

Chairman's Statement



Dear Shareholders,

2008 has been an extraordinary year for China. The country's economy has managed to sustain growth despite the negative impact of severe natural disasters. However, China is still experiencing the effects of the global financial crisis. In 2008, the Government announced and implemented the reform and the restructuring of the telecommunications industry. The natural disasters brought challenges to our networks and services, the global financial crisis had an impact on our business and the changing industry landscape has shown its initial impact on the Group.

However, through a combination of effective management, the efforts of all our employees and leveraging our competitive advantages, the Group has recorded a healthy business performance and continued to maintain favorable profitability.

In August 2008, the world watched as the Beijing Olympics was held successfully. As the mobile telecommunications services partner for the Beijing Olympics, we made outstanding contributions by ensuring uninterrupted communications support and services during the games. We won praises from industry peers and organizers alike, including the International Olympic Committee President Jacques Rogge who said, "China Mobile's innovative technology brought the world a hi-tech Olympics." Success in serving the Olympics improved our business and service levels and greatly enhanced the brand value of China Mobile.

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Financial Results

In 2008, the Group's operating revenue continued its steady growth, reaching RMB412,343 million, up 15.5 per cent. year-on-year. Profitability remained favorable. Due partly to the positive impact of change in PRC enterprise income tax rate, profit attributable to shareholders reached RMB112,793 million – rose 29.6 per cent. year-on-year. Margin of profit attributable to shareholders reached a relatively high level of 27.4 per cent.. EBITDA reached RMB216,487 million, up 11.6 per cent., with a margin of 52.5 per cent.. Basic earnings per share reached RMB5.63, up 29.4 per cent. year-on-year.

The Group consistently upheld prudent financial principles and strict fund management policy, and did not incur losses from the global financial crisis. The solid capital structure and financial strength continue to provide a solid foundation for the Group's future development.

Business Developments

While 2008 undoubtedly brought significant challenges, it also saw the Group attain achievements in many areas. Business development efforts brought in good prospects and favorable operating results.

The Group enjoyed continued growth in its subscriber base, value-added business and voice usage volume, which in turn became the driving force for operating revenue growth. The average net increase in new subscribers per month was over 7.3 million, taking total subscriber number to 457 million. Our value-added business grew strongly, continuing to increase its contribution to total revenue. The gradual changes to the tariff structure drove the increase in voice usage volume, which contributed to the steady growth of our operating revenue. In 2008, the Group's total voice usage volume was 2,441.31 billion minutes and the average minutes of usage per user per month (MOU) was 492 minutes. Average revenue per user per month (ARPU) was RMB83.

In 2008, rural market development remained a focus for the Group. We followed a "lower ARPU, lower MOU, lower cost" strategy and pushed further into the rural market by implementing standard integrated marketing programs, increasing resource utilization and lowering our operating

costs and the subscription threshold. We also leveraged our competitive advantages in terms of scale of operation, branding, sales channel and network.

By upgrading and optimizing the rural information platform, we expanded the business content of the "Agricultural Information Service" in alignment with the national policy of aiding the economic development and informatization of rural areas. Leveraging our competitive advantages, we have consolidated our leading position in the rural market. During the year, the rural market continued to contribute significantly to the Group's subscriber base and revenue growth.

Our value-added business enjoyed rapid growth and its revenue increased 23.8 per cent. year-on-year, which accounted for 27.5 per cent. of the Group's total operating revenue. SMS, Color Ring, MMS and WAP sustained robust growth. The number of subscribers of Wireless Music, Fetion and Mobile Paper continued to increase and these businesses have become a new engine for sustained revenue growth. The Group intends to follow its strategic product plan and continue to enhance product optimization and development, such as mobile video, mobile gaming and mobile e-Commerce products, to ensure a steady stream of new offerings.

The Group also started to develop Mobile Market, a mobile platform on which we will work with our partners, including various applications providers, to offer a wide variety of applications to enhance our value-added business services and customer experience.

