

Chairman's Statement



Xi Guohua
Chairman

Dear Shareholders,

The year of 2012 brought positive momentum for the Group's development, underpinned by China's steady economic growth and the rapid development of the information and communications technology sector. At the same time, we faced intense challenges and development pressures, including greater penetration in mobile communications and a more complex competitive landscape. The emergence of new technologies and businesses, particularly in Internet, magnified the impact and substitution effect on the traditional communications sector. Against this challenging backdrop, the Group has adhered to its strategy of speeding up its strategic transformation, deepening reform and innovation, and enhancing its management capabilities in pursuing a healthy and sustainable business growth. As a result, the Group achieved steady growth in its operating results and was able to maintain its market leading position and profitability.



Strategic Transformation

Financial Results

In 2012, the Group's operating revenue maintained stable growth, reaching RMB560.4 billion, up 6.1% over last year. The Group continued to lead the industry in profitability, and profit attributable to equity shareholders increased 2.7% over last year to RMB129.3 billion, with the margin of profit attributable to equity shareholders reaching 23.1%. EBITDA rose 1.0% over last year to RMB253.6 billion, with EBITDA margin reaching 45.3%. Basic earnings per share grew 2.6% over last year to RMB6.43. Underpinned by a solid capital structure and strong cash flow, the Group is favourably positioned to manage risks and achieve sustainable development.

Business Development

In this competitive environment, the Group continued to focus on enhancing quality and services, furthering innovation and driving market expansion, and was able to maintain a steady business development. In 2012, the Group maintained its competitive advantage in terms of scale by expanding its total customer base to 710 million, including 87.93 million 3G customers. The net addition was 60.73 million and 36.72 million, respectively, for all customers and 3G customers. Voice services continued to develop and total voice usage volume reached 4,192.3 billion minutes, up 7.8% over last year. Data business achieved rapid growth, of which, wireless data traffic business became a major driver of operating revenue growth and accounted for an increase of 187.6% in traffic over last year. Revenue from wireless data traffic business increased by 53.6% over last year, contributing to 12.2% of the total operating revenue. The Group's corporate

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customer business also experienced significant growth, with the total corporate customer base expanding to 3.46 million. The Group's informationalization services for corporate customers maintained favourable growth momentum and the corporate customer dedicated lines reached 781 thousand.

We remained committed to the mantra of "network quality is the lifeline for telecommunications companies" and that of "customers are our priority, quality service is our principle". With a focus on maintaining our industry leading position in terms of customer satisfaction with network quality, we have further enhanced our product quality and service support. We also focused on improving the customer service interface and the customer experience. We continued to strengthen customer information security and customer rights protection. We have held up our industry leading position in customer satisfaction, and recorded the lowest number of escalated customer complaints in the industry.

Strategic Transformation

The Group embraced strategic transformation and achieved progress in three areas in particular, developing our Four-Network Coordination, strengthening infrastructure resource consolidation, and expanding into the mobile Internet sector.

Our Four-Network Coordination strategy has started to show its effect – network capacity and coverage continued to improve and traffic allocation was gradually optimized, providing strong support to our data traffic operations. We maintained our advantages in GSM network coverage and voice quality. By supporting our parent company in 3G (TD-SCDMA) network construction, we have achieved continuous 3G coverage in large and medium cities, as well as coverage for the county and above levels and for select towns, and have improved network utilization rates. We continued to refine WLAN management and improve coverage in areas with heavy traffic, and effectively allocated and channelled wireless data traffic. In cooperation with our parent company, we carried out large-scale TD-LTE trials in 15 cities, and have constructed networks of pre-commercial standard in Hangzhou, Guangzhou and Shenzhen. The trial in Hangzhou was well received by customers. We also received positive feedback from the relevant government bodies which have openly expressed their support for a faster TD-LTE development. In Hong Kong, we launched the TD-LTE/LTE FDD convergent network services. TD-LTE also accelerated its pace in internationalization, with the "Global TD-LTE Initiative" (GTI) currently enjoying the participation of 51 operators and 44 manufacturers. With the official launch of 14 commercial networks across the world, the TD-LTE industry continued to grow in scale.

