile will lose much of its' value to its competitors, who are steadily easing there way into the Chinese wireless market.

SUPPLEMENTARY DATA AND INFORMATION

CURRENT OUTSTANDING SHARES:	18,605,405,241 (SOURCE: 20-F)
NUMBER OF EMPLOYEES:	12,530 (SOURCE: 10-K)
FISCAL YEAR END:	12/31
LATEST ANNUAL FINANCIAL DATE:	12/31/01
LATEST QUARTERLY FINANCIAL DATE:	NA

FIVE-YEAR SUMMARY

DATE	SALES (000$)	NET INCOME	EPS
2001	100,331,000	28,015,000	1.51
2000	64,984,000	18,027,000	1.25
1999	38,623,000	4,797,000	0.40
1998	26,345,000	6,900,000	0.59
1997	15,488,000	4,955,000	0.52
GROWTH RATE:	**59.50**	**54.20**	**30.50**

Annual Financials

ANNUAL ASSETS (000$)

FISCAL YEAR ENDING	12/31/01	12/31/00	12/31/99	12/31/98	12/31/97
CASH	2,636,000	27,702,000	19,349,000	17,481,000	NA
MRKTABLE SECURITIES	1,809,000	12,204,000	8,227,000	1,311,000	NA
RECEIVABLES	692,000	7,252,000	4,957,000	2,482,000	NA
INVENTORIES	124,000	828,000	207,000	101,000	NA
RAW MATERIALS	NA	NA	NA	NA	NA
WORK IN PROGRESS	NA	NA	NA	NA	NA
FINISHED GOODS	NA	NA	NA	NA	NA
NOTES RECEIVABLE	NA	NA	NA	NA	NA
OTHER CURRENT ASSETS	395,000	4,143,000	2,858,000	1,659,000	NA
TOTAL CURRENT ASSETS	5,656,000	52,129,000	35,598,000	23,034,000	NA
PROP, PLANT & EQUIP	15,125,000	100,992,000	49,434,000	41,325,000	NA
ACCUMULATED DEP	NA	NA	NA	NA	NA
NET PROP & EQUIP	15,125,000	100,992,000	49,434,000	41,325,000	NA
INVEST & ADV TO SUBS	11,000	107,000	NA	NA	NA
OTHER NON-CUR ASSETS	NA	NA	NA	NA	NA
DEFERRED CHARGES	200,000	3,210,000	2,357,000	152,000	NA
INTANGIBLES	NA	NA	NA	NA	NA
DEPOSITS & OTH ASSET	NA	NA	46,000	30,000	NA
TOTAL ASSETS	**20,992,000**	**156,438,000**	**87,435,000**	**64,541,000**	**NA**

ANNUAL LIABILITIES (000$)

FISCAL YEAR ENDING	12/31/01	12/31/00	12/31/99	12/31/98	12/31/97
NOTES PAYABLE	724,000	11,476,000	4,351,000	5,337,000	NA
ACCOUNTS PAYABLE	1,367,000	11,581,000	6,026,000	5,963,000	NA
CUR LONG TERM DEBT	NA	NA	NA	NA	NA
CUR PORT CAP LEASES	110,000	1,624,000	68,000	NA	NA
ACCRUED EXPENSES	2,035,000	15,143,000	6,983,000	4,055,000	NA

