
Chairman's Statement



Dear Shareholders,

The Group advanced in a positive direction against the backdrop of China's steady and fast economic growth in 2010. Advances in telecommunication and information technologies and an exponential expansion of mobile Internet applications brought the Group tremendous opportunities for development. At the same time, further mobile penetration in China, coupled with changes in the landscape of the domestic telecommunications industry, made for a

more challenging competitive environment. Adhering to the principle of rational competition, the Group remained focused on its core strengths: innovation, brand equity, management and professional talent. By fully leveraging the scale of its network, customer base and strong customer service system, the Group improved its overall competitive positioning, solidified those qualities that differentiate its business, and achieved steady business development.

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FINANCIAL RESULTS

In 2010, the Group's operating revenue maintained steady growth, reaching RMB485.2 billion, up 7.3% over last year. Continuing to lead the industry in profitability, the Group achieved 3.9% increase in profit attributable to shareholders over last year, which amounted to RMB119.6 billion, with profit margin reaching 24.7%. EBITDA rose 4.5% over last year to approximately RMB239.4 billion, with EBITDA margin reaching 49.3%. Basic earnings per share grew 3.9% over last year to RMB5.96. Underpinned by its solid capital structure and strong cash flow, the Group is well-positioned to manage risks and achieve sustainable growth.

BUSINESS DEVELOPMENT

The Group achieved steady business development in 2010. The Group has been effectively signing up new customers, a large part of whom continued to come from rural and migrant markets. The Group's total customer base reached 584 million by the end of 2010, with a net addition of 61.73 million customers. In the meantime, the corporate customer base continued to grow, and the mid-to high-end customer base remained stable. Voice usage volume continued to grow. Total voice usage volume was 3,461.6 billion minutes, up 18.6% over last year. Average minutes of usage per user per month (MOU) were 521 minutes, up 5.4% over last year. Average revenue per user per month (ARPU) was RMB73, exhibiting a slowdown in decline. By the end of 2010, the number of 3G customers reached 20.70 million, securing the Group a leading position in the 3G market.

The value-added services business grew rapidly, with Wireless Music, Mobile Paper, "Fetion" and Mobile Mailbox all enjoying significant increases in revenue, and Mobile Gaming, Mobile Payment, Mobile Reading and Mobile Video enjoying rapid expansions in their customer bases. Mobile Internet Access data usage is growing rapidly and has become an important driving force for the growth of our value-added business. Revenue generated from the value-added business accounted for 31.2% of total operating revenue and was an essential driver of total revenue growth.

The Group made further progress in mobile Internet and "Internet of Things", actively expanding into new areas and exploring new business models. Mobile Market, a comprehensive sales platform designed and built as a one-stop shop for downloads of a wide range of mobile applications, as well as being the world's first such platform led by a telecom operator, has achieved rapid growth, with cumulative registered customers of 35 million, registered developers of 1.1 million, 50,000 applications provided, and

over 110 million application downloads recorded by the end of 2010. We have been actively exploring the "Internet of Things" business model by launching a variety of new applications that enrich product lines designed for both families and corporations. We also joined forces with local governments to promote fast development of "Internet of Things" applications in building "Wireless Cities", in the fields of city management, intelligent traffic control and industrial control.

Adhering to our mantra of "Customers are our priority, quality service is our principle", the Group undertook a series of programs in order to improve customer service quality and enhance customer satisfaction. New measures were taken to better protect customer rights, such as "alerts before direct debit, and standardized inquiry and unsubscribe function for value-added services". In 2010, we had the lowest number of complaints per million customers among all peers in the country, and we are proud to maintain a good rate of customer satisfaction.

NETWORK DEVELOPMENT AND EVOLUTION

The Group is committed to the belief that "network quality is the lifeline of any telecommunications company". To stay ahead of the trend of the booming mobile data traffic resulting from the popularization of intelligent terminals, we set our sights on implementing a forward-looking and well-coordinated network development strategy. We allocated our resources in a scientific way and strengthened network construction according to the different technological features and capacities among 2G, 3G (TD-SCDMA), WLAN and LTE, and in so doing, we were able to ensure that our overall network quality continued to be in the leading position in the industry.

The 3G network built by our parent company with our assistance has been continuously expanding its covered areas. In 2010, 3G coverage was extended with good network performance to almost all the above-county-level cities in China. We took advantage of the synergy with our parent company and realized the integrated development of 2G with 3G.

The Group actively promoted home-grown innovation and has made significant progress on TD-LTE standards and industry development. The TD-LTE demonstration networks exhibited by us together with our parent company at the World Expo Shanghai 2010 and Guangzhou Asian Games were both well received. In October 2010, TD-LTE-Advanced technology was chosen by the ITU to be one of the

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candidates for the 4G wireless communication standard. We have won government approval for the large scale testing of TD-LTE across six cities and in a showcase network in Beijing, and related work has started on schedule. Together with our parent company, by leveraging our industrial and international influence, we are actively promoting the compatible and synchronized development of TD-LTE and FDD LTE in the global market. Our efforts have won active support and positive responses from international standards organizations, mobile operators and equipment manufacturers, and as a result, 26 testing networks are being built worldwide.

