

# BUSINESS REVIEW

2015 was a crucial year for China Mobile's transformation. We consolidated our 4G advantages and accelerated business development, rolled out the world's largest 4G network, with a 4G customer base of over 300 million. Facing the decline in traditional voice services and SMS/MMS, we accelerated our business redeployment and innovation, strived for management enhancement and breakthrough in strategic transformation, strengthened our data traffic and corporate customer operations, developed digital services. As a result, we have become the industry leader in operating revenue growth and further solidified our market leading position, and overall, maintained a favorable growth momentum.

## OPERATING RESULTS

### Key Operating Data

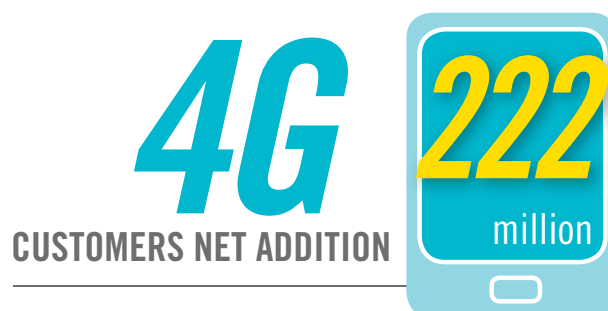
	2015	2014	Change %
<b>Mobile Business</b>			
Customer Base (million)	<b>826.24</b>	806.63	2.4
4G Customer Base (million)	<b>312.28</b>	90.06	246.7
Net Additional Customers (million)	<b>19.61</b>	39.43	-50.3
Net Additional 4G Customers (million)	<b>222.22</b>	90.06	146.7
Total Voice Usage (billion minutes)	<b>4,220.8</b>	4,293.9	-1.7
Mobile Data Usage (PB)	<b>2,760.6</b>	1,132.9	143.7
SMS (billion)	<b>559.9</b>	611.4	-8.4
Average Minutes of Usage per User per Month (MOU) (minutes/user/month)	<b>430</b>	453	-5.1
Average Handset Data Traffic per Month (DOU) (MB/user/month)	<b>339</b>	155	118.5
Average Revenue per User per Month (ARPU) (RMB/user/month)	<b>56</b>	59	-5.4
<b>Wireline Broadband Business</b>			
Customer base (million)	<b>55.03</b>	–	–
Average Revenue per User per Month (ARPU) (RMB/user/month)	<b>32</b>	–	–

At the end of 2015, our mobile customer base reached a total of 826 million users. Mid to high-end customers remained stable and we saw continuous decline in churn and bad debt rates. With a net addition of 222 million from the previous year, our 4G customer base rapidly increased to exceed 312 million. As such, we have continued to maintain our leading market share. Data traffic business gained rapid growth, mobile data traffic reached 2,760.6PB, an increase of 143.7% from the previous year, with data traffic business as a major revenue driver, highlighting the Group's transition from traditional business to data business. Voice business continued to decline; MOU was 430 minutes, representing a 5.1% decrease. At the same time, the Group completed strategic deployment for wireline broadband business. Through joint development with TieTong in recent years, our wireline broadband customer base reached 55 million at the end of 2015, with an ARPU of RMB32.

## 4G Development

The Group endeavored in its 4G expansion. With a remarkably rapid development, it further solidified its position as a leading 4G services provider.

**Consolidated 4G Network Advantage.** At the end of 2015, the Group had 1.1 million 4G base stations. Our 4G network provides continuous coverage in all areas above rural towns level, as well as effective coverage of data hotspots in villages, and almost realized full coverage of high speed railways, underground subways, and key scenic spots. Our 4G network provides coverage for over 1.2 billion people, making it the largest 4G network in the world. We continuously improved 4G network quality management system, enhanced the customer perception based end-to-end quality control mechanism, and carried out 4G wireless network and core network optimization. By the end of 2015, the average download speeds on urban roads exceeded 37Mbps, CSFB completion rate<sup>1</sup> increased to 98.4%, thus remarkably improved customer perception.



**Leading 4G Market Share.** While implementing cost controls, the Group has prioritized its resource allocation towards 4G. We have encouraged terminal manufacturers to produce more 4G mobile phones with higher cost-performance ratio, and by the end of 2015, there had been more than 1,000 models of 4G mobile phones in the market. By promoting the integrated sales of terminals, USIM cards and 4G plans through our distribution channels, approximately 320 million 4G terminals had been sold in all channels in 2015. We had over 222 million net addition of 4G customer within last year, bringing our total 4G customer base to over 312 million, making us the largest 4G service provider in the world. Our proactive business measures not only increased 4G customer growth, sped up customer migration from 2G and 3G to 4G, but also enhanced customer value. Our 4G customer DOU reached 748MB, which was 2.2 times of our mobile customer DOU.

