

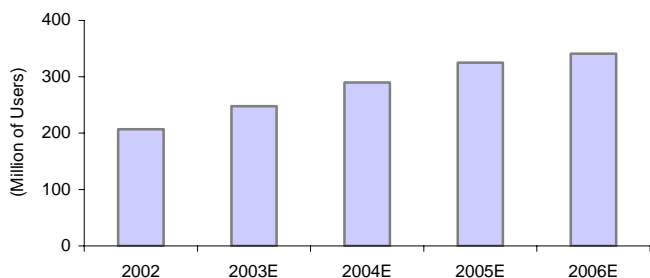
China's Mobile Services Revolution

MARKET OVERVIEW

Explosive Mobile Subscriber Growth

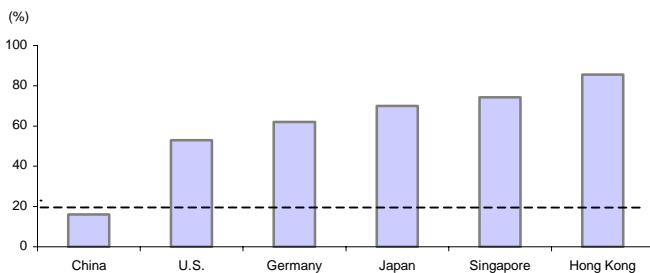
China's mobile communications market has grown dramatically in the past decade. In 2002, China's mobile subscriber base surpassed 207 million to become the largest mobile service market in the world. Currently, China continues to add approximately 4 million new mobile users each month. The rapid adoption of mobile communications has exceeded even the Ministry of Information and Industry's (MII) own internal estimates.

Largest Mobile User Base in the World and Still Growing



Source: 2002 figure from MII
2003-2006 figures from IDC

Mobile Penetration Still Low Relative to Major Markets

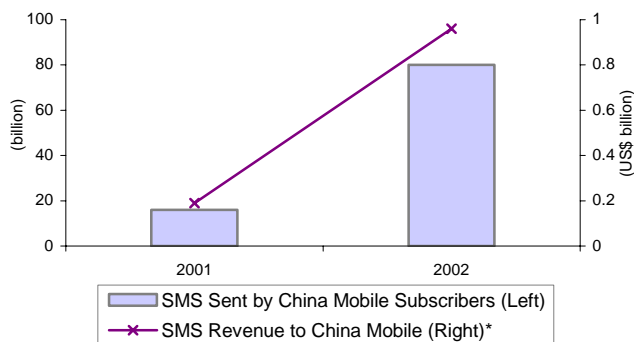


Source: Goldman Sachs, International Telecom Union and EMC

Subscriber Growth Is Driving Data Services

As a result of the growth in prepaid subscribers and overall penetration of lower income users, average revenue per user (ARPU) has been declining. China Mobile (NYSE: CHL) and China Unicom (NYSE: CHU), the nation's top two mobile operators, have undertaken a number of new initiatives to promote mobile data services to drive ARPU and reduce dependence on pure voice traffic. Such initiatives have led to the dramatic growth of the short messaging services (SMS) market, which increased four-fold in 2002. The pace of SMS growth in the past year has dramatically transformed China's mobile landscape and underscored the importance of data services to mobile operators.

SMS Market Takes Off

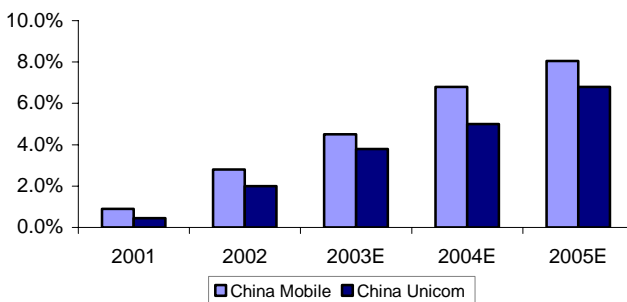


Source: China Mobile
* US\$0.012 (Rmb0.10) per SMS (Rmb8.27/US\$1.00)

Although point-to-point (P2P) SMS constitutes a reported 70%-80% of total SMS traffic and is the major driver for SMS growth to date, both major mobile operators have launched information services based on the i-Mode revenue sharing business model pioneered by NTT DoCoMo in Japan to drive value-added data services. China Mobile's data services initiative is called "Monternet" and China Unicom's is known as "Uni-Info".

