

Chairman's Statement

Dear Shareholders,

As a crucial year of transformation, 2013 brought new opportunities for the Group, underpinned by China's steady economic growth, the government's promotion of information consumption, and the issuance of 4G license. We also faced a number of challenges, including the further accelerated substitution effect of Over The Top (OTT) products on the traditional communications business, and a more saturated traditional communications market with fiercer competition, all of which added to the Group's operational pressure. Aligned with the developing trends of mobile Internet, the Group made every effort to engage in strategic transformation, reform and innovation and healthy development, by enhancing its capabilities in network, marketing, management and human resources, fostering business redeployment and innovation, and speeding up its development transformation and structural adjustments. As a result, the Group sustained steady progress in its operations and development while maintaining stable performance.



Xi Guohua
Chairman

Financial Results

In 2013, the Group's operating revenue maintained stable growth, reaching RMB630.2 billion, up 8.3% over last year, of which, revenue from telecommunications services was RMB590.8 billion, up 5.4% over last year. Data business had a positive growth momentum with revenue of RMB206.9 billion, up 24.4% over last year, and as a percentage of revenue from telecommunications services increased to 35.0%, of which, revenue from wireless data traffic reached RMB108.2 billion, up 58.6% over last year. The revenue structure was further optimized, showing the positive results of our business transformation in the mobile Internet age. The Group modestly increased its investment in infrastructure resources in order to provide better support for the explosive growth in data traffic, satisfy our business expansion needs, and build up core competitiveness, which resulted in a decrease of profitability, however the Group continued to lead the industry in terms of profitability. Profit attributable to equity shareholders decreased by 5.9% over last year to RMB121.7 billion, and the margin of profit attributable to equity shareholders¹ was 19.3%. EBITDA decreased by 5.2% over last year to RMB240.4 billion, and EBITDA margin² was 38.2%.

Business Development

Amidst complex and intense competition, the Group accurately identified developing industry trends and took timely action. We further optimized our revenue structure by pooling resources to promote the development of the three major drivers of our operations, namely, existing customers and business, data traffic and corporate customer services. The launch of our commercial brand "and!", the implementation of centralized e-channels and the active expansion of new business have provided strong support for our market development. The Group deepened its relationship with existing customers and maintained a continuous level of business with middle-to-high-end customers. The Group maintained the advantage of scale with its customer base reaching 767 million. The Group steadily increased its market share in 3G services with a net growth of 104 million customers. The Group achieved notable progress in data traffic operations with strong growth. Revenue of wireless data traffic contributed to 18.3% of telecommunications services revenue, becoming a major driver of revenue growth. Corporate customer services maintained favorable growth momentum, with corporate customer IP-VPN lines reaching 1.34 million, and revenue from the communications and informationalization services for corporate customers increased by 31%.

¹ In 2013, before the Group presented the revenue from sales of products and the related cost of products sold separately, margin of profit attributable to equity shareholders was 20.6%.

² In 2013, before the Group presented the revenue from sales of products and the related cost of products sold separately, EBITDA margin was 40.7%.

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In 2013, the Group achieved significant breakthroughs in devices sales. We have seen substantial growth in devices cooperation partners, continuous expansion of sales channels, and an increasing number of devices models, including launching mobile phones under our own brand, to provide customers with higher quality devices with greater diversity. Sales of TD-SCDMA mobile phones significantly increased to 150 million, effectively boosting the growth of 3G customers.

By adhering to its mantra of "Quality is the lifeline for any telecommunications company" and "Customers are our priority, quality service is our principle", the Group continued to enhance quality and improve services. Voice quality remained high with continuous improvement and we further enhanced our basic services by establishing a full service guarantee system that allows customers to access our services throughout our network. Also, we further optimized our tariff system and expanded e-channels to provide services. Customer satisfaction was greatly improved. At the same time, we did our utmost to protect customer rights and strengthen information security. We centralized our management of issues related to online complaints, junk messages and prank phone calls, and maintained the lowest rate of escalated complaints within the industry.

Pioneering 4G Service

It was particularly encouraging for the Group to be granted a 4G (TD-LTE) license in December 2013. The Group has thus taken the lead in launching its 4G commercial services in 16 cities in China, which has been positively received by its customers. The Group signed a long-term cooperation agreement with Apple Inc. and successfully introduced iPhone models that support TD-LTE and TD-SCDMA. The scale of TD-LTE's internationalization and commercialization expanded rapidly. By February 2014, Global TD-LTE Initiative (GTI) had 100 operator members and 73 manufacturer partners, and there were 29 TD-LTE commercial networks. The Group is determined to spare no effort to build a superior 4G network, aiming to become the world's largest 4G network with 500,000 base stations that will essentially deliver continuous coverage in all cities, urban areas of counties and key villages by the end of 2014. The Group will also proactively push forward VoLTE live network testing to realize commercialization of VoLTE by the end of this year, hence solidifying its first mover advantage.

