Financial Review

We are resolute in facing challenges and adhere to principle of rational competition. We focus on innovation and maintain sustainable steady growth. Our profitability continued to lead the industry:

- **Operating revenue up 7.3%**
- **EBITDA margin reached 49.3%**
- **Profit attributable to shareholders margin reached 24.7%**

Our solid financial strength and strong ability to generate cash flow provide us a solid foundation for risk management and enable us to drive sustainable and long-term growth.

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Key Financial Data

	2010 **RMB million**	2009 *RMB million*	Change %
Financial Results			
Operating revenue	**485,231**	452,103	7.3
Usage and monthly fees	**312,349**	300,632	3.9
Value-added services fees	**151,435**	131,434	15.2
Other operating revenue	**21,447**	20,037	7.0
Operating expenses	**334,477**	305,095	9.6
Leased lines	**3,897**	3,006	29.6
Interconnection	**21,886**	21,847	0.2
Depreciation	**86,230**	80,179	7.5
Personnel	**24,524**	21,480	14.2
Other operating expenses	**197,940**	178,583	10.8
Profit from operations	**150,754**	147,008	2.5
Other net income	**2,336**	1,780	31.2
Share of profit of associate[1]	**558**	–	–
Profit attributable to shareholders	**119,640**	115,166	3.9
EBITDA[2]	**239,382**	229,023	4.5
Basic EPS (RMB)	**5.96**	5.74	3.9
Financial Position			
Current assets	**321,882**	287,355	12.0
Including: cash and bank balances[3]	**292,346**	264,507	10.5
Non-current assets	**540,053**	464,013	16.4
Total assets	**861,935**	751,368	14.7
Current liabilities	**255,630**	209,805	21.8
Non-current liabilities	**28,902**	33,929	(14.8)
Total liabilities	**284,532**	243,734	16.7
Non-controlling interests	**1,246**	886	40.6
Shareholders' equity	**576,157**	506,748	13.7
Cash Flows			
Net cash generated from operating activities	**231,379**	207,123	11.7
Net cash used in investing activities	**(171,572)**	(165,927)	3.4
Net cash used in financing activities	**(51,051)**	(49,774)	2.6
Free cash flow[4]	**107,032**	77,756	37.7

1 *The Group recognized its share of SPD Bank's comprehensive income from acquisition date to 31 December 2010 based on its unaudited financial information which was released by SPD Bank and publicly disclosed.*

2 *China Mobile Limited defines EBITDA as profit for the year before taxation, share of loss of jointly controlled entity, share of profit of associate, finance costs, interest income, non-operating net income, depreciation and amortization of other intangible assets.*

3 *Cash and bank balances represent cash and cash equivalents and bank deposits.*

4 *China Mobile Limited defines free cash flow as net cash generated from operating activities less investments incurred in capital expenditure.*

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary of Financial Results

The Group advanced positively against the backdrop of China's steady and fast economic growth in 2010. Continued adjustment in economic structure along with government's focus on improving informatization level on multiple fronts provided a vibrant development for our Company. Our operations continued to experience challenges resulted from increased mobile penetration rate, intensified competition and the emergence of new technologies and business models. We embraced a vision of "Mobile Changes Life" and adhered to the principle of rational competition by proactively exploring into new areas and searching for new models. Building on our mantra of "Customers are our priority, quality service is our principle", we leverage off our enormous customer base, quality network, excellent customer service, and influential brand to maintain healthy growth in our business performance. In addition, the Group is dedicated to refined management and strive to achieve a low-cost, highly effective and efficient operation, so as to solidify its market leading position.