As the deployment and improvements to the TD-SCDMA network continue, we will work hard to develop and promote TD-SCDMA based wireless broadband business.

The Group also continued to develop the corporate customer market. In 2008, by further consolidating its "Mobile Information Expert" position, the Group widely promoted corporate informatization and industry-specific applications based on mobile terminals. We actively offered industry specific application solutions to expand the informatization application coverage of major sectors including government, agriculture, education and finance. This, together with a focus on service quality, fulfillment of customer requirements, as well as enhancing customer relations, has led to an increase in multi-provincial and

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multi-national corporate customers. As of 31 December 2008, the Group's corporate customer base reached 2.33 million accounts, providing a solid foundation for exploiting the full-service market in the future.

The Group is the world's No. 1 mobile telecommunications operator in terms of subscriber base and enjoys a robust leadership in the 2G market. The existing scale of operations and competitive advantages provide a solid foundation for future development. In 2008, our network capability was continuously enhanced, reaching a total of 390,000 base stations and a population coverage rate of 98 per cent.. Our network management capability was further improved in 2008 and this has contributed to maintaining a world class network with wireless connection rate remaining at 99.2 per cent.. Our international roaming services have continued to expand. As of 31 December 2008, we offered GSM roaming services through 381 operators in 237 countries and regions and GPRS roaming services in 179 countries and regions around the world.

Corporate Social Responsibility

In 2008, we continued to practise our core value of "Responsibility Makes Perfection" and meet our social responsibility commitments. We continued to carry out our five corporate social responsibility programs. When natural disasters happened, we reacted with timely and effective emergency communications support and services in the areas affected by severe snow storms, earthquakes and floods, helping with disaster relief and winning praise from the society. At the same time, the Group's employees generously donated money and goods to people in the affected areas.

The Group's Green Program achieved significant progress. We have reduced power consumption per telecommunication traffic unit by 11 per cent. year-on-year, contributing to the efforts to respond to the global climate change.

In addition, in 2008, the Company became the first and the only mainland company listed on the DJSI, a strong recognition by the global community of our corporate social responsibility performance. Details of the Company's corporate social responsibility efforts could be found in our "Corporate Social Responsibility Report".

Company Management

In 2008, we have made further improvements on our "One China Mobile" project. The project is designed to strengthen the management of our subsidiaries, improve overall management efficiency and execution ability through computerization and a standardized, centralized management system.

We have also enhanced corporate governance by improving internal controls and risk management systems. These augmented and standardized systems help to ensure that the Company's internal control policies are effective.

At the same time, the Group increased investment in research and development to enhance our innovation ability.

As in recent years, our achievements in 2008 continued to be widely recognized. The Company's ranking in the *Financial Times*' "FT Global 500" jumped from 16th place last year to 5th place this year. Our ranking in *Forbes* magazine's "Global 2000" list also rose from 89th to 78th place. We made the *BusinessWeek* global "Info Tech 100" companies list for the seventh year in a row, rising to 7th from 10th place last year. The "China Mobile" brand was also included in the Millward Brown and *Financial Times*' "BRANDZ™ Top 100 Most Powerful Brands" for the third consecutive year and currently ranks 5th. In 2008, following the upgrading of China's sovereign rating, Standard & Poor's upgraded our credit rating to A+/Outlook Stable, the same level as China's sovereign rating. Moody's Investors Service continued to rate the Company A1/Outlook Stable, equivalent to China's sovereign rating.

Dividends

The Company determines and commits to hold in the highest regard the interests of its shareholders and the returns achieved for them, especially the minority shareholders. In the view of the Company's favorable operating results of 2008 and having taken into consideration its long-term future development, the Board recommends payment of a final dividend of HK\$1.404 per share for the financial year ended 31 December 2008 in accordance with the dividend payout planned for the full year of 2008. This, together with the interim dividend of HK\$1.339 per share that was paid in 2008, amounts to an aggregate dividend payment of HK\$2.743 per share for the

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full financial year of 2008. Dividend payout ratio for the year 2008 was 43 per cent..

