

中國移動有限公司  
China Mobile Limited  
[www.chinamobileltd.com](http://www.chinamobileltd.com)

# 2006 *Annual Results*



# **2006 Annual Results**

**China Mobile Limited**

**21 March 2007**

# Management



**Mr. WANG Jianzhou**

**Chairman & CEO**

**Mr. LI Yue**

**Executive Director & Vice President**

**Mr. XUE Taohai**

**Executive Director, Vice President & CFO**

**Madam XIN Fanfei**

**Executive Director & Vice President**

# Agenda



**Overall Performance  
for 2006**

**Financial Results  
for 2006**

## **Overall Performance for 2006**

# Highlights



## Remarkable operating results

Revenue **↑21.5%**  
Net profit **↑23.3%**

## Continuing rapid subscriber growth

Average monthly net adds 4.43 million

Average daily SMS volume close to 1bn

Strong non-SMS data business growth

Value-added business revenue increased to 23.5% of total revenue

## Strong growth trend and potential in rural market

Almost 50% subscriber growth from rural areas

Full year dividend of HK\$1.383 per share

Dividend payout ratio of 42%

Full year special dividend of HK\$0.159 per share

# Overall Operating Performance



|                                 | 2005    | 2006           | Change          |
|---------------------------------|---------|----------------|-----------------|
| Subscribers (Million)           | 246.652 | <b>301.232</b> | <b>22.1%</b>    |
| Operating Revenue (RMB Billion) | 243.041 | <b>295.358</b> | <b>21.5%</b>    |
| EBITDA (RMB Billion)            | 133.338 | <b>159.574</b> | <b>19.7%</b>    |
| EBITDA Margin (%)               | 54.9%   | <b>54.0%</b>   | <b>-0.9 ppt</b> |
| Net Profit (RMB Billion)        | 53.549  | <b>66.026</b>  | <b>23.3%</b>    |
| Net Profit Margin (%)           | 22.0%   | <b>22.4%</b>   | <b>0.4 ppt</b>  |
| Basic Earnings per Share (RMB)  | 2.71    | <b>3.32</b>    | <b>22.5%</b>    |

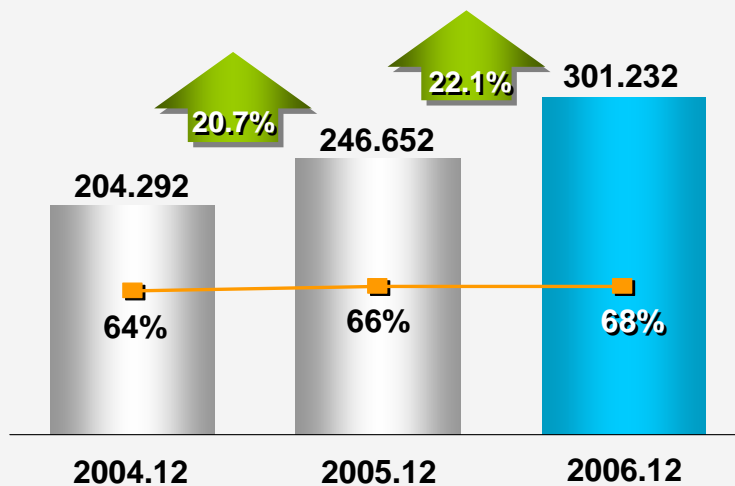
Note: All data for 2006 shown in this presentation included the results of China Mobile Peoples Telephone Company Limited.

# Continuous Rapid Growth of Subscribers



## Total Subscribers

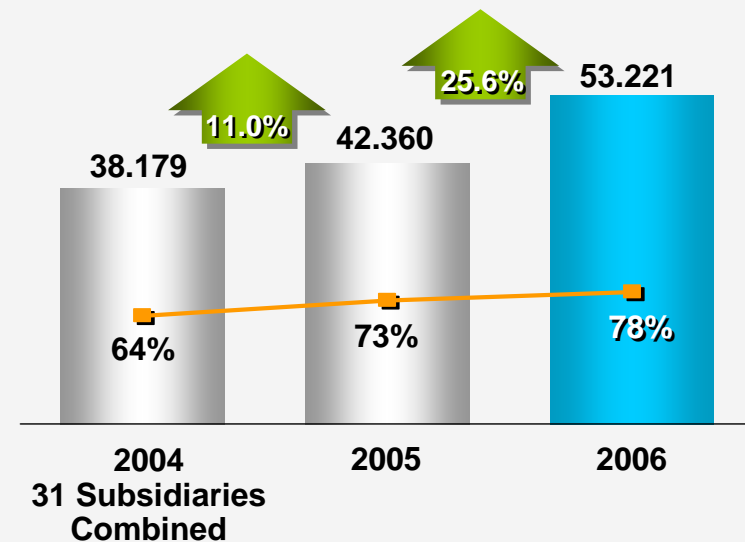
(Million)