Benefited from the solid customer base, remarkable addition in new customers, relatively rapid growth in voice usage volume and the prominent driving force of the value-added business on revenue, operating revenue of the Group for 2010 reached RMB485.2 billion, up 7.3% year-on-year. In order to support the development of customers, voice usage and new businesses, as well as to respond to the market competition and maintain the Group's continuous competitive advantages and capabilities in sustaining healthy development, we have further strengthened resource allocation, increased our investments in sales channels, customer service, network optimization, system support and R&D, as well as improved our efficiency and effectiveness in utilizing resources. Operating expenses in 2010 were approximately RMB334.5 billion, up 9.6% as compared to the previous year. The Group's profitability remained industry-leading. Profit attributable to shareholders was RMB119.6 billion, up 3.9% year-on-year. Margin of profit attributable to shareholders reached 24.7%. EBITDA was approximately RMB239.4 billion, up 4.5% year-on-year, arriving at a margin of 49.3%. Basic EPS was RMB5.96, up 3.9% year-on-year.

The Group sustained its robust cash flow as a result of healthy business growth, refined management over cost control, rational and efficient investment in capital expenditure as well as the prominent economies of scale. In 2010, the Group's net cash generated from operating activities and free cash flow were approximately RMB231.4 billion and RMB107.0 billion, respectively. Total debt to total book capitalization ratio and interest coverage multiple remained at sound level. In 2010, along with the upgrading of China's sovereign credit rating, Moody's and Standard & Poor's further upgraded the Company's corporate credit rating to Aa3/Outlook Positive and AA-/Outlook Stable, respectively, the same as China's sovereign credit rating.

Underpinned by its consistently solid capital structure and financial strength as well as strong cash flow generating capability, the Group is well-positioned to manage risks and achieve sustainable healthy growth.

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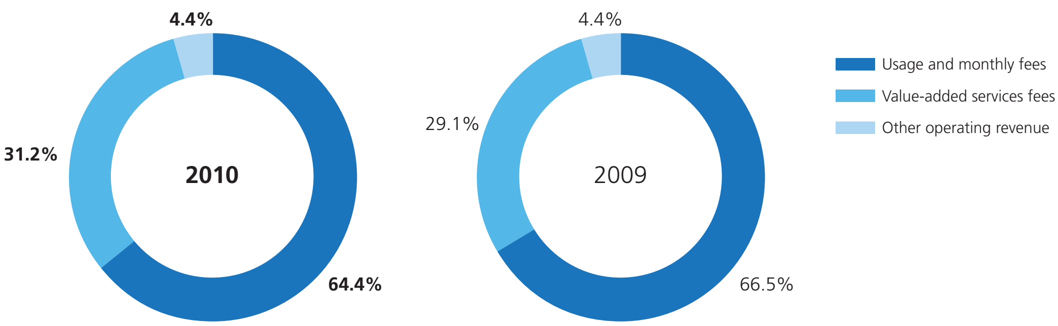
Operating Revenue Composition



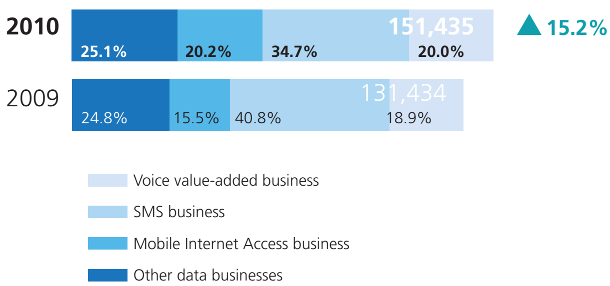
Operating Revenue

In 2010, the Group has seen continuous stable growth in customer base, relatively rapid growth in voice usage volume, and prominent driving force of the value-added business on revenue. Operating revenue of the Group reached RMB485.2 billion, up 7.3% year-on-year. The Group consistently advocated and pursued rational competition and actively enhanced innovation. The Group is devoted to optimizing customer service system, building differentiated competitive advantages, vigorously exploring families and corporate customers, further developing the rural market, exploring the potentials of existing customers, and proactively retaining high-value customers. In 2010, the number of net additional customers for the Group was 61.73 million. In addition, the Group gradually advanced the adjustment of its tariff structure and the tariff for roaming and long distance calls, and effectively launched its specific marketing efforts in relation to voice usage, driving the voice usage volume to realize a relatively rapid growth. Total minutes of usage reached 3,461.6 billion minutes, up 18.6% year-on-year. The continuously strengthened customer base and the stable growth in voice usage volume guaranteed the sustainable revenue growth of the Group.

