

## Chairman's Statement

### Dear Shareholders,

The Group made positive strides in 2011 against the backdrop of China's steady and fast economic growth and the exuberant demand for information and telecommunications services. At the same time, we have been facing challenges arising from industry convergence, intensified competition, and increasingly high mobile penetration. We have adhered to our strategy of pursuing sustainable development, accelerating innovation and rebuilding core competencies. We achieved a breakthrough in the development of proprietary telecommunications technology and took important steps to explore new business areas and business models. Overall, the Group achieved steady and favourable growth and continued to lead the industry in market position and profitability.



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### FINANCIAL RESULTS

In 2011, operating revenue maintained favourable growth, reaching RMB528.0 billion, up 8.8% over last year. Continuing to lead the industry in profitability, the Group achieved a 5.2% increase over last year in profit attributable to equity shareholders, which amounted to RMB125.9 billion, with profit attributable to equity shareholders margin reaching 23.8%. EBITDA rose 4.9% over last year to RMB251.0 billion, with EBITDA margin reaching 47.5%. Basic earnings per share grew 5.2% over last year to RMB6.27. Underpinned by its sound capital structure and strong cash flow generating capability, the Group is favourably positioned to manage risks and achieve sustainable growth.

### BUSINESS DEVELOPMENT

The Group achieved steady business development in 2011. With a net addition of 65.55 million customers, our customer base was close to 650 million by the end of 2011. Voice business continued to grow. Total voice usage volume was 3,887.2 billion minutes, up 12.3% over last year. Average minutes of usage per user per month (MOU) reached 525 minutes and average revenue per user per month (ARPU) was RMB71. Data business, in particular wireless data traffic and applications and information services, maintained good growth momentum. Data services revenue increased 15.4% over last year, accounting for 26.4% of operating revenue. Wireless data traffic became a major driver of operating revenue growth, recording a 45.0% increase in revenue over last year and accounting for 8.4% of operating revenue. Applications and information services continued to grow, with Wireless Music maintaining its scale of development and contributing RMB22.1 billion in revenue and Mobile Reading, Mobile Video and Mobile Mailbox growing rapidly. The 3G operation performed well and saw accelerated growth in its customer base. By the end of 2011, our 3G customer base exceeded 51 million.

Facing an environment of rapid growth in the mobile Internet industry, we proactively explored new business areas and business models by adhering to the principle of "Cooperation by opening up,

development through competition". As an essential open platform to bring customers, developers and other parties in the industry chain together, Mobile Market has achieved fast development with 158 million cumulative registered customers and over 630 million cumulative application downloads. Mobile Market has become the world's largest Chinese-language application store.

Meanwhile, we accelerated the launch of standardized and modularized "Internet of Things" products and expanded its application areas and scale. The development of "Wireless City" has made positive progress. Having signed cooperation agreements with 31 provinces, autonomous regions and directly-administered municipalities, and 217 cities, the Group has substantially completed its nationwide deployment of "Wireless City". We have also enriched applications covering ten categories relating to people's everyday lives, including public administration, traffic control, healthcare, employment service and others. The breadth of applications further encouraged customers' active participation and deepened the "informationalization" of the society.

Adhering to our mantra of "Customers are our priority, quality service is our principle", we further enhanced the quality of our customer service. The proportion of online service transactions increased significantly. We continued to enhance spending transparency to protect customer rights. Our customer satisfaction level has been steadily increasing, keeping us ahead of our peers in the industry.

### NETWORK DEVELOPMENT

To cope with the trend of booming mobile data traffic resulting from drastic growth in demand for mobile Internet access and the popularization of smart terminals, we further implemented our forward-looking Four-Network Coordination strategy, namely 2G, 3G (TD-SCDMA), WLAN and TD-LTE. Through efficient allocation of resources among these networks and leveraging their different technological advantages, we have strengthened our network construction. We are committed to building a world-class wireless network with broad and thorough coverage, excellent quality and high speed.

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By the end of 2011, our base stations exceeded 920,000. The number of WLAN access points was close to 2.2 million, making WLAN an essential means of carrying data traffic. Our 3G network currently covers all cities at or above county-level in China. Our network capacity continued to grow and overall network quality continued to lead the industry.

We have actively promoted home-grown technology and have made significant progress on TD-LTE. TD-LTE Advanced is recognized as one of the global 4G standards by International Telecommunication Union ("ITU"). In 2011, in cooperation with our parent company, we completed the first phase of the large scale testing of TD-LTE across six cities in Mainland China. We will roll out the second phase of the large scale testing in nine cities in 2012 and the TD-LTE trial network in the main urban districts of Hangzhou and Shenzhen will reach pre-commercial standard. We will launch LTE TDD/FDD commercial service in the Hong Kong Special Administration Region in 2012. Leveraging on our global influence, we have introduced the "Global TD-LTE Initiative" ("GTI"). Currently, 40 international operators have joined GTI and 5 operators have officially launched commercial services. The increasing scale of the TD-LTE industry signaled a substantial step forward for TD-LTE's commercialization.

