

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Chinese economy began to recover from the aftermath of the global financial crisis in 2009, while the new structure of the telecom market in China gradually took shape following the issuance of 3G licenses. Meanwhile, increasing mobile penetration rates have been observed in a number of more developed regions. In this new yet challenging environment, the Group continued to maintain steady growth and good profitability, thanks to its robust management approach, institutionalized processes and procedures, strong execution capability, high quality network with extensive coverage, large scale and premium brand. The Group maintained its leading position among international peers in terms of market capitalization and brand value, and once again was selected to be a constituent of the Dow Jones Sustainability Indexes.



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Financial Results

In 2009, the Group recorded RMB452,103 million in operating revenue, a steady rise of 9.8% over last year. Continuously leading the industry in profitability, the Group achieved 2.3% increase in profit attributable to shareholders, which reached RMB115,166 million, arriving at a margin of 25.5%. EBITDA rose 5.9% to RMB229,023 million, with EBITDA margin reaching 50.7%. Basic earnings per share grew 2.2% to RMB5.74.

Underpinned by its solid capital structure and financial strength, the Group is well-positioned to manage risks and achieve continued healthy growth.

Business Development

The Group's business grew steadily despite facing multiple challenges in 2009 and the Group successfully competed to win higher market share from new customers, while also maintaining a low customer churn rate. The Group preserved its existing customer base and kept average minutes of usage per user per month (MOU) stable. The total customer base at the end of 2009 reached 522 million, of which 65.03 million were net additions. The contribution to total revenue from value-added business increased substantially, including revenue generated from Mobile Music, which again exceeded RMB10 billion. In 2009, the Group's total voice usage volume was 2,918.712 billion minutes, with MOU at 494 minutes and average revenue per user per month (ARPU) at RMB77.

The Group's value-added business grew rapidly. Revenue from value-added business increased 16.0% over last year, a contribution of 29.1% to the Group's total operating revenue, thanks to the continuous expansion of some of our major service offerings such as SMS, Color Ring, MMS, Handset Internet Access and Mobile Paper. Customers of our Wireless Music Club, Fetion and 12580 Integrated Information Service Line also reached critical mass. "139 Mailbox" and Mobile Gaming services showed rapid growth, while we further developed and optimized several services in our product pipeline including Mobile Video, Mobile Reading and Mobile Payment. Launched in August 2009, Mobile Market – the platform designed and built to provide a wide range of mobile applications – offered a pioneering example of collaboration between a mobile network operator and application developers. The application of the recently

popularized concept, the "Internet of Things" also gained encouraging initial momentum in the market and is expected to become an additional revenue stream for the Group.

In 2009, complementing state policies for economic development in rural areas, the Group leveraged its large scale to implement an integrated and more efficient sales and marketing approach to expand into the rural market. The offerings of "Agricultural Information Service", our information provisioning service tailored for rural customers, were broadened in an effort to increase customer loyalty and enhance value for rural customers. We are pleased to see that our presence is increasingly influential and that our competitive edge is strengthening in the rural market. The rural sector continues to contribute to the Group's overall revenue growth and expansion of its customer base.

Positioned as a "Mobile Information Expert", the Group has been proactively promoting information applications to corporate customers. In 2009, our management priority was focused on improving corporate customer marketing services, product planning & business integration, and operation systems support. Through a variety of initiatives, including the "Customer Cultivation Plan" for SMEs and the "Power 100" service package, we attracted a substantial number of new corporate customers subscribing to M2M and mobile e-Commerce services. As of 31 December 2009, the number of our corporate accounts reached 2.78 million and the number of individual customers managed through corporate accounts approached 185 million, and revenues from industry-specific information services broke through the RMB10 billion threshold.

China Mobile is the world's No. 1 mobile operator by number of customers and enjoys prominent advantages from our economies of scale and market leading position. In 2009, the Group further enhanced its network in terms of both quality and coverage. We maintained our world-class network quality and continued to widen our international roaming service coverage. The number of base stations exceeded 460,000, with a population coverage rate of 98%, while the optic fiber base station access rate surpassed 96%, putting our services in the near vicinity of most office and commercial buildings. The Group has completed the upgrading of its core network to be fully IP-based, hence laying a solid foundation for a full-service network that is geared to future needs and capable of providing integrated services.