INCOME TAXES	NA	NA	NA	NA	NA
OTHER CURRENT LIAB	29,000	4,814,000	4,139,000	596,000	NA
TOTAL CURRENT LIAB	4,265,000	44,638,000	21,567,000	15,951,000	NA
MORTGAGES	NA	NA	NA	NA	NA
DEFERRED CHARGES/INC	512,000	3,654,000	1,492,000	1,757,000	NA
CONVERTIBLE DEBT	NA	NA	NA	NA	NA
LONG TERM DEBT	2,608,000	23,134,000	7,177,000	991,000	NA
NON-CUR CAP LEASES	98,000	1,235,000	107,000	NA	NA
OTHER LONG TERM LIAB	NA	NA	NA	NA	NA
TOTAL LIABILITIES	7,483,000	72,661,000	30,343,000	18,699,000	NA
MINORITY INT (LIAB)	4,000	17,000	NA	15,000	NA
PREFERRED STOCK	NA	NA	NA	NA	NA
COMMON STOCK NET	13,505,000	83,760,000	57,092,000	45,827,000	NA
CAPITAL SURPLUS	NA	NA	NA	NA	NA
RETAINED EARNINGS	NA	NA	NA	NA	NA
TREASURY STOCK	NA	NA	NA	NA	NA
OTHER EQUITIES	NA	NA	NA	NA	NA
SHAREHOLDER EQUITY	13,505,000	83,760,000	57,092,000	45,827,000	NA
TOT LIAB & NET WORTH	**20,992,000**	**156,438,000**	**87,435,000**	**64,541,000**	**NA**

ANNUAL INCOME (000$)

FISCAL YEAR ENDING	**12/31/01**	**12/31/00**	**12/31/99**	**12/31/98**	**12/31/97**
NET SALES	12,122,000	64,984,000	38,623,000	26,345,000	15,488,000
COST OF GOODS	2,182,000	13,830,000	10,176,000	8,669,000	4,348,000
GROSS PROFIT	9,940,000	51,154,000	28,447,000	17,676,000	11,140,000
R & D EXPENDITURES	NA	NA	NA	NA	NA
SELL GEN & ADMIN EXP	2,851,000	14,569,000	7,396,000	5,143,000	3,045,000
INC BEF DEP & AMORT	7,089,000	36,585,000	21,051,000	12,533,000	8,095,000
DEPRECIATION & AMORT	2,134,000	9,759,000	7,411,000	4,598,000	2,681,000
NON-OPERATING INC	NA	NA	-6,853,000	1,612,000	714,000
INTEREST EXPENSE	NA	NA	343,000	160,000	175,000
INCOME BEFORE TAX	4,955,000	26,826,000	6,444,000	9,387,000	5,953,000
PROV FOR INC TAXES	NA	NA	1,647,000	2,486,000	991,000
MINORITY INT (INC)	NA	NA	NA	1,000	7,000
INVEST GAINS/LOSSES	NA	NA	NA	NA	NA
OTHER INCOME	NA	NA	NA	NA	NA
NET INC BEF EX ITEMS	4,955,000	26,826,000	4,797,000	6,900,000	4,955,000
EX ITEMS & DISC OPS	NA	NA	NA	NA	NA
NET INCOME	4,955,000	26,826,000	4,797,000	6,900,000	4,955,000
OUTSTANDING SHARES	NA	NA	NA	NA	NA

CASH FLOW PROVIDED BY OPERATING ACTIVITY ($000S)

Fiscal Year Ending	**12/31/01**	**12/31/00**	**12/31/99**	**12/31/98**	**12/31/97**
Net Cash Prov (Used) by Oper	**63,890,000**	**41,401,000**	**21,662,000**	**13,567,000**	**8,825,000**

CASH FLOW PROVIDED BY INVESTING ACTIVITY ($000S)

Fiscal Year Ending	**12/31/01**	**12/31/00**	**12/31/99**	**12/31/98**	**12/31/97**
(Incr) Decr in Prop, Plant	-43,432,000	-21,700,000	-10,999,000	-11,004,000	-5,794,000
(Acq) Disp of Subs, Business	NA	-67,299,000	-18,202,000	-24,114,000	NA
(Incr) Decr in Securities Inv	-2,766,000	-3,881,000	-6,916,000	-1,239,000	-31,000
Other Cash Inflow (Outflow)	NA	NA	NA	NA	498,000
Net Cash Prov (Used) by Inv	**-46,198,000**	**-92,880,000**	**-36,117,000**	**- 36,357,000**	**-5,327,000**

CASH FLOW PROVIDED BY FINANCING ACTIVITY ($000S)