Strategic Transformation

In response to the exponential growth in mobile Internet, which brought forward fiercer competition across the industry and an era driven by data traffic operation, the Group accelerated its efforts in strategic transformation and capacity enhancement to maintain and create its competitive advantages.

We have deepened the development of our Four-Network Coordination and continued our efforts in network construction and optimization, to accelerate the transition from voice to data business. We further explored the capacity of 2G (GSM) network while preserving our advantages in both network coverage and voice quality. We significantly enhanced our 3G (TD-SCDMA) network carrying capacity and ensured continuous outdoor coverage in cities and central areas of counties and effective coverage in village hotspots. The Group carefully planned its WLAN construction to achieve better data traffic divergence. We further optimized our network traffic carrying structure and realized significant data traffic migration from our 2G network to 3G and WLAN networks. We vigorously promoted the construction of our 4G (TD-LTE) network, building up our capability and experience for nation-wide operations.

Incorporating the characteristics and advantages of mobile operators and the Internet, the Group is shifting its business development focus from the communications business to the mobile Internet business and information consumption. The Group accelerated its development of IMS and ICT services for corporate customers, satisfying their needs in communication and informationalization. We further expanded Internet TV services and home network gateways for family customers and improved high-quality cloud services for individual customers. We further promoted the portal functions of MM, Lingxi, Fetion and Wireless City, and enhanced the integration and distribution of proprietary featured services. Upon building up smart pipes, the Group will continue to utilize its advantages to create open platforms, specialty services and friendly interfaces, and enter into win-win arrangements with more cooperating partners to achieve greater value.

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The Group continued to accumulate infrastructure resources while improving fundamental network abilities to provide solid support for the transition from mobile communications operations to innovative full service operations. We further improved our cable transmission capacity, accessibility of corporate customer IP-VPN lines, as well as the ability to introduce Internet content and adjust internet traffic. By the end of 2013, the Internet traffic on-net rate reached 91%. With fixed-line business licensing authorized in December 2013, the Group has become a full-service operator. By adhering to our principles of high standards, product differentiation, and with a focus on investment returns, we are devoted to developing our transmission network, public Internet and broadband network. We will leverage the advantage of our 4G network and develop wireless broadband access to speed up the formation of second-mover advantage in the full-service.

Reform and Innovation

We pushed forward reform and innovation by building our organization structure, management model and supporting mechanism in line with our strategy of productivity development. To support our strategic transformation, we actively explored best practices in centralized management, operational specialization, market-oriented mechanisms, the building of a flat organization and the standardization of processes.

The Group gradually built up its professional operations capacity in devices sales, international business, corporate customer business and Internet of Things (IOT). We improved our network capability in our international business, and launched international voice roaming and data products with a clearer and simpler tariff structure in order to lower customer's costs, further improving customer perception. We further promoted the corporate customer business. Revenues from IDC and corporate customer IP-VPN lines grew dramatically. We also accelerated the construction of an IOT platform, released "Vehicle Guard" proprietary devices and various communication modules, and concluded the development of the first IOT special chip.

The Group further deepened centralized management to take full advantage of its scale. We steadily promoted the construction of centralized infrastructure for our data centers, call centers and R&D centers. The Group also started building a procurement sharing service center, and established a unified electronic system for procurement to promote transparency in the procurement bidding and tendering process. Our International Information Harbor and five major logistic centers have been put into operation while our Southern Base expanded its function.

We continued to improve our ability to manage the Group in a more scientific and refined manner in order to reduce cost and enhance efficiency. We vigorously promoted scientific innovation and optimized our research process to enhance organic growth and core competitive advantages. We led the industry in terms of standardization and patent products. The Group actively explored a quantified performance-based compensation system and human resource management to stimulate organizational vitality.

Corporate Governance

Abiding by corporate governance principles of integrity, transparency, openness and efficiency, the Company ensured best corporate governance practices by strictly following the listing rules and requirements. We continued to improve our legal risk management system, and thereby strengthened the legal support for our innovative developments and organizational reform. We further improved our internal audit and control by monitoring key operational hotspots and continuing to strengthen supervision of key areas and segments such as tenders, procurement and the cooperation business to establish and improve our risk control system. Meanwhile, the Group also focused on development quality and efficiency by actively seeking to increase income and reduce expenditure, to ensure the healthy operation of the business.