We have enhanced our infrastructure build-up and swiftly strengthened our second mover advantages. We have upgraded our infrastructure resource capabilities including metro transmission networks, public Internet and Internet Data Centers (IDC). Through synergies with our parent company and attention to product differentiation and efficiency maximization, we are forming a full service product line focusing on corporate customer dedicated lines, IDC, convergent communications and high-end household broadband.

We embraced our mobile Internet development strategy to actively build up “smart pipes, open platforms, featured services and friendly interfaces”. In 2012, Mobile Market users and downloads increased dramatically. We sped up our mobile Internet deployment with initiatives such as the strategic investment in Anhui USTC and the convening of a Global Developers Conference. We also made progress in new specialty product areas, including mobile payments, cloud service, location service and intelligent voice portals. We continued to scale-up the “Wireless City” portals and build an operating system with a unified platform, provincial access, and centralized operations and management. With the expansion of its scope of application and scale, Internet of Things (IOT) also showed broad development potential.

Reform and Innovation

In 2012, the Group moved forward with our transformation and innovation through management centralization, operations specialization, market-oriented structures, and a more flattened organizational structure as well as standardization of procedures.

We continued to promote our specialized operations in terminal sales, corporate customers, international business, IOT, mobile Internet and other fields. China Mobile Device, together with its partners along the supply chain, is constantly enriching terminal models, enhancing product quality, and streamlining distribution channels to greatly enhance the competitiveness of its products and sales. China Mobile International is gradually forming its global network capabilities and establishing its international network and platforms. Through the launch of highly competitive products, the international business experienced steady growth.

We are proactively building centralized and standardized shared infrastructure. We have already seen successful results in building national data centers, call centers and a warehousing and logistics system. We also promoted centralized planning, manufacturing and services for our shareable infrastructure and resources to harness the advantages of economies of scale and to achieve higher efficiency and cost reduction. We vigorously pursued scientific and technological innovation to promote our organic growth and to enhance our core competitiveness. At the same time, we steadily implemented reforms in the areas of organizational structures, incentive schemes, management models and talent management. In order to refresh the vitality of our business, we also made efforts to establish the organizational structures and incentive schemes that match the strategic transformation and fit the mobile Internet era.

Corporate Governance

Abiding by corporate governance principles of integrity, transparency, openness and high efficiency, the Company instituted a sound governance structure and took practical measures to ensure best corporate governance practices. In 2012, in accordance with a series of new requirements under the “Corporate Governance Code” and the Listing Rules of the Hong Kong Stock Exchange, we took timely and appropriate measures to strengthen our corporate

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governance. We continued to improve our legal risk management system and thereby, strengthened the legal support for the Company's innovative developments and organizational reform. Furthermore, we reinforced a strict code of conduct at both the Company's managerial and employee level. We also improved our internal audit and control system by paying attention to key operational and management risks, focusing on key areas such as procurement and collaborative operations. The initiatives taken by the Group to improve the risk management systems will ensure that we are operating in an orderly, efficient and secure manner.

Corporate Social Responsibility

The Group attaches great importance to corporate social responsibility. In 2012, we actively implemented a strategy of sustainable development which enabled us to integrate social responsibility in our day-to-day operations. This entailed efforts to actively leverage the advantage of information communications technology (ICT) to create integrated economic, social and environmental value. We are committed to safeguarding communication network and information security by upholding our dedication to providing emergency and reliable telecommunication services. We maintained the goal of reducing the digital divide; since 2004, we have supported our parent company to actively promote the "Village Connected Project". Through this project, we have helped a total of 111 thousand remote villages to establish basic communication facilities. In keeping to energy conservation, we furthered our "Green Action Plan" to utilize mature technologies while developing new energy saving applications. This year, our power consumption per unit of telecommunications traffic was reduced by 14.6% compared to last year. We continued to support various philanthropic activities through the China Mobile Charity Foundation. Over the past years, we trained a total of over 48 thousand primary and secondary school principals in rural areas in central and western China, built 1,694 libraries and 674 multi-media classrooms, and treated 593 children with congenital heart diseases. During the five years of the "China Warm 12•1" Project, we provided livelihood and educational assistance to 15 thousand children who lost their parents to AIDS or were in extreme poverty.