**Leading 4G Business and Service.** While actively developing signature 4G products, we also focused on product and service quality. On one hand we employed carrier aggregation (CA)<sup>2</sup> technology to increase 4G speed, on the other pushed forward VoLTE network transformation and maintenance, to bring our customers high quality 4G experience. The Group constantly refined its service quality control system that features “Convenient access, User friendly, Tariff matching customer needs, Timely reminder and Quick response” to enhance customer care, thus attained market leading 4G customer Net Promoter Score. We pushed forward 4G international development, launched 4G international roaming services in 114 countries and regions. We continue to strengthen collaboration with GTI as well as other organizations in TD-LTE global expansion, and up to now, 76 TD-LTE commercial networks have been established globally.



<sup>1</sup> CSFB completion rate = CSFB connection rate \* (1 - Call drop rate).

<sup>2</sup> Carrier Aggregation, a technology that is used to increase bandwidth, thereby to effectively improve transmission speed.

## BUSINESS REVIEW

### Business Growth

During the past year, the Group emphasized on data traffic operation and corporate customer businesses, as well as the development of digital services, as to attain steady revenue growth and optimize revenue structure. Last year, for the first time, revenue from data services surpassed revenue from voice services.

**DOU**  
GREW BY **118.5%**

### Remarkable Results in Data Traffic Operation.

In response to the society and customers' expectations and the government's emphasis on "speed upgrade & tariff reduction", in addition to other cost-saving measures for customers, we introduced the new Unused Data Carry-over service that let monthly plan customers carry their unused data to the next month. Also, we launched innovative charging models of data sharing, data

trading and the trial of progressive unit data pricing. In 2015, handset data tariff decreased by 43%. We maximized price elasticity in data traffic operations and rapidly increased its business penetration. As a result, total data usage increased rapidly to 2,760.6PB, a 143.7% increase from the previous year. DOU reached 339MB, representing a 118.5% increase. Revenue from wireless data traffic increased significantly, as a major revenue driver, it represented 34.5% of our overall revenue from telecommunications services.

**Further Development in Corporate Customer Business.** By focusing on key services such as dedicated line services and IDC, we targeted industry sectors such as government, financial, medical, transportation, logistics and education. We worked hard to promote information solutions into these target areas. We made continuous improvements of our products and expanded the scale of industry-specified applications. At the same time, our "covering all market segments, maximizing synergy of all channels" corporate customer distribution system had started to take effect. In 2015, revenue from corporate customers data dedicated line and IDC services increased 95.3% and 31.1%, respectively. Revenue from the Group's corporate telecommunications and informatization services had increased, it had taken up nearly one third of total market share.

**Exploration and Development of Digital Services.** In response to the changing demands of customers in the mobile internet era, the Group has spearheaded the exploration and strategic planning in digital services. In 2015, MIGU saw increase of its monthly active customer; total transaction value of "and-Wallet", our mobile payment service, gained rapid growth; our self-branded set-top box, a high-definition internet video-on-demand service, recorded steady growth, with paying customers exceeding 5.67 million. Distribution volume on our Mobile Market platform continued to grow, and connections on our Internet of Things (IoT) platform exceeded 60 million. Concurrently, we have pushed forward the construction and operation of CDN and other internet content distribution networks, thus improved our internet content delivery capability and our handset on-net hit rate continued to increase.

### Decline in Traditional Business

With the increasing substitution effect of mobile Internet and the rising popularity of instant messaging applications, customers' preferred mode of communication have also changed. The Group saw a decline in voice and SMS/MMS services. In 2015, the total voice minutes of usage had been 4.22 trillion minutes, representing a decrease of 1.7% from the previous year. MOU was 430 minutes, representing a 5.1% decrease, and revenue from voice services decreased 16.5%, and revenue from SMS and MMS decreased 10.2%. Nevertheless, during the transition period from voice services to data services, we will continue our efforts and take various measures to slowdown the decline rate of these services.