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3G Development

In 2009, in coordination with its parent company, the Group rapidly and efficiently built and optimized the 3G network. With the second and third phases of the network construction completed, the 3G network coverage fanned out to include 238 cities across the country, with a 70% coverage rate among prefecture-level cities. Technological innovations helped solve critical technical network challenges and enabled the quality of the 3G network to be close to that of our world-class 2G network.

The Group is committed to lead and participate in the development of TD-SCDMA (TD) technology throughout the entire supply chain in an effort to accelerate the maturity of the industry. The Group's parent company set up a TD Terminal Joint R&D Incentive Fund which seeks to attract additional participation and investment from major terminal manufacturers. Through the collective efforts of multiple parties including the Group, there are already 266 different designs of TD terminals on the market, including medium to high-end series with improved features, as well as models for the mass market priced around or below RMB1,000. To lead in the mobile handset industry, we also launched the intelligent mobile terminal software platform OMS, the development process for which the Group played a leading role, and terminal manufacturers joined forces with the Group to launch the OPhones.

Capitalizing on the Group's advantages in brand recognition and network coverage and complementing marketing initiatives related to the 3G logo launch, the Group adopted an integrated dual-network approach in 2009 to boost the full scale introduction of 3G services to the individual, family and corporate markets. Following the principle of continuous innovation, we introduced a variety of devices including handsets, netbooks and G3 Readers, which offer more ways to use 3G applications such as Handset Internet Access and Broadcast Mobile TV services. We have begun the pilot project for TD Wireless City roll-out in selected cities, and various industry-specific applications are being used by government organizations and corporations. The number of customers who used 3G services in December 2009 was 3.41 million. In the context of state policies encouraging "home-grown innovation", the Group will continue to work closely with all parties across the supply chain to propel the development of TD and expand the 3G market.

Innovation and Improvement

Committed to continuous innovation, in a determined effort to forge ahead, the Group took actions across the organization, ranging from technological development to operations and management improvements, that will help ensure sustainable development in the future.

Following the management principle of "one China Mobile", the Group was able to manage the company more effectively by accessing detailed data from its centralized IT system to achieve improved operational efficiencies and lower costs. Capacity upgrades and optimization of our IT systems provided the backbone to our efforts at the centralization, standardization and informatization of management. Centralization of the Group's operations and maintenance has led to a high utilization rate for our network resources. More centralized procurement lowered our costs even further. Finally, progress in the centralization of our financial management has already led to improved transparency and effective cost control.

We undertook efforts to upgrade our core network to become fully IP-based, and established a 2G and 3G soft switch IP network that offers superior quality and is the world's biggest. We are committed to network quality improvement and TD technology innovation. We have increased investment in R&D for TD technology evolution. We participated in a number of projects sponsored by the National Engineering Lab on new generation broadband mobile telecommunications applications. We also promoted the international standardization of TD-LTE in several international organizations, paving the way for the continuous and healthy development of the TD industry. We will debut our TD-LTE showcase network at the World Expo Shanghai 2010.

At this juncture, as the mobile telecommunications and Internet industries are converging, apart from being the first operator to launch mobile applications store — Mobile Market, the Group introduced several value-added applications and services including Mobile TV, Mobile Reading and Mobile Payment to capitalize on these emerging trends. At the same time, we made major breakthroughs in critical technology and research about the "Internet of Things", which is an important step in securing our leading position in future technology evolution and our influence in setting industry standards, as well as accelerating commercial applications.

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Investments and Acquisitions

On 10 March 2010, the Company through its wholly-owned subsidiary, Guangdong Mobile, entered into a conditional share subscription agreement with Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank"). Pursuant to the share subscription agreement, Guangdong Mobile will conditionally subscribe for 2,207,511,410 A shares to be issued by SPD Bank, representing 20% of the issued shares of SPD Bank as increased by the subscription. We have also entered into a Memorandum of Understanding for strategic cooperation with SPD Bank. Upon completion of the subscription, the Group and SPD Bank will closely cooperate in the joint development of mobile e-Commerce businesses, among other things. The cooperation between the Group and SPD Bank signifies the exploration of a closer integration between mobile communications and e-Commerce applications. Our aims are to provide safer, faster and more convenient services to our customers and to improve people's quality of life. We believe this cooperation will open up a new market for both parties and result in a win-win situation.

The Company will continue to look for investment opportunities in the overseas telecommunications sector and will seek new avenues of growth in international markets.