Fiscal Year Ending	**12/31/01**	**12/31/00**	**12/31/99**	**12/31/98**	**12/31/97**
Issue (Purchase) of Equity	4,000	55,812,000	16,223,000	NA	33,570,000
Issue (Repayment) of Debt	4,945,000	5,580,000	4,899,000	NA	NA
Incr (Decr) In Borrowing	-14,530,000	4,261,000	-2,785,000	547,000	402,000
Dividends, Other Distribution	NA	NA	NA	NA	NA
Other Cash Inflow (Outflow)	NA	NA	NA	-222,000	246,000
Net Cash Prov (Used) by Finan	-9,581,000	65,653,000	18,337,000	325,000	34,218,000
Effect of Exchg Rate On Cash	NA	NA	NA	NA	1,000
Net Change in Cash or Equiv	8,111,000	14,174,000	3,882,000	-22,465,000	37,717,000
Cash or Equiv at Year Start	27,702,000	19,349,000	17,481,000	40,070,000	2,975,000
Cash or Equiv at Year End	**35,813,000**	**33,523,000**	**21,363,000**	**17,481,000**	**40,070,000**

Fundamental Ratios

FISCAL YEAR ENDING	**12/31/01**	**12/31/00**	**12/31/99**
QUICK RATIO	1.20	1.06	1.51
CURRENT RATIO	1.33	1.17	1.65
SALES/CASH	2.73	1.63	1.40
SG & A/SALES	0.24	0.22	0.19
RECEIVABLES TURNOVER	17.52	8.96	7.79
RECEIVABLES DAYS SALES	20.55	40.17	46.20
INVENTORIES TURNOVER	97.76	78.48	186.58
INVENTORIES DAYS SALES	3.68	4.59	1.93
NET SALES/WORKING CAPITAL	8.71	8.67	2.75
NET SALES/PLANT & EQUIPMENT	0.80	0.64	0.78
NET SALES/CURRENT ASSETS	2.14	1.25	1.08
NET SALES/TOTAL ASSETS	0.58	0.42	0.44
NET SALES/EMPLOYEES	967,438	1,694,807	NA
TOTAL LIAB/TOTAL ASSETS	0.36	0.46	0.35
TOTAL LIAB/INVESTED CAPITAL	0.46	0.67	0.47
TOTAL LIAB/COMMON EQUITY	0.55	0.87	0.53
TIMES INTEREST EARNED	NA	NA	19.79
CURRENT DEBT/EQUITY	NA	NA	NA
LONG TERM DEBT/EQUITY	0.19	0.28	0.13
TOTAL DEBT/EQUITY	0.19	0.28	0.13
TOTAL ASSETS/EQUITY	1.55	1.87	1.53
PRETAX INC/NET SALES	0.41	0.41	0.17
PRETAX INC/TOTAL ASSETS	0.24	0.17	0.07
PRETAX INC/INVESTED CAPITAL	0.31	0.25	0.10
PRETAX INC/COMMON EQUITY	0.37	0.32	0.11
NET INCOME/NET SALES	0.41	0.41	0.12
NET INCOME/TOTAL ASSETS	0.24	0.17	0.05
NET INCOME/INVESTED CAPITAL	0.31	0.25	0.07
NET INCOME/COMMON EQUITY	0.37	0.32	0.08

Officers and Directors

OFFICERS NAME	AGE	TITLE
XIAOCHU, WANG	44	CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER
ZHENQUN, LI	56	VICE CHAIRMAN OF THE BOARD, CHIEF OPERATING OFFICER
DONGHUA, DIN	65	CHIEF FINANCIAL OFFICER, DIRECTOR