In 2002, service providers ("SPs") revenue accounted for 15.6% of total mobile revenue, up from 7.9% in 2001. SP revenue is anticipated to constitute an increasingly important revenue segment as more value-added services become available in the 2.5G/3G era. According to China Mobile's own projections, data related revenues will account for approximately 8% of China Mobile's revenue by 2005.

SMS (and MMS) Revenue as a Percentage of Total Revenue





Source: Company data and industry research

Monternet and Uni-Info Initiatives

In February 1999, NTT DoCoMo launched a new and truly groundbreaking mobile data service in Japan, i-Mode. By 2001, DoCoMo's i-Mode service had already surpassed 30 million users.

Following the lead of DoCoMo's i-Mode success, China Mobile launched its own version of i-Mode in China under the Monternet brand name in February 2001. China Unicom followed shortly thereafter with the launch of its proprietary mobile data service, Uni-Info, in October 2001.

Like DoCoMo, China Mobile's Monternet and China Unicom's Uni-Info mobile data service initiatives have spawned the development of an entire industry of SPs. These SPs focus on developing and marketing mobile content and related services over China Mobile's and China Unicom's networks.

Monternet and Uni-Info Snapshot		
		
Operator	China Mobile	China Unicom
Date Launched	February 2001	October 2001
Service Providers	Over 400 SPs	Less than 100 SPs
Revenue Sharing Structure	15% commission as portion of SPs' revenues and nominal network charge	12% commission as portion of SPs' revenues and nominal network charge
VAS Messages Sent	2.5bn messages sent in 2001 11bn messages sent in 2002	300mn messages sent in 2001 4bn messages sent in 2002

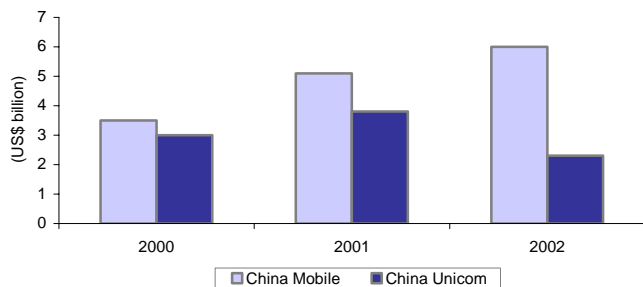
Source: China Mobile & China Unicom

Next Generation 2.5G/3G Technology Developments

China Mobile and China Unicom continue to invest heavily in next generation mobile network technology. China Mobile and China Unicom reported CAPEX spending from 2000 to 2002 of approximately US\$14.4 billion and US\$9.1 billion respectively.

The majority of CAPEX since 2000 for the two mobile carriers has been primarily allocated towards GPRS and CDMA investments. As these 2.5G/3G networks come on stream, the industry should experience significant growth in 2.5G/3G subscribers over the coming years.

Significant CAPEX in China by Mobile Operators

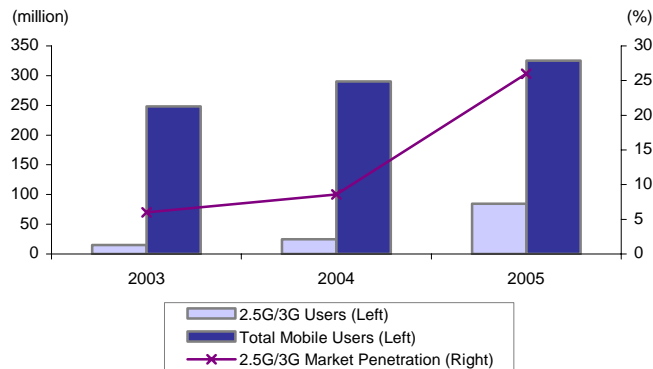


Source: China Mobile & China Unicom

According to the 2003 Asia Telecoms Study (ATI), which was conducted in April 2003 across 11 Asian countries, 25%

of mobile phone owners are using, or likely to start using 2.5G and 3G services within the next 6 months.