The Group actively conducted product innovation and business development for value-added business. Value-added businesses have shown sound development momentum and notable contribution to revenue growth. In 2010, revenue from value-added business grew 15.2% year-on-year to RMB151.4 billion, and revenue from value-added business to total operating revenue has risen to 31.2%. Although the SMS revenue recorded a slight decrease after years of rapid growth, it still maintains a sizeable scale and will have room for further development along with the expansion into businesses relating to the "Internet of Things". In 2010, the revenue of SMS reached RMB52.6 billion, representing 34.7% of value-added business revenue. There was a rapid growth of Mobile Internet Access business. The usage of Mobile Internet Access increased by 112.3% and its revenue reached RMB30.5 billion, up 49.4% over the previous year, contributing to 20.2% of value-added business revenue. The contribution of other data businesses, such as Wireless Music and MMS, to revenue also increased notably. "Fetion", Mobile Mailbox and 12580 Information Service Line also experienced a rapid growth. Revenue from other data businesses was approximately RMB38.1 billion, representing 25.1% of the Group's value-added business revenue. Overall revenue structure for value-added business was further optimized.

Value-added Services Fees

(RMB million)



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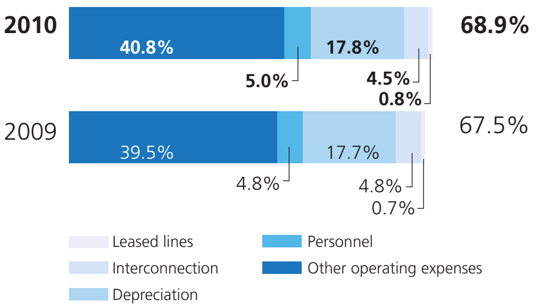
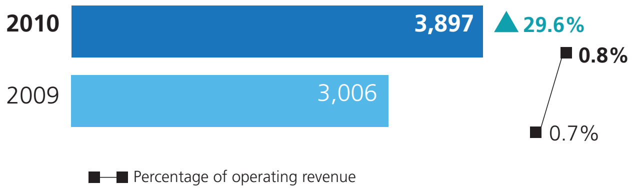
Operating Expenses Structure



Note: *Each of the above percentages represents the percentage of the operating expense to operating revenue.*

Leased Lines

(RMB million)



Operating Expenses

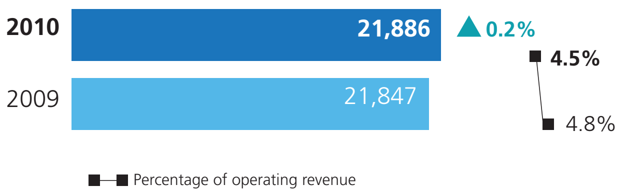
In order to strengthen the leading position of the Group in the mobile telecommunications industry and boost our future competitiveness, we consistently upheld our principles of rational investment, effective resource allocation, forward-looking planning and refined management in cost allocations. The Group reinforced the transformation of its operation towards centralization, standardization and informatization and made efforts to enhance our core competence. The Group implemented centralization in areas such as procurement, operation and maintenance, business support and financial management. Management efficiency was thereby enhanced and low cost, highly efficient operation was achieved. In 2010, operating expenses increased 9.6% year-on-year to approximately RMB334.5 billion, representing 68.9% of the total operating revenue. The scale advantage continued to be remarkable. Average operating expense per user per month was RMB50, declining by 2.6%. Average operating expense per minute was RMB0.097, declining by 7.6%. We commit to continuously enhancing refined management on cost effectiveness and optimizing the cost structure to enhance the efficiency and effectiveness of cost investment and achieve the best returns.