DIRECTORS NAME	AGE	TITLE
XIAOCHU, WANG	44	CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER
ZHENQUN, LI	55	VICE CHAIRMAN OF THE BOARD, CHIEF OPERATING OFFICER
DONGHUA, DIN	65	CHIEF FINANCIAL OFFICER, DIRECTOR
GANG, LI	45	DIRECTOR
LONG, XU	45	DIRECTOR
NING, HE	40	DIRECTOR
PING, LIU	56	DIRECTOR
JIANGUO, YUAN	51	DIRECTOR
YIPING, WEI	50	DIRECTOR
K. C, ARTHUR LI	56	DIRECTOR

Ownership and Subsidiaries

CDA/SPECTRUM 13F INSTITUTIONAL OWNERSHIP

INSTITUTIONAL HOLDER	RANK	LATEST QTR CHG IN SHS	SHARES HELD	FILING DATE
HARVARD MANAGEMENT CO, INC.	1	-203,100	2,906,200	12/31/02
FIDELITY MGMT & RESEARCH CO	2	224,000	2,770,400	12/31/02
LAZARD FRERES & COMPANY LLC	3	-22,840	2,568,160	12/31/02
MELLON BANK NA	4	550,466	1,829,066	12/31/02
MUNDER CAPITAL MANAGEMENT	5	-15,000	1,526,486	12/31/02
JANUS CAPITAL MANAGEMENT LLC	6	-479,420	1,365,055	12/31/02
DEUTSCHE BK AKTIENGESELLSCHA	7	-332,375	1,175,875	12/31/02
FRANKLIN RESOURCES INC	8	169,710	1,083,010	12/31/02
GRANTHAM MAYO VAN OTTERLOO&C	9	680,400	756,900	12/31/02
CAPITAL INTL INC. (SINGAPORE	10	-253,400	710,900	12/31/02
MSDW & COMPANY	11	-29,377	599,362	12/31/02
PIONEER INVESTMENT MGMT INC.	12	133,400	572,300	12/31/02
STATE TEACH RETIREMENT SYS O	13	0	510,000	12/31/02