2.5G/3G Subscriber Growth in China



Source: MII, Latitude Estimates

With the influx of 2.5G/3G technology, mobile data users will experience a new universe of products and applications, such as MMS, digital imaging, video and graphics-rich games that will spur adoption and usage. Such killer applications will be critical in taking the industry to its next stage of development.

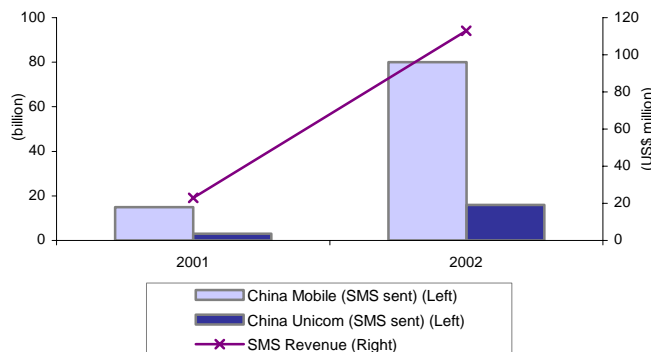
MOBILE SERVICES MARKET

SMS

SMS traffic in China was originally expected to reach 50 billion messages by the end of 2002. However, the market grew exponentially in 2002, ultimately reaching 80 billion (China Mobile only) by the end of 2002, representing a 450% increase over 2001 (17 billion). During the one-week Chinese New Year holiday this year, there were over 7 billion SMS messages sent in China.

China Mobile has indicated that the average active SMS user sends about 2.3 messages per day, a significant increase from approximately 0.85 messages per day in 3Q02.

SMS Revenues Rising Rapidly in China



Source: CCID

A large proportion of new additions tend to be pre-paid subscribers that are more cost-conscious, and thus more

likely to take advantage of lower cost SMS services. Other drivers of SMS growth are shown below:

Drivers of SMS Growth in China	
Ease of Use	No need to register, no complicated set up required
Low Price	Rmb0.10/message for post-paid subscribers; Rmb0.15/ message for pre-paid subscribers
Monternet and Uni-Info	Successful revenue model has spawned the development of an entire industry focused on providing third party content and services

VAS

Apart from P2P SMS, the rapid growth of the mobile VAS data market has been driven by three main areas: (i) infotainment, (ii) community, and (iii) games & entertainment.

Key VAS Content		
Infotainment	Community	Games & Entertainment
Ringtones	Chat	Trivia
Icons	User Groups	Adventure
Screensavers	Interest Groups	Pet
News/Weather	Dating	Battle Games
Horoscope		IQ Quiz

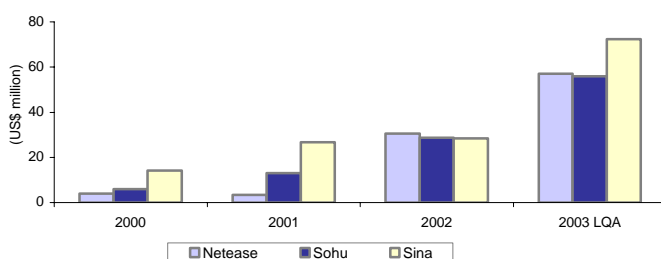
COMPETITIVE LANDSCAPE

The mobile services industry currently can be broken down into two major groups of companies – (i) major public listed Internet portals and (ii) pure play mobile service providers.