—■— Market share

## Net Additional Subscribers

(Million)



—■— Net adds market share

Note: The total net additional subscribers for 2006 excluded the subscriber base of 1.359 million as of end of 2005 acquired from China Mobile Peoples Telephone Company Limited.

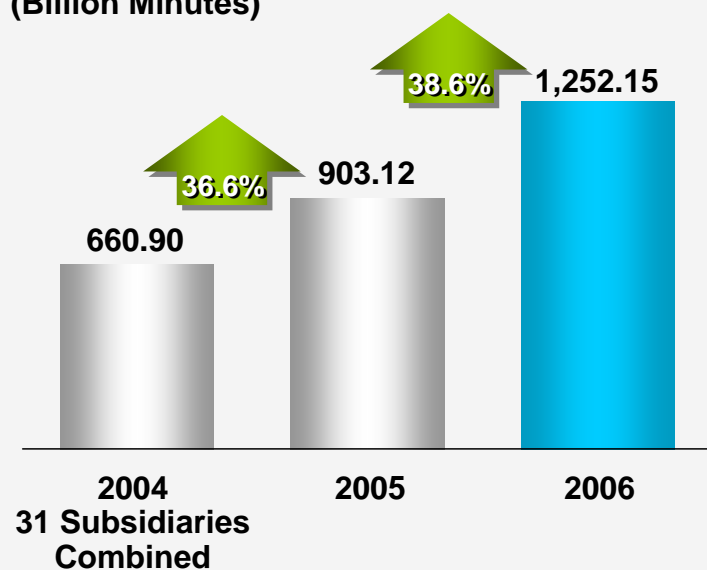


# Stable Growth in Voice Business



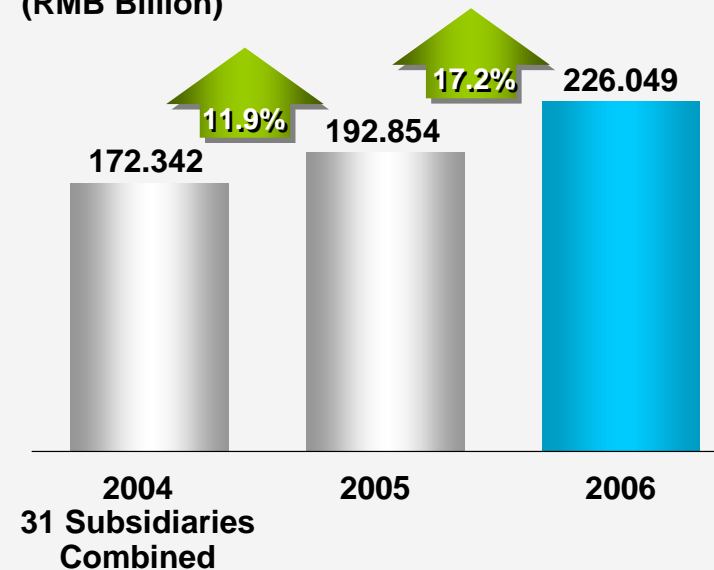
## Total Voice Usage

(Billion Minutes)



## Voice Business Revenue

(RMB Billion)