Leased Lines

With the Group's continuous effort in optimizing network structure and efficient utilization of new lines, the self-constructed and jointly-constructed lines reached a sizeable scale. The scale of leased lines had been relatively small. Following the operation of 3G business using TD wireless network leased from the parent company, the Group's TD network capacity leasing fees payable to its parent company were RMB578 million in 2010 and the leasing fees of Internet ports also increased as a result of the development of Internet business. In 2010, leased line expenses as a percentage of total operating revenue increased as compared to the previous year.

Interconnection

(RMB million)



Interconnection

In 2010, interconnection expenses slightly increased by RMB39 million from the previous year. The Group continued to increase its efforts in optimizing the network structure. Through effective marketing strategy, the Group reorganized and re-routed traffic volume. The proportion of intra-network voice usage volume continued to increase.

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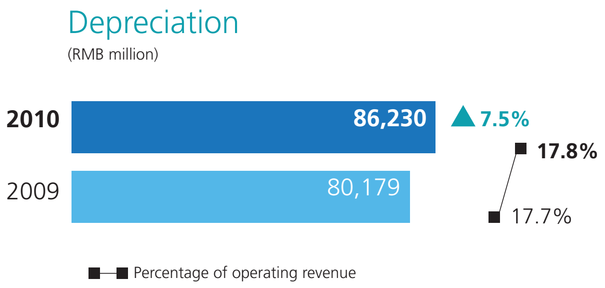

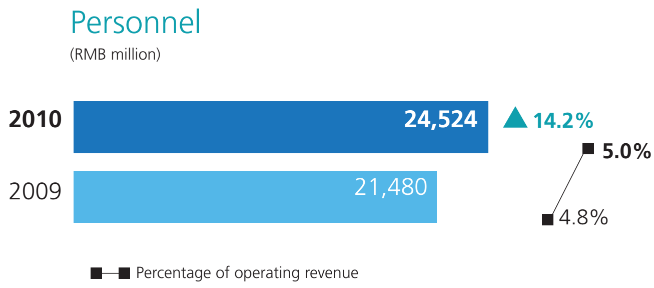

Depreciation

In order to maintain the leading position and competitive advantages of our network, to better support the growth of customers and voice usage volume as well as to meet the development of various innovative data and information businesses, in particular to support the explosive growth in Mobile Internet Access business, the Group continued to invest in network construction and optimization, leading to a corresponding increase in depreciation expense by approximately RMB6.1 billion over the previous year. Despite the increase, our premium network enhanced customer loyalty and supported the sustainable development of our new businesses as well as our favorable financial results. In addition, the Group derived advantages from rational capital expenditures, ongoing optimization of investment structure and economies of scale, average depreciation expense per minute of voice usage decreased by 9.3% as compared to the previous year. This reflected a favorable return on investments.

Personnel

The Group continued to strengthen its effective personnel management and incentive mechanism and constantly enhance its human resource management. The Group has implemented a comprehensive budget management system and performance-based evaluation system, which helped to maintain its competitive advantage in terms of human resources while appropriately controlling personnel expenses. In 2010, in order to support the sound business development, the Group further strengthened its personnel capabilities in various aspects, and recruited more employees. As at 31 December 2010, the Group had a total of 164,336 employees. Personnel expenses for 2010 were RMB24.5 billion. The ratio of personnel expenses to operating revenue increased slightly comparing to the previous year.

