



正德厚生
臻于至善



Dear Shareholders,

In 2007, the steady growth of China's economy and the boom in demand for telecommunications services continued to create a prosperous environment for the Group. Leveraging our premium network, strong brand recognition, economies of scale and a refined and effective approach to management, we have made positive business progress, delivering remarkable financial results and favorable profitability.

Financial Results

In 2007, the Group's operating revenue continued to grow, reaching RMB356,959 million, representing an increase of 20.9 per cent. over the previous year. Profitability was significantly enhanced, and profit attributable to shareholders reached RMB87,062 million — an increase of 31.9 per cent. over the previous year. Margin of profit attributable to shareholders reached 24.4 per cent., which is high compared to industry standards. EBITDA reached RMB194,003 million, representing an increase of 21.6 per cent. over the previous year while basic earnings per share reached RMB4.35, an increase of 31.0 per cent. over the previous year.

I am delighted to say that the Company's financial strength as shown by its strong cash flow and sound capital structure provides a solid foundation for sustainable future development.

Business Developments

During 2007, the Group enjoyed continued growth in a number of areas, including new customers, new business and new voice usage. These have, in turn, provided momentum for our financial performance.

Our subscriber base continued to expand and value-added data services were popular among customers, further optimizing our revenue structure. In addition,

we successfully promoted informatization and industry specific application solutions to corporate customers.

We have steadily proceeded with tariff adjustments to meet regulatory requirements and market demand. This has enabled the Group to fulfill customer requirements while stimulating voice usage volume. The last year has seen steady growth not only in voice usage volume but also overall revenue.

As at 31 December 2007, the total number of subscribers had reached 369.339 million, with a net increase of 68.107 million subscribers — the average monthly net addition exceeded 5.67 million. Total voice usage volume reached 1,818.89 billion minutes and average minutes of usage per user per month (MOU) was 455 minutes. Average revenue per user per month (ARPU) was maintained at RMB89.

Taking advantages of our strong brand name, premium network, extensive sales and services channel, as well as improved utilization of resources through integrated sales, the Group further developed the rural market in 2007. Leveraging our nation-wide unified information platform, we provide updates on agricultural market information and labor market opportunities, these services have been welcomed by our rural customers. This not only helped to increase customer loyalty, but also promoted informatization in rural areas. The rural market has become an important source of new customers and an engine for revenue growth.

During the last year our value-added business enjoyed strong growth, revenue of which accounted for 25.7 per cent. of the Group's total operating revenue. "Color Ring", WAP and MMS businesses continued positive growth and other value-added business also grew rapidly. The mobile music business gained great popularity, with the "Wireless Music Club" senior members reaching 35.46 million at the end of 2007. Our Mobile Paper news and information service had 23.55 million paying subscribers and the "Fetion" instant messaging service captured more than 12.81 million active subscribers at the end of 2007. We intend to continue providing innovative value-added services based on carefully defined strategic plan and build a good product development structure and momentum for future growth.

At the same time, we actively developed the corporate customer market, promoting informatization and industry specific application solutions to corporate customers. In 2007, we enhanced our corporate customer operation system, improved our integrated operation capability, expanded our corporate customer base and further enhanced our corporate customer relation. We also extended our product and service area: besides further promoting the Agricultural Information Service, Campus Information Service and Police Information Service, we introduced new applications such as Financial Information Express and Trade & Business Express. As at the end of 2007, our corporate customers had reached 2.12 million and provided a solid foundation for our future business growth.

Network

We are the world's No. 1 mobile telecommunications operator in terms of network capacity and subscriber base. In 2007, we responded to the challenge of growing peak-time voice traffic volume by carrying out network capacity expansion and network optimization program using new technology and innovative management. These efforts have proven to be very effective. We have been able to manage and accommodate high voice

traffic volume and high network utilization and have kept our wireless connection rate at 99.2 per cent., a world class network quality.

Our international roaming services continued to expand during the last year. As of the end of 2007, we offered GSM roaming services through 350 operators in 231 countries and regions and GPRS roaming services in 161 countries and regions around the world.

The Group has advanced and efficient support systems, including network management system, management information system, business support system, customer relation management system and business analysis system. 2007 has seen positive progress in improvement and application of these systems. Constantly enhanced and upgraded IT systems provide us with the strong support to secure our leading position.

Preparing for the Olympics

We are the sole mobile telecommunications services partner for the Beijing 2008 Olympic Games. During 2007 we defined our Olympic strategy, established a number of working groups for Olympic product designs and project implementation. Network projects at the different Olympic venues progressed swiftly and smoothly, as did the promotion of a number of Olympics-themed activities.

In August, for example, the Beijing Olympic One-year Countdown theme song "We Are Ready" was heard for the first time from China Mobile wireless music platform. Our Olympic service and product family enjoyed excellent market reception, which in turn enhanced China Mobile's profile and reputation among Olympic partners.

We are committed to providing "the most advanced technology, the most abundant business and the most considerate service." And, while we are proud to be part of the Olympic event, we will also maximize the opportunity to enhance our corporate image and brand value.

Management of the Company

I am convinced that refined and effective management can lead to strong operational performance. In 2007, we went further with the improvement of management and the implementation of the "One China Mobile" project. Through the standardized and centralized management system, we strengthened the management of our subsidiaries, improved our management efficiency and execution ability.