Corporate Social Responsibility

As the world's largest mobile telecommunications operator in terms of customer base and network scale, the Group attaches great importance to corporate social responsibility, and we developed a series of programs in this area in 2009. In addition to ensuring that the communications system and services we offered are reliable, efficient and safe, we have also worked toward narrowing the digital divide to enable more people to have access to digital information technology. We also consider employee satisfaction to be a fundamental management priority.

In 2009, the Group launched the "China Mobile Charity Foundation". As part of our initiatives to tackle the issue of climate change, the Group volunteered to reduce our average operating energy consumption per unit of telecommunications traffic by 20% in 2012 compared with 2008, a concrete contribution to energy saving and emissions reduction. The Group's efforts with regard to corporate social responsibility and sustainable development were recognized as it continued to be named a constituent of the Dow Jones Sustainability Indexes.

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Awards and Recognition

In 2009, our achievements continued to be widely recognized. The Company was ranked 5th place in the Financial Times' "FT Global 500". Our position in Forbes Magazine's "Global 2000" list rose from 78th to 55th place. We made the BusinessWeek global "Info Tech 100" list for the eighth consecutive year, placing 23rd. The China Mobile brand was in "BRANDZ™ Top 100 Most Powerful Brands" by Millward Brown and Financial Times for the fourth consecutive year and currently ranks 7th, with the brand value having increased to US\$61.283 billion. In the same period, Standard & Poor's and Moody's kept our ratings at A+/Outlook Stable and A1/Outlook Positive respectively, which is the same as China's sovereign credit 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 for minority shareholders. In view of the Company's good profitability of 2009 and taking into consideration its long-term future development, the Board recommends payment of a final dividend of HK\$1.458 per share for the financial year ended 31 December 2009 in accordance with the dividend payout ratio of 43% planned for the full financial year of 2009. This, together with the interim dividend of HK\$1.346 per share that was paid in 2009, amounts to an aggregate dividend payment of HK\$2.804 per share for the full financial year of 2009. The dividend payout ratio for the year of 2009 was 43%.

In 2010, taking into consideration various relevant factors such as the Company's overall financial condition, cash flow generating capability and the need for future sustainable development, the Company plans the dividend payout ratio for the full year of 2010 to be 43%.

The Board is of the view that the Company's good profitability and strong cash flow generating capability will continue to support the future sustainable development of the Company, while providing shareholders with a favorable return.

Future Outlook

The continuing impact of the global financial crisis on the Chinese economy, the change in the competitive landscape, the increasing mobile penetration rate and the convergence across telecommunications, Internet and Radio & TV Broadcasting networks all pose fresh challenges to the Group's future development. On the other hand, the Chinese government has pursued policies aimed at boosting domestic consumption and strengthening economic growth. The resulting economic development and growing consumer purchasing power will lead to increased demand for telecommunications and information services throughout all sectors, particularly from individuals and families. We also expect to see growth in the corporate sector, driven by accelerating demand for enterprise and industry informatization. The government attaches great importance and gives strong support to "home-grown innovation", which motivates us and gives us confidence in our 3G development. In addition, the flourishing Mobile Internet and the "Internet of Things" concept, as well as the integration of mobile payments into the financial system, have all created new revenue stream possibilities. The convergence across telecommunications, Internet and Radio & TV Broadcasting networks will form a new market beyond the traditional telecommunications industry. All these trends present us with new opportunities for future development.

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We believe in growth via making new markets, in line with the strategy popularly known as "Blue Ocean Strategy", and we advocate for rational competition, thereby preserving industry profitability levels without compromising our leading position. Based on our strong foundation and integrated capabilities, the Group will focus on growing its telecommunications and information service business, continuing to meet our customers' needs, and achieving sustained growth. Driven by value creation, we will expand 3G services and promote mobile broadband service to individuals, families and corporate customers. Capitalizing on the advantages of our network and the synergies with our parent company, the Group will continue to operate efficiently, and to implement our distinctive, differentiated full-service strategy. We will expand into new business areas in mobile Internet and the "Internet of Things". At the same time, we will capitalize on our overall influence to actively participate in the research and promote the development of LTE mobile network evolution.

Our commitment is unwavering – we will continue the efforts to maintain our leading position in the international telecommunications industry and create value for shareholders by building a prosperous and sustainable business.



Wang Jianzhou

Chairman and Chief Executive Officer

Hong Kong, 18 March 2010