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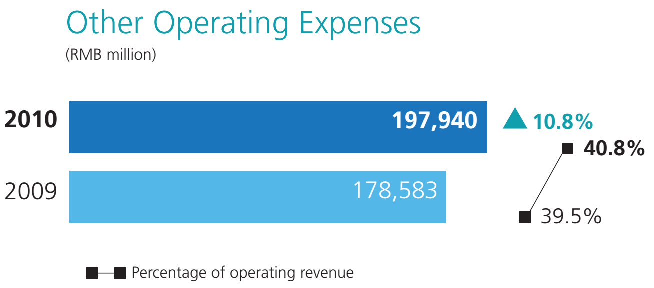

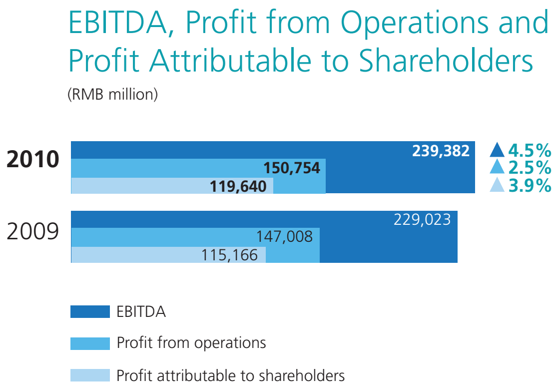

Other Operating Expenses

In 2010, other operating expenses (consisting primarily expenses for selling and promotion, network maintenance, operating lease, labor service expenses, bad debts, asset write-offs, administration and others) increased by approximately RMB19.4 billion over the previous year. In order to effectively respond to market competition and boost its future competitiveness, the Group reasonably increased its investments in sales channels, customer service, network optimization, system support and R&D to support the Group's continuous stable business growth. As a result, other operating expenses such as selling and promotion expenses, customer service expenses, network maintenance expenses and operating lease expenses increased accordingly. The number of labor sourced by third parties reached 313,143 as at 31 December 2010 and the associated expenses were RMB15.6 billion. In view of the Group's continuous efforts in monitoring customer credit and stringent control over defaults in payment by customers, the Group maintained its bad debt ratio at a relatively sound level of 0.83% in 2010. With the stable growth of the operating revenue, the Group further enhanced the cost effectiveness and efficiency, stringently controlled the increase in administrative costs, made great efforts to initiate the concept of all-personnel wealth management and endeavored to establish an operating system with low cost and high efficiency.

EBITDA, Profit from Operations and Profit Attributable to Shareholders

The Group continued to maintain a relatively high level of profitability in the industry. Margin of profit attributable to shareholders and EBITDA margin in 2010 reached 24.7% and 49.3%, respectively. Profit from operations was approximately RMB150.8 billion. EBITDA, profit attributable to shareholders and basic EPS were approximately RMB239.4 billion, RMB119.6 billion and RMB5.96, respectively. Along with the steady revenue growth, these results also reflected the Group's ongoing efforts in optimizing resource allocation and management efficiency in reducing operating expenses and in leveraging economies of scale. Overall operational efficiency and effectiveness of the Group continued to improve. We are committed to consistently achieving good profitability so as to create value for our shareholders.

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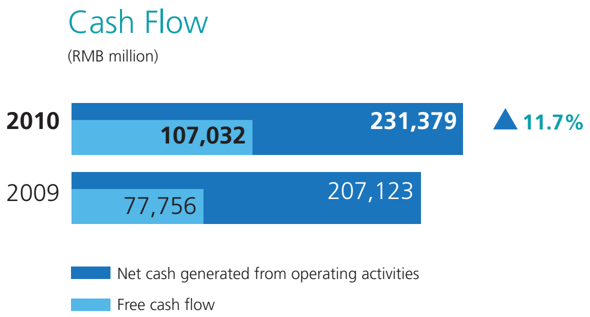

FUND MANAGEMENT, CASH FLOW, CAPITAL STRUCTURE AND CREDIT RATING

Fund Management and Cash Flow

The Group consistently upheld prudent financial principles and strict fund management policy. In order to strengthen the safe custody of cash, enhance fund efficiency and reduce cost of capital, the Group continued to reinforce its centralized fund management function and make appropriate allocations of overall funds, thereby enhancing the Group's ability to effectively deploy internal funds with maximum utilization rate. Through highly centralized management of our investments and financing, as well as strict control over equity investments, the Group's funds were safeguarded.