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Corporate Social Responsibility

The Group attaches great importance to corporate social responsibility. In 2013, the Group actively contributed to the provision of emergency communications services, network and information safety, energy saving and emissions reduction, and social welfare support. When natural disasters and emergencies occurred, we initiated contingency plans in the first instance to roll out efficient telecommunication repairs to guarantee the availability of our services in those areas. We further deepened the "Green Action Plan" to enhance energy saving and emissions reduction, realizing a reduction in power consumption per unit of business by 23% in 2013. Through our China Mobile Charity Foundation, we continued our efforts in philanthropic activities such as poverty alleviation and education support, fulfilling the responsibility of a corporate citizen. By the end of 2013, cumulatively, we had sponsored surgeries for 1,341 children in poverty with congenital heart disease, training for 59,000 secondary and elementary school principals in central and western rural China, and the building of 1,910 libraries and 880 multimedia classrooms.

Awards and Recognition

In 2013, our ranking in Forbes Magazine's "Global 2000" List improved from 31st to 29th, and once again, we were listed among the "FT Global 500", ranking number 14. The China Mobile brand was named one of the "BRANDZ™ Top 100 Most Powerful Brands" by Millward Brown and Financial Times for the eighth consecutive year, ranking 10th among all companies considered and 1st among all Chinese brands. Our brand value increased by 18% compared to last year. The Group has been included in the Dow Jones Sustainability Indices for 6 consecutive years. In 2013, Moody's and Standard & Poor's kept our corporate credit ratings equivalent to China's sovereign credit ratings, which are Aa3/Outlook Stable and AA-/Outlook Stable, respectively.

Dividends

In view of the Group's operating results in 2013, and taking into consideration its long-term future development, the Board recommends payment of a final dividend of HK\$1.615 per share for the financial year ended 31 December 2013. This is in accordance with the dividend payout ratio of 43% planned for the full financial year of 2013. This, together with the interim dividend of HK\$1.696 per share that was paid in 2013, amounts to an aggregate dividend payment of HK\$3.311 per share for the full financial year of 2013.

In 2014, taking into consideration various relevant factors such as the Group's overall financial condition, cash flow generating capability and future sustainable development needs, the Company's planned dividend payout ratio for the full year of 2014 will be 43%.

The Board believes that the Company's industry-leading profitability and healthy cash flow generating capability will be able to provide sufficient support to its future development, while providing shareholders with a favorable return.

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Future Outlook

Looking ahead to 2014, the Chinese government has set the general direction for steady domestic economic growth, and encourages the development of strategic emerging industry sectors, information consumption, and the integration of industrialization and informatization. These will provide us with a favorable environment. The information industry is in a period of continuous technological innovation, with the emergence of new businesses, the formation of new industry landscapes and the accelerated popularization of smart devices. The large scale commercialization of 4G has officially ushered in the mobile Internet age, which is characterized by smart devices, wireless broadband and cloud computation. The communications operators have entered into a period of data traffic operations, where the increase in data traffic will become the most important driver of growth. This has provided us with greater opportunities and broader room for development, and enables us to remain optimistic in the mid-to-long term development prospects. We face challenges brought about by an accelerated substitution effect in the traditional communications business by Internet services, fiercer competition among traditional operators, and increasing integration of the upstream and downstream business along the industry chain, all of which has put considerable pressure on the Group's value growth. The government is adopting policy adjustments in relation to inter-connection settlement, mobile business resale and expansion of the mobile number portability trial, which will also affect the development of the Group.

Facing such opportunities and challenges, we will actively explore the industry landscape by following trends in the mobile Internet age and confidently focusing on our strategic vision of "Mobile Changes Life". We will accelerate our transformation by deepening the development of Four-Network Coordination, actively expanding mobile Internet and innovatively promoting full-service operations. We will strengthen our reform efforts and reinforce our organizational structure, incentive mechanism, management model and supporting system. We will achieve this by improving top-level design, promoting process optimization and implementing a project management model, to form the momentum needed for strategic transformation. We will vigorously push forward the development of 4G service. We will provide a high quality network with wide coverage to ensure high-speed Internet connection for customers regardless of their location. We will lower 4G user threshold by achieving global compatibility, economy of scale production and lower cost of devices. We will build new business access in the mobile Internet era through a unified communications service with the features of New Call, New Messaging, New Contacts. We will push forward with the transition of business development from voice to data, maintaining and creating competitive advantages, to pursue the healthy development of the Group in the 4G era.

We will look for appropriate external investment opportunities in an active but cautious manner, and strive to broaden our presence in the market to support the transformation and development of the Group.

We will persevere as always and strive to create value for investors.



Xi Guohua
Chairman

20 March 2014, Hong Kong