Corporate governance is also an important aspect of the Company's management approach. In 2007, we have established and improved internal control and risk management systems. These systematic and standardized process have helped audit, monitor and evaluate the Company's accounting information, internal controls and operations. It also allowed us to evaluate internal controls and monitor their execution. The results are clear and the Company's achievements have been widely recognized.

In July 2007, credit agencies Moody's and Standard & Poor's upgraded our ratings to A1/Outlook Stable and A/Positive Outlook. The Company was ranked 16th in the "FT Global 500" by the *Financial Times* which a year earlier had ranked us 38th. We were also ranked 89th in the "The World's 2000 Biggest Public Companies" list by *Forbes* magazine, as well as placed 10th in the *BusinessWeek* global "Info Tech 100" companies listing, the sixth year in a row we have been included.

Corporate Social Responsibility

Corporate social responsibility (CSR) is one of our core values. In 2007, as well as establishing a systematic corporate responsibility management structure, we also formulated a work plan for 2008-to-2010. The plan will help us continue the effective and consistent implementation of our corporate social responsibility management initiatives.

The theme of our CSR program for 2007 was Growing Together Harmoniously. In simple terms this means balancing the goal of corporate growth against the desire to help communities develop while also preserving the natural environment. With this objective in mind, we have made great strides in promoting informatization in rural areas, care for the underprivileged, actively participate in disaster relief efforts, encourage education, conserve energy and reduce emission, as well as helping

communities to grow. We have actively undertaken Rural Program, Life Program, Culture Program and Green Program, in pursuit of harmonious growth with industry, society and the environment. Details of our corporate social responsibility initiatives are contained in the Company's Corporate Responsibility Report.

Our commitment was tested when Southern China experienced severe snow storms in the beginning of 2008, cellular base stations in a number of provinces suffered power failures and equipment was damaged. The Group moved rapidly to provide comprehensive relief effort to the affected provinces, deploying emergency communications vehicles, diesel-powered generators and network maintenance staff. Through all these efforts, we restored mobile communications in the disaster areas. In addition, we provided disaster information services, mobile service "top-up" cards and other emergency relief material to help the less fortunate. To date we have raised more than RMB44.55 million to support recovery programs in the disaster area.

Dividends

We determine and commit to hold in the highest regard the interests of our shareholders and the returns achieved for them, especially the minority shareholders. In consideration of the Company's remarkable operating results in year 2007 and having taken into account the Company's long-term future development, the Board recommends payment of an ordinary final dividend of HK\$1.160 per share for the financial year ended 31 December 2007 in accordance with the dividend payout planned for the full year of 2007. This, together with the ordinary interim dividend of HK\$0.837 per share that were paid in 2007, amounts to an aggregate ordinary dividend payment of HK\$1.997 per share for the full financial year of 2007, representing an increase of 44.4 per cent. over the annual dividend of HK\$1.383 per share for the full year of 2006. Dividend payout ratio for the year 2007 was 43 per cent.. In addition, whilst the profit and dividend per share for the year 2007 continued to maintain favorable growth, the Board, having taken into account the interest of the Company's shareholders, recommends payment of a special final dividend in 2007 of HK\$0.016 per share for the effect on the profit attributable to shareholders resulting from the revision of depreciation policy in 2007. This, together with the special interim dividend of HK\$0.085 per share that were paid in 2007, amounts to a special dividend payment of HK\$0.101 per share for the full financial year of 2007.

Having taken into account various relevant factors such as the overall financial condition, cash flow generating capabilities and future development, the Company plans the dividend payout ratio for the full year of 2008 to be 43 per cent..

The Board is of the view that the Company's outstanding operating results and strong cash flow generating capability will provide sufficient support to the future development of the Company, while providing shareholders with a favorable return. The Company will endeavor to achieve a longer term sustainable, steadily increasing dividend, with a view to generating the best possible return for our shareholders.

Looking to the Future

The combination of continued rapid growth in China's economy, rising consumer purchasing power, the development of the rural economy and the acceleration of informatization throughout the country is driving a tremendous demand for communications and information services. This, in turn, is creating a huge market and new opportunities for us. However, along with rapid technological developments, innovations of new business models come the convergence and crossover of business fields. At the same time, as the Chinese government proceeds with the reform of the telecommunications industry, the industry landscape and competitive environment may experience certain change, creating both new challenges and opportunities.

To meet new challenges and opportunities, we will adhere to the Scientific Development Concept and pursue a sound, balanced and sustainable development. We will consolidate the Group's overall competitiveness, adapt rapidly to changes in the operational environment. By leveraging our strong foundation and competitive edge, we will maintain positive business development and financial performance.

We will focus on innovations and new business model development. The Group is readying itself for the introduction of next generation mobile telecommunications network and technology, including closely monitoring the Long Term Evolution (LTE) network technology to ensure maximum momentum for future development.

Fundamentally, our focus remains unchanged — to maintain a solid, long-term business foundation with the goal of creating best possible returns for our investors.



Wang Jianzhou
Chairman and Chief Executive Officer

Hong Kong, 19 March 2008