In 2009, having taken into consideration various relevant factors such as the Company's overall financial condition, cash flow generating capability and the needs of future sustainable development, the Company plans the dividend payout ratio for the full year of 2009 to be 43 per cent..

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

Appointment of Director

On 19 December 2008, Mr. Paul Michael Donovan resigned from his position as a Non-Executive Director. The Board takes this opportunity to acknowledge the contributions of Mr. Paul Michael Donovan to the Company with the highest regard and deepest gratitude. After review and approval by the Board and the Nomination Committee, Mr. Nicholas Jonathan Read has been appointed as a Non-Executive Director with effect from 19 March 2009. On behalf of the Company and the Board, I welcome Mr. Read on joining us.

Restructuring of the Telecommunications Industry and 3G License

On 24 May 2008, the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Finance jointly issued an Announcement on Deepening the Reform of the Structure of the Telecommunications Sector in Mainland China to promote innovation in homegrown telecommunications technology and restructure the telecommunications industry. On 7 January 2009, the Ministry of Industry and Information Technology issued three third generation mobile technology (3G) licenses to the three restructured telecommunications operators.

China Mobile received the TD-SCDMA 3G license. As an international standard for 3G, TD-SCDMA is an important milestone of China's homegrown technological development and the State has clearly stated that it will strongly support the TD-SCDMA industry. Shortly after issuing the 3G licenses, the Government announced 15 associated policies to promote the development of TD-SCDMA industry. The implementation of these policies will benefit the growth of the Group and the TD-SCDMA industry. However, bringing the TD-SCDMA industry to full maturity will require joint efforts of China Mobile and other industry players. This has brought new challenges to our business development. By signing a Network Capacity Leasing Agreement on TD-SCDMA network capacity with our parent company, the Company entered into the 3G market, a new era of business development. We believe the Chinese telecommunications market still has considerable potential and offers tremendous opportunities for telecommunications operators.

Looking to the Future

The impact of the financial crisis that swept across the globe in 2008 will likely widen and deepen, and its impact on China's economy will likely continue. The telecommunications industry in China will be affected. The Chinese Government has launched a series of policies to stimulate domestic demand, adjust the structure of the economy and improve the quality of life of citizens as it strives for achieving the targeted economic growth. We believe these government policies will have a positive impact on the demand for telecommunications and information services, while the active promotion of homegrown innovation will help the Group's development.

We also face new challenges. The increasing penetration rate of mobile telecommunications, the restructuring of the telecommunications industry and the issuing of 3G licenses will change the industry structure and competitive landscape.

To meet these challenges and associated opportunities, we intend to leverage our strong foundation and overall competitiveness, to maintain our existing leading position in the 2G mobile telecommunications market, and to sustain our business development and financial growth.

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Seizing opportunities and adapting rapidly to changes in the operational and competitive environment, including drawing upon the experience of other global telecommunications operators, we intend to adopt an innovative approach towards integrating our networks and fully utilizing our 2G network resources, for the realization of the smooth transition from the 2G network to the 3G network.

Through innovative marketing strategies, our 2G subscribers will be able to enjoy a smooth upgrade to 3G services without changing their SIM card or mobile number or requiring re-registration. We will offer wireless broadband services through a variety of mobile terminals to individual, family and corporate customers. Using wireless broadband as an entry point, we will develop the 3G market.

In addition, the Group will leverage its influence and market leading position to proactively promote the development and maturity of the TD-SCDMA industry. We will also proactively research and promote the evolution of LTE network. At the same time the Company will actively search for quality overseas telecommunications assets as investment opportunities and as a way to explore international development. Our goal is clear, we will unswervingly continue our efforts to create value for our shareholders.



Wang Jianzhou

Chairman and Chief Executive Officer

Hong Kong, 19 March 2009