Public Listed China Portals				
	新浪网 sina.com.cn	搜狐网 sohu.com	网易 netease.com	tom.com
2002 Reg. Users	70 mn	67 mn	83 mn	10 mn
2002 Revenue	\$39 mn	\$29 mn	\$32 mn	\$203 mn Estimate

* Internet-related revenues account for 16% of Tom.com's total revenue
** As of June 18, 2003

Impressive Revenue Growth by the Publicly-Listed China Portals



Note: LQA = (1Q2003 Revenue annualized)

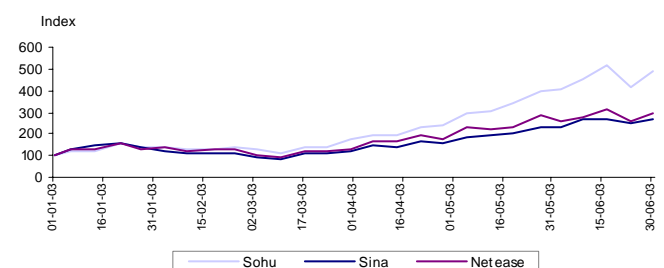
According to China Business, 30 SPs surpassed US\$3 million in revenues in 2002. We have listed below the major private players in the mobile service provider market.

Top Private Mobile Service Providers in China				
Pure Play Mobile SPs	Website	Info-tainment	Games & Entertainment	Community
蛙僕網 www.168wap.com	www.168wap.com	✓	✓	
21CN.COM	www.21cn.com	✓		✓
263在线 l263.net	www.263.com	✓	✓	✓
宇通 www.aircom.com.cn	www.aircom.com.cn	✓	✓	
神通 Any8	www.any8.com	✓	✓	✓
点点通 www.ddtong.com	www.ddtong.com	✓	✓	✓
万维世纪 www.gowvas.com.cn	www.gowvas.com.cn		✓	✓
华友世纪 www.hurray.com.cn	www.hurray.com.cn	✓	✓	✓
空中网 www.kongzhong.com	www.kongzhong.com	✓	✓	✓
linktone	www.linktone.com	✓	✓	✓
美通无线 www.mtone.com	www.mtone.com	✓	✓	✓
727	www.mezzme.com	✓	✓	✓
mig	www.migasia.com	✓	✓	✓
Newpalm	www.newpalm.com	✓		✓
tencent.com	www.tencent.com	✓	✓	✓

MARKET VALUATIONS

The meteoric rise of China portal shares this year has largely been driven by strong sales in wireless services. Year-to-date 2003, Sohu, Netease and Sina's share prices have risen by 433%, 197% and 154% respectively.

China Portals YTD 2003 Stock Performance



As of June 30, 2003

Public Valuations			
(US\$ mn)	Mkt Cap	LQA	2003E
Netease	949.3	28.5x	23.8x
Sohu	934.2	50.9x	43.2x
Sina	767.3	56.4x	38.9x
Mean		45.3x	35.3x
Median		50.9x	38.9x

* Source: Latitude

* As of June 24th, 2003

In addition to efforts by public companies to launch their own wireless services, a number have also entered this sector via acquisition of existing private SPs.

Private Transactions				
(US\$ mn)		Max Purchase Price	Multiples	
			FYI Rev	FYI NI
Acquiror/Target	%			
Sina/Memestar	100	\$24.0 ^(a)	2.48x	10.0x
Hongkong.com/Palmweb	100	\$55.0 ^{(b)(c)}	n.a.	9.1x

(a) cash + shares with earn out

(b) cash with earn out

(c) maximum purchase price

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SUMMARY

If DoCoMo's i-Mode success is any indication of the potential of the China mobile services market, the industry is only at the beginning of a major growth cycle.

With 2.5G/3G handsets becoming more prevalent and with the introduction of next generation applications, such as music and video, the mobile services market will truly be transformed into a major media distribution channel within China.

There are currently over 500 SPs in China. The fragmentation of the China mobile service market therefore represents a significant industry consolidation opportunity. Going forward, we anticipate further acquisition activity from both publicly listed China portals, which see the positive impact that wireless data service revenues can have on their share price, and international players looking for a foothold in the world's largest mobile market.