CORPORATE MANAGEMENT

In 2010, we further advanced our "One China Mobile" project and continued to look for ways to further streamline our low-cost, highly efficient operations. As part of the project, the centralized management model helped us achieve better overall efficiency across multiple operational fronts including financial management, network maintenance, equipment procurement, customer service, brand building and new business operations. Abiding by corporate governance principles of integrity, transparency, openness and high efficiency, the Company has instituted a sound governance structure and took practical measures to ensure good corporate governance practices. In 2010, we further strengthened systematic internal controls and quality management to better monitor and assess our internal performance as well as business operations. These improvements will help the Company achieve long-term, sustainable and healthy development.

INVESTMENTS AND ACQUISITIONS

In October 2010, the Company completed the share subscription of a 20% interest in SPD Bank through its wholly-owned subsidiary, Guangdong Mobile, for a consideration of RMB39.5 billion. The Company and SPD Bank entered into a strategic cooperation agreement in November 2010 and officially began cooperation in the areas of mobile finance and mobile e-Commerce businesses.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

A company's sustainable development is interdependent with and inseparable from the overall development of the society in which it operates. The Group attaches great importance to corporate social responsibility and makes a

solid contribution to society by providing a responsible and reliable network and narrowing the digital divide. In addition, the Group has done its part to address climate change and has participated in various philanthropic initiatives. In 2010, we provided excellent telecommunications services at the World Expo Shanghai 2010 and for the Guangzhou Asian Games. In the wake of several natural disasters such as the earthquake in Yushu, Qinghai province and the mudslide in Zhouqu, Gansu province, we acted swiftly to ensure the smooth flow of mobile telecommunications in affected areas. In an effort to narrow the digital divide and improve more people's living standards by providing them with access to mobile telecommunications, we continued to take an active part in our parent company's "Village Connected Program". We also committed ourselves to energy saving and emissions reduction, and our power consumption per unit of telecommunications traffic decreased by 14.8% over last year. Through public welfare charity foundations and other philanthropic activities, we contributed to education support, childcare and poverty aid. In 2010, we built 175 "China Mobile Charity Libraries" in elementary and high schools in poor, rural areas of inland and western provinces and provided training to 11,000 school principals in inland and western provinces. We also used our business resources to create platforms to encourage public participation in philanthropy.

In 2010, China Mobile was recognized for the third consecutive year as a constituent of the Dow Jones Sustainability Indexes, being the only mainland Chinese company to win that honor. The Company was also chosen to be a constituent of the newly launched Hang Seng Corporate Sustainability Index.

AWARDS AND RECOGNITION

Our efforts and successes were widely recognized in 2010. The Company was again included and ranked 10th in the Financial Times' "FT Global 500", and was ranked 38th in Forbes Magazine's "Global 2000" list. We were selected as one of "The 50 Most Innovative Companies 2010" by BusinessWeek. The China Mobile brand was named one of "BRANDZ™ Top 100 Most Powerful Brands" by Millward Brown and Financial Times for the fifth consecutive year, and the brand value ranked 8th, topping all other telecommunications operators in the world. In the same period, Moody's and Standard & Poor's raised our corporate credit rating in line with the lift of China's sovereign credit rating, to Aa3/Outlook Positive and AA-/Outlook Stable respectively.

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DIVIDENDS

In view of the Group's good profitability in 2010 and taking into consideration its long-term future development, the Board recommends payment of a final dividend of HK\$1.597 per share for the financial year ended 31 December 2010 in accordance with the dividend payout ratio of 43% planned for the full financial year of 2010. This, together with the interim dividend of HK\$1.417 per share that was paid in 2010, amounts to an aggregate dividend payment of HK\$3.014 per share for the full financial year of 2010.

In 2011, 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 2011 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

With the emergence of innovative technology companies offering integrated products and services including terminal manufacturing, business applications development and Internet service, and the proliferation of new Internet business models, the telecommunications industry's traditional eco-system is facing new challenges. Increasing mobile penetration in China will further intensify competition in the telecommunications industry. At the same time, China is speeding up its transition to an economic development model that is more focused on technology and innovation. Naturally, the focus on emerging information technology industries as well as policies designed to stimulate consumption will significantly boost demand for telecommunications and information services. Along with the popularization of intelligent terminals and the broadband mobile network, the mobile Internet market is bursting with vitality and energy. "Internet of Things" is also showing vigorous growth momentum following the development of sensing technology and the broadening of telecommunications networks' coverage. Together, these developments present vast potential for sustainable development of the Group.

Facing both opportunities and challenges, we will implement our sustainable development strategy to the fullest. We

will devote ourselves to innovation and exploration and consolidation of our core competencies, targeting to be the world's leading player. Our goal shall be to realize the strategic vision of "Mobile Changes Life". We will proceed with the "One China Mobile" project to further streamline operations. We will expand into new areas and lead the development of mobile Internet and "Internet of Things" to achieve greater scale. We will explore new models to build comprehensive business platforms and form future competitive advantage. We will strengthen our customer-oriented service and business innovation to solidify our leading position in the market. We will maintain our advantage in network quality and capacity and build forward-looking, integrated and compatible networks. At the same time, we will continue promoting home-grown innovation and will support the parent company in the construction, operation and evolution of 3G. Leveraging our international influence, we will accelerate the development of the TD-LTE technology.

We will look for appropriate investment opportunities in an active but cautious manner to broaden our presence in the telecommunications market.

Our commitment is unwavering – we will strive to create value for our shareholders.



Wang Jianzhou
Chairman

Hong Kong, 16 March 2011