GENERAL ELECTRIC COMPANY	14	138,089	450,074	12/31/02
GOLDMAN SACHS & COMPANY	15	7,100	415,597	12/31/02
DEUTSCHE INV MGMT AMERICAS I	16	-900,009	375,591	12/31/02
MONTGOMERY ASSET MGMT, LLC	17	-163,400	350,900	12/31/02
GARTMORE GLOBAL ASSET MGMT L	18	5,715	327,873	12/31/02
COMERICA INC	19	-6,700	310,794	12/31/02
WACHOVIA CORPORATION	20	52,991	285,904	12/31/02
NEWGATE MANAGEMENT ASSOCIATE	21	30,530	274,122	12/31/02
MANUFACTURERES ADVISERS CORP	22	242,300	242,300	12/31/02
CITIGROUP INC	23	-97,279	218,598	12/31/02
LEGG MASON INC	24	-4,879	208,121	12/31/02
PENNSYLVANIA PUBLIC SCH EMP	25	-65,059	203,000	12/31/02
CANADA LIFE ASSURANCE COMPAN	26	-67,300	202,700	12/31/02
MOORE CAPITAL MANAGEMENT, IN	27	200,200	200,200	12/31/02
ALLIANZ DRESDNER ASSET MGMT	28	188,500	188,500	12/31/02
HANSBERGER GBL INVESTORS INC	29	31,595	175,083	12/31/02
BANKMONT FINANCIAL CORP	30	63,203	155,280	12/31/02
SCHRODER INV MGMT GROUP	31	-15,370	154,530	12/31/02
MERRILL LYNCH & CO INC	32	35,907	148,960	12/31/02
VAN ECK ASSOCIATES CORPORATI	33	140,050	140,050	12/31/02
JP MORGAN CHASE & CO	34	-199,172	136,321	12/31/02
PROFUND ADVR LLC	35	120,145	132,468	12/31/02
GABELLI ASSET MANAGEMENT CO	36	106,200	126,200	12/31/02
HARDING, LOEVNER MGMT, L.P.	37	-20,345	111,870	12/31/02
DRESDNER RCM GBL INVESTORS L	38	20,109	103,525	12/31/02
MFS INVESTMENT MANAGEMENT	39	11,710	92,920	12/31/02
NORTHERN CROSS INVTS LIMITED	40	0	92,569	12/31/02
F. W. THOMPSON CO. LIMITED	41	-112,200	90,000	12/31/02
ALTAMIRA MANAGEMENT LTD.	42	0	77,900	12/31/02
NORDEA INVT MGMT (DENMARK)	43	0	70,205	12/31/02
AMERICAN INTL GROUP INC	44	-56,590	70,170	12/31/02
NEUBERGER BERMAN, LLC	45	0	69,905	12/31/02
MILLENNIUM PARTNERS, LP	46	18,866	69,046	12/31/02
CREDIT SUISSE FIRST BOSTON C	47	-7,800	59,600	12/31/02
KBSH CAPITAL MANAGEMENT INC.	48	-10,158	56,811	12/31/02
HIGHBRIDGE CAPITAL MGMT, LLC	49	8,200	54,500	12/31/02
CREDIT SUISSE ASSET MGMT LLC	50	0	51,700	12/31/02
HSBC HOLDINGS PLC	51	1,450	51,450	12/31/02
MORSE WILLIAMS & COMPANY, IN	52	-7,200	48,800	12/31/02
WALTER SCOTT & PTNR LTD.	53	47,574	47,574	12/31/02
TRILOGY ADVISORS, LLC	54	-36,800	35,239	12/31/02
SENA WELLER ROHS WILLIAMS IN	55	11,300	35,200	12/31/02
UNITED STATES TRUST CO OF NY	56	-41,800	34,950	12/31/02
BAKER BOYER NATIONAL BANK	57	24,000	34,695	12/31/02
UBS O'CONNOR, L.L.C.	58	-461,460	33,900	09/30/02
CDC IXIS ASSET MGMT NORTH AM	59	33,000	33,000	12/31/02
ROCHDALE INVESTMENT MGMT INC	60	0	32,550	12/31/02
FIDELITY INTL LTD	61	0	30,300	12/31/02
ADVEST GROUP INC	62	4,000	26,900	12/31/02
BANK OF AMERICA CORPORATION	63	-6,400	25,167	12/31/02
CHARLES SCHWAB INVESTMENT MG	64	2,600	23,900	12/31/02
EAGLE GLOBAL ADVISORS, LLC	65	-7,280	23,805	12/31/02
FRANK RUSSELL COMPANY	66	-6,000	23,200	12/31/02
VALUE LINE INC.	67	-5,000	20,000	12/31/02
MOORE CAPITAL ADVISERS	68	19,800	19,800	12/31/02
BPI GBL ASSET MANAGEMENT LLP	69	-106,980	15,200	12/31/02