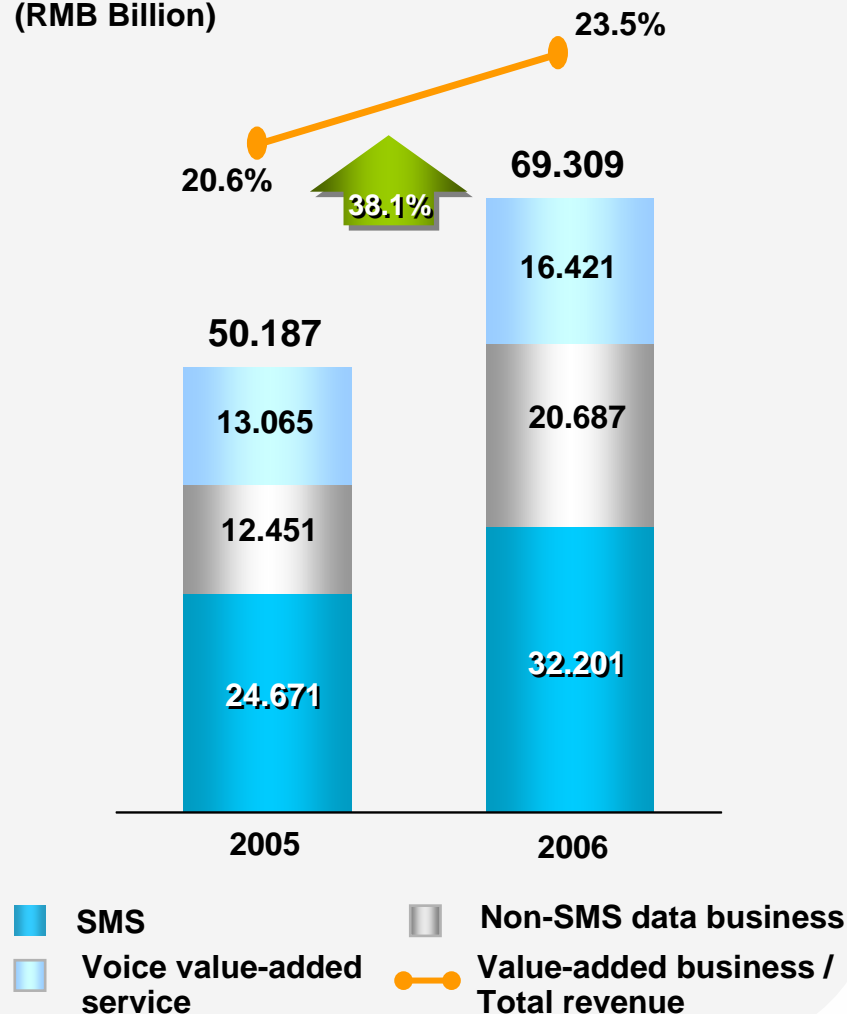


# Strong Growth in Value-added Business



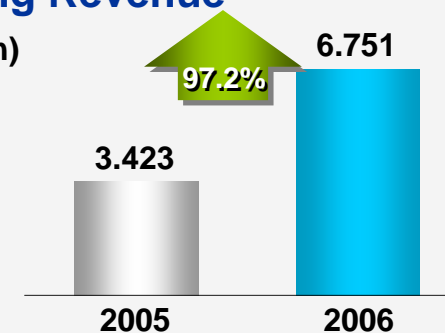
## Value-added Business Revenue

(RMB Billion)



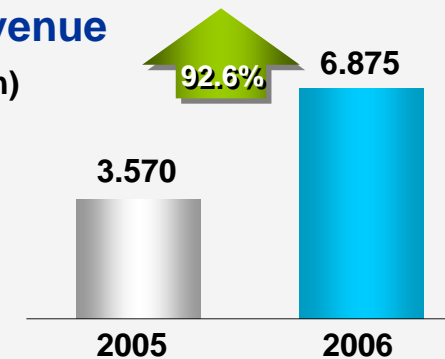
## Color Ring Revenue

(RMB Billion)



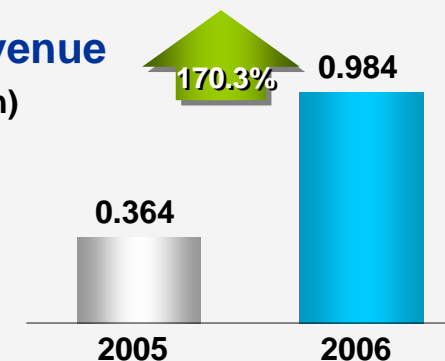
## WAP Revenue

(RMB Billion)