In 2010, the Group continued generating strong cash flow. The Group's net cash generated from operating activities was approximately RMB231.4 billion and free cash flow was RMB107.0 billion. As at the end of 2010, the Group's total cash and bank balances were RMB292.3 billion, of which 98.7%, 0.2% and 1.1% were denominated in RMB, U.S. dollar and Hong Kong dollar, respectively. The steady fund management and sufficient cash flow further provided a solid foundation for the long-term development of the Group.

Capital Structure

As at the end of 2010, the sum of the Group's long-term and short-term debts was approximately RMB34.2 billion in the aggregate, and its total debt to total book capitalization ratio (with total book capitalization representing the sum of total debt and shareholders' equity) was 5.6%, reflecting the fact that the Group's financial position continued to remain at a sound level.

Of the total borrowings, 30.8% were denominated in RMB (consisting primarily of RMB bonds), and 69.2% were denominated in U.S. dollar (consisting primarily of the balances of the deferred consideration for the acquisition of the eight and the ten provincial telecommunications operators). Approximately 83.9% of the Group's borrowings were made at floating interest rates. The effective average interest rate of borrowings of the Group in 2010 was approximately 2.68%. The effective interest coverage multiple (ratio of profit before interest and tax to finance costs) was about 171 times. This reflected the prudent financial risk management principle that was consistently adopted by the Group, as well as its strong cash flow and sound repayment capabilities.

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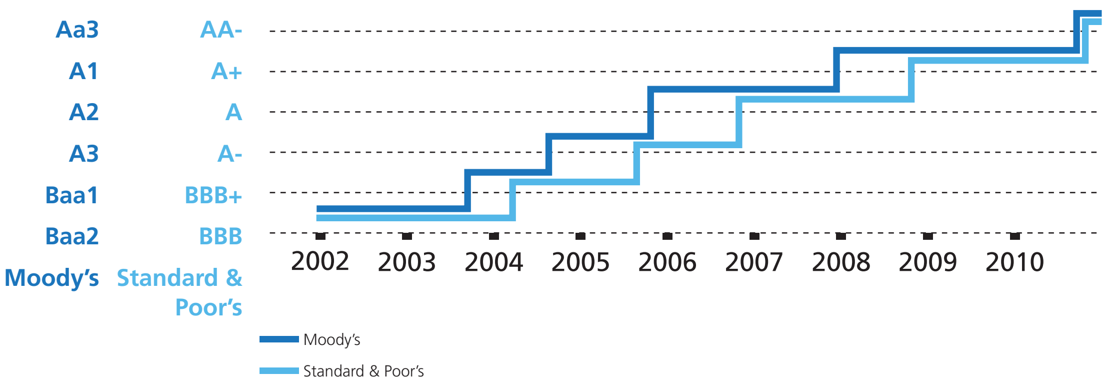
Credit Rating



Credit Rating

In 2010, along with the upgrading of China's sovereign credit rating, Moody's and Standard & Poor's upgraded the Company's corporate credit rating. At present, the Company is rated Aa3/Outlook Positive by Moody's and AA-/Outlook Stable by Standard & Poor's, which are the same as China's sovereign credit rating. These ratings demonstrated that the Group's sound financial strength, favorable business opportunities and solid financial management have established wider and deeper market recognition.

Dividends

In the view of the Company'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 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, ability to generate cash flow 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 ability to generate cash flow will continue to support the future sustainable development of the Company, while providing shareholders with a favorable return.

Conclusion

We will consistently uphold prudent financial principles and strictly monitor and control the financial risks, striving for stable profitability and robust cash generating capability. In addition, we will focus on forward-looking resource allocation optimization and maintain solid capital structure, aiming to continuously creating value for our shareholders.

Dividends

(HK$)