WELLS FARGO & (NORWEST CORP)	70	-675	14,325	12/31/02
SC-BVI PTNR	71	0	14,000	12/31/02
WELLINGTON MANAGEMENT CO, LL	72	-158,700	13,000	12/31/02
NEW ENGLAND FDS MANAGEMENT L	73	11,220	12,840	12/31/02
SC FUNDAMENTAL, L.L.C.	74	0	11,000	12/31/02
U. S. GLOBAL INVESTORS, INC.	75	4,000	10,000	12/31/02
NEW YORK LIFE INSURANCE CO	76	6,952	9,976	12/31/02
CAPITAL INTL LTD.	77	0	9,800	12/31/02
BEAR, STEARNS & CO. INC.	78	1,200	8,000	09/30/02
BNY ASSET MANAGEMENT	79	-119	7,540	12/31/02
CI FUND MANAGEMENT INC	80	0	5,000	12/31/02
PRINCIPAL FINANCIAL GROUP IN	81	4,670	4,670	12/31/02
PGB TRUST & INVESTMENTS	82	0	4,600	12/31/02
ABERDEEN ASSET MANAGERS LTD.	83	-12,103	2,508	12/31/02
AIM MANAGEMENT GROUP,INC.	84	-153	2,116	12/31/02
FLEET BOSTON CORPORATION	85	500	700	12/31/02
I. G. INVESTMENT MGMT, LTD.	86	500	500	12/31/02
CIBC WORLD MARKETS CORP.	87	0	400	12/31/02
ALLIED IRISH BANKS PLC	88	210	210	12/31/02
U S BANCORP	89	-55	0	12/31/02
LEHMAN BROTHERS	89	-19,300	0	12/31/02
DRESDNER BANK AG	89	-77,500	0	12/31/02
AXA FINANCIAL, INC.	89	-1,800	0	12/31/02
BANK ONE CORPORATION	89	-104,100	0	12/31/02
STRONG CAPITAL MGMT, INC.	89	-4,045	0	12/31/02
PNC FINL SERVICES GROUP INC	89	-600	0	12/31/02
FRED ALGER MANAGEMENT INC.	89	-10,500	0	12/31/02
ING INVT MGMT (NETHERLANDS)	89	-169,500	0	12/31/02
MERRILL LYNCH INV MANAGERS(N	89	-31,000	0	09/30/02
TCW ASSET MANAGEMENT COMPANY	89	-67,700	0	12/31/02
W. R. HUFF ASSET MANAGEMENT	89	-104,200	0	12/31/02
RENAISSANCE TECHNOLOGIES COR	89	-400,400	0	12/31/02
TOTAL OF 88 OWNERS		-1,550,781	25,594,416	
MARKET VALUE($MILLIONS)		309		12/31/02

SUBSIDIARIES:

GUANGDONG MOBILE COMMUNICATION COMPANY LTD. (CHINA)
ZHEJIANG MOBILE COMMUNICATION COMPANY LTD. (CHINA)
JIANGSU MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
JIANGSU MOBILE COMMUNICATION COMPANY LTD. (CHINA)
FUJIAN MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
FUJIAN MOBILE COMMUNICATION COMPANY LTD. (CHINA)
HENAN MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
HENAN MOBILE COMMUNICATION COMPANY LTD. (CHINA)
HAINAN MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
HINAN MOBILE COMMUNICATION COMPANY LTD. (CHINA)
BEIJING MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
BEIJING MOBILE COMMUNICATION COMPANY LTD. (CHINA)
SHANGHAI MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
SHANGHAI MOBILE COMMUNICATION COMPANY LTD. (CHINA)
TIANJIN MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
TIANJIN MOBILE COMMUNICATION COMPANY LTD. (CHINA)
HEBEI MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
HEBEI MOBILE COMMUNICATION COMPANY LTD. (CHINA)

LIAONING MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
LIAONING MOBILE COMMUNICATION COMPANY LTD. (CHINA)
SHANDONG MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
SHANDONG MOBILE COMMUNICATION COMPANY LTD. (CHINA)
GUANGXI MOBILE (BVI) LTD. (BRITISH VIRGIN ISLANDS)
GUANGXI MOBILE COMMUNICATION COMPANY LTD. (CHINA)
CHINA MOBILE (SHENZHEN) LTD. (CHINA)
ASPIRE HOLDINGS LTD. (CAYMAN ISLANDS)
ASPIRE (BVI) LTD. (BRITISH VIRGIN ISLANDS)

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[i] BEAR, STEARNS & CO., INC. China Mobile Analyst Report. Mar 28, 2003

<http://web1.infotrac.galegroup.com/itw/infomark/154/482/35964817w1/purl=rc13_RBW_0_BI7295554&dyn=4!yrn_BI7295554?sw_aep=nyu_rbw>

[ii] China Mobile Hong Kong Limited. Investor Focus. <http://www.chinamobilehk.com/>

[iii] Morgan Stanley. China Mobile Analyst Report. March 19,2003.

http://web7.infotrac.galegroup.com/itw/infomark/696/315/32410468w7/purl=rc13_RBW_0_BI7279047&dyn=10!yrn_BI7279047?sw_aep=nyu_rbw