### CORPORATE MANAGEMENT AND GOVERNANCE

In 2011, we furthered our "One China Mobile" project. Leveraging our economies of scale, we continued to streamline our low-cost, highly efficient operations. Centralized operations covered multiple operational fronts such as procurement, storage and logistics, network maintenance, sales and customer service and backend support. As a result, operational efficiency was further improved. On the other hand, we established International Company and China Mobile Terminal, as a further step to achieving specialized business operations.

Abiding by corporate governance principles of integrity, transparency, openness and high efficiency, the Company has instituted a sound governance structure and taken practical measures to ensure best corporate governance practices. In 2011, we strengthened internal control and risk management and carried out internal audits on key areas of our current operations including risk management for business cooperation and sales and marketing

resources management. Through the foregoing efforts, the Company further enhanced management processes and policies. These improvements will help the Group achieve long-term, sustainable and healthy development.

### CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

We attach great importance to corporate social responsibility and pursue a strategy of sustainable development on all fronts. We make contributions to the society by providing reliable telecommunications services, managing environmental impact and participating in philanthropy. In 2011, in the wake of several natural disasters such as the earthquake in Yunnan province and the heavy rains in southern China, we acted swiftly to provide emergency telecommunications service for the relief work. Fully committed to energy saving and emissions reduction, we furthered our "Green Action Plan" by establishing energy efficiency evaluation processes for office space, equipment rooms and base stations. By creating a "green network" and promoting service transactions through electronic channels, we were able to achieve low energy consumption and sustainable growth. In 2011, our power consumption per unit of telecommunications traffic decreased by 11% over last year. Through the China Mobile Charity Foundation and our other philanthropic activities, we rallied support internally and from society. We continued the elementary and middle school headmaster training programs in central and western China and the building of libraries and multi-media classrooms. We also provided support to disadvantaged groups, such as orphans who lost their parents to AIDS, and children in poverty with congenital heart diseases.

In 2011, China Mobile was recognized for the fourth consecutive year as a constituent of the Dow Jones Sustainability Index, being the only company from Mainland China to win that honour.

### AWARDS AND RECOGNITION

In 2011, our achievements continued to be recognized. The Company was again included and ranked 16th in Financial Times' "FT Global 500", and moved up to 34th from 38th place last year on Forbes Magazine's "Global 2000" list. The China Mobile

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brand was named one of "BRANDZ™ Top 100 Most Powerful Brands" by Millward Brown and Financial Times for the sixth consecutive year, and the brand value increased by 9% and ranked 9th among all companies considered. The Company currently has a corporate credit rating of Aa3/Outlook Positive from Moody's Investor Service and AA-/Outlook Stable from Standard & Poor's, equivalent to China's sovereign credit rating respectively.

### DIVIDENDS

In view of the Group's good profitability in 2011 and taking into consideration its long-term future development, the Board recommends payment of a final dividend of HK\$1.747 per share for the financial year ended 31 December 2011 in accordance with the dividend payout ratio of 43% planned for the full financial year of 2011. This, together with the interim dividend of HK\$1.580 per share that was paid in 2011, amounts to an aggregate dividend payment of HK\$3.327 per share for the full financial year of 2011.

In 2012, taking into consideration various relevant factors such as the Group's overall financial condition, cash flow generating capability and the need for future sustainable development, the Company's planned dividend payout ratio for the full year of 2012 will be 43%.

The Board believes that the Company's good profitability and strong cash flow generating capability will be able to support the future sustainable development, while providing shareholders with a favourable return.

### FUTURE OUTLOOK

Steady macro-economic growth and rapid transitions in China's economic structure and consumer spending patterns will not only continuously stimulate demand for traditional telecommunications services, but also boost demand for new models of information consumption. The information communications service market contains tremendous growth potential. The development of information communications technology will veer towards broadband, mobility and integration, and the popularization of smart terminals will provide a catalyst to the information application services market. These are broadening the boundaries of the telecommunications industry and will bring new sources of value to the Company.

With the government's support of home-grown technologies and innovation, the development of TD-LTE technology has achieved new breakthroughs, and its commercialization and industrialization will inject new energy into our future growth.

At the same time, the convergence of information communications technologies has dramatically changed the industry landscape and resulted in more diverse market competition. The continuous rapid development of the mobile Internet industry will present us with both growth opportunities and operational challenges. Structural changes in the telecommunications industry and increasing mobile penetration will further intensify market competition.

Facing both opportunities and challenges, we will fully leverage our advantages, including the world's largest mobile network and customer base, premium brand, operational capabilities, management experience and talented personnel. We will endeavour to push forward Mobile Internet innovation to establish a leading position in the mobile Internet industry. We will fully leverage our Four-Network Coordination to strengthen our competitiveness in the provision of full services. We will enhance our core competencies by focusing on service, quality and innovation. We will promote value creation by focusing on improving revenue-generating efficiency, data traffic operation and information services development. We will also focus on reforming policies and procedures and strengthening management support to promote organizational vitality from within and ensure sustainable healthy growth.

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

As always, we will strive to create value for our shareholders.



**Wang Jianzhou**

*Chairman*

Hong Kong, 15 March 2012