## BUSINESS STRATEGY

### Network Organization

Network organization capability is one of the core competences of a telecommunications operator, as a sound network organization not only supports its business operations but also sustains its long term growth. The Group strives to construct a lower cost, higher efficiency and performance information infrastructure. Through scientific planning of network development and optimization of resource allocation, we promoted synergetic development of various networks. While focusing on developing a premium 4G network, we also explored and developed other network potentials. We have directed efforts to establishing high speed, high efficiency and intelligent backbone transmission network, in order to improve overall business access and internet traffic delivering capability. We saw improvement of backbone network capabilities, interprovincial transmission network bandwidth reached 285T. With the improvement of international network deployment, our international transmission bandwidth reached 2,983G, and the number of POP points reached 25, providing coverage in Southeast Asia, North America, Middle East, West Africa and Europe. The Group continued to enhance the capability of new type of infrastructure and maximize the utilization of the centralized infrastructure resources. We further enhanced centralized management of operations and maintenance of our network. Simultaneously, we pushed forward IT support transformation and established an integrated IT support system. Finally, we improved emergency communications and network security measures, continued the optimization of responding process, to enhance our network contingency and internet security capability.

### Business Innovation

Innovation brings about new development dynamic and is critical for a company's future development. The Group aligns itself with the development pattern of new businesses, in cultivating innovations and strengthening research and development, as to create competitive products. Through establishment of a new business research & development and promotion system that caters to customers' needs, we are able to provide high quality products and good customer experience, which will in turn attribute to the Group's sustainable growth.

The Group endeavors to contribute to the implementation of the "Internet+" action plan. By way of specialized operation and cultivation of innovation, we are making active expansion in the areas of mobile internet, cloud computing, big data and IoT. We have established multiple specialized business units, including MIGU, CM Internet and CM M2M, which

focus on exploration in digital content and applications, and conduct customer-oriented, independent product research and development. We further consolidated the product lines including "and-Entertainment", "and-Communication" and "and-Life", and promoted centralized operation of products such as unified communication for corporate customers, IDC and internet television. We also introduced industry specified informatization products including "and-Education", "and-Health" and Internet of Vehicles, and commercially launched Mobile Cloud. At the same time, we have built the world's largest public IoT which has a terminal capacity of several billions.



## BUSINESS REVIEW

We have also expanded our own brand product offering, including the launch of 3 models of mobile phones, a number of Internet of Things intelligent modules, 2 self-branded set-top box products, 11 models of automobile device and 2 On-Board Diagnostics terminals (OBD).



### Customer Service

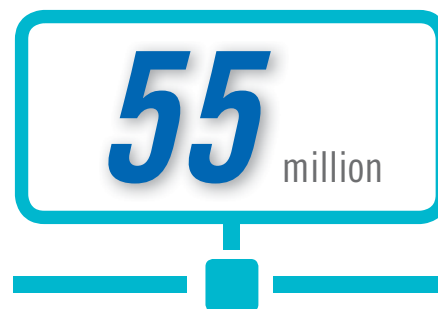
While enhancing its innovation capability, adhering to the mantra of “Customers are our priority, quality service is our principle”, the Group has been reforming its customer service methods and models, to push forward the transformation of operation and service systems towards a new model that is customer experience oriented and emphasis on customer value.

We continued the optimization of our customer care system that separates front and back lines, established sales and service channels that are adjusted to contemporary customer needs with the provision of numerous electronic and mobile internet channels. We respect and protect customer rights and proactively respond to customer requests, we promoted simplified, transparent tariff system and emphasized on quick responses and closed loop customer complaints management. During the past year, the Group made solid progress in customer service transformation and improved 4G whole process service control system, thus consolidated our advantage in customer care and customer retention. As a result, our customer perception kept improving. We have maintained industry leading customer satisfaction rate and the lowest complaint rate of point-to-point spam SMS in the industry.

### Wireline Broadband

After the acquisition of TieTong's assets and businesses and obtaining wireline broadband license, the Group will carry out its wireline broadband business development adhering to the principle of High standard, High quality and High value, while emphasis on cost-effectiveness. We will accelerate the improvement of wireline broadband quality and competitiveness. We will take the differentiation approach in the provision of broadband connection, alternate wireline and wireless according different local situation and conditions. We will focus on medium to high speed bandwidth products, establish premium brand name, and to develop medium to high end customers. For household customers, we will focus on the provision of high definition video, home safety devices and other smart home products to meet household customers' communications needs. We plan to make steady progress in wireline broadband in both operation scale and value creation through continued improvement in the six fronts of products, tariff setting, brand recognition, marketing and sales, distribution channels and service.

### WIRELINE BROADBAND CUSTOMERS



**Looking forward, we will adapt to and take the lead in the industry new norm, facilitate and support the building a cyberpower and the “Internet+” action plan, enhance customer value, increase core competence, push forward reform and transformation breakthrough. We will maintain our 4G leading position, provide high quality wireline broadband service, accelerate our business redeployment and innovation, actively explore and cultivate new development drives, thus to maintain sound and sustainable development.**