Resignation of Director

On 14 December 2012, Mr. Xu Long resigned from his position as an Executive Director due to work re-arrangement within the Group. On behalf of the Board, I take this opportunity to acknowledge the contributions of Mr. Xu to the Company with the highest regard and deepest gratitude.

Awards

Our efforts continued to receive recognition and praise. In 2012, the Company was again included in the Financial Times' "FT Global 500", moving from 16th place last year to 8th place in this year's ranking. Our ranking also improved in Forbes Magazine's "Global 2000" List, moving from 34th place last year to 31st place in this year's ranking. The China Mobile brand was also named one of

the “BRANDZ™ Top 100 Most Powerful Brands” by Millward Brown and the Financial Times for the seventh consecutive year, ranking 10th among all companies considered and 1st among all Chinese companies. China Mobile, for the fifth consecutive year, was also the only Mainland Chinese company to be recognized by the Dow Jones Sustainability World Index. We were also included in the Hang Seng Corporate Sustainability Index for the third consecutive year and received a “Sustainability Excellence Award” from the Chamber of Hong Kong Listed Companies. In 2012, Moody's and Standard & Poor's maintained our corporate credit ratings at Aa3/Outlook Positive and AA-/Outlook Stable, respectively, equivalent to China's sovereign credit rating.

Company Dividends

In view of the Group's stable profitability in 2012 and taking into consideration its long-term future development, the Board recommends payment of a final dividend of HK\$1.778 per share for the financial year ended 31 December 2012 in accordance with the dividend payout ratio of 43% planned for the full financial year of 2012. This, together with the interim dividend of HK\$1.633 per share that was paid in 2012, amounts to an aggregate dividend payment of HK\$3.411 per share for the full financial year of 2012.

In 2013, taking into consideration various relevant factors such as the Group's overall financial condition, cash flow generating capability and the needs for future sustainable development, the Company's planned dividend payout ratio for the full year of 2013 will be 43%.

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

Future Outlook

China's continued steady economic growth, its modern industrialization, informationalization, urbanization, agricultural modernization with Chinese characteristics, and the drive to stimulate domestic demand and consumption policy will provide us with a broad platform for developing the information service industry. The government encourages proprietary technological innovation, and fully supports the industrialization, commercialization and internationalization of TD-LTE, which will help speed up its development as a new generation of wireless broadband technology. The era of the mobile Internet has arrived with the rapid development of ICT, mobile broadband, intelligent terminals and the cloud platforms, and as a result, is integrating information services into every aspect of our lives. All these factors have brought us opportunities for development.

The field of information and communication is experiencing dramatic changes due to continuous technological innovation and emerging new businesses. A new industry landscape is shaping up quickly. Competition among communications operators is becoming increasingly fierce due to the increasing saturation in the communications market. There is also a growing substitution effect brought by the Internet business, causing more intense cross-sector competition. As the Group's

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market position faces these challenges, its development is under an increasing downward pressure.

The Group's development has reached a critical turning point and is presented with a distinct strategic opportunity. Facing such challenges and opportunities, we will focus on our strategic vision – "Mobile Changes Life", and the continued pursuit of strategic transformation, reform and innovation, and healthy development. We aim to enhance overall network capacity, marketing capabilities, and management and personnel execution capabilities. In terms of network capacity, we will continue to further promote the Four-Network Coordination and the building up of infrastructure resource capacity. We will actively enhance the development capability of the mobile feature service. From the perspective of our marketing capabilities, we will strengthen maintenance of the existing business, drive data traffic operations and excel in corporate customer services, as well as increase terminal sales and related marketing support. In the effort to improve management, we will continue to focus on further cost reduction and improvement of efficiency. We will promote the Group's strategic transformation and sustainable growth by focusing on fostering innovative business, exploring transformation models, accelerating structural adjustments and focusing on the quality and efficiency of development.

At the same time, we will look for appropriate investment opportunities in an active but cautious manner, striving to broaden our presence in the telecommunications market.

We will persevere and strive to create value for investors.



Xi Guohua
Chairman

14 March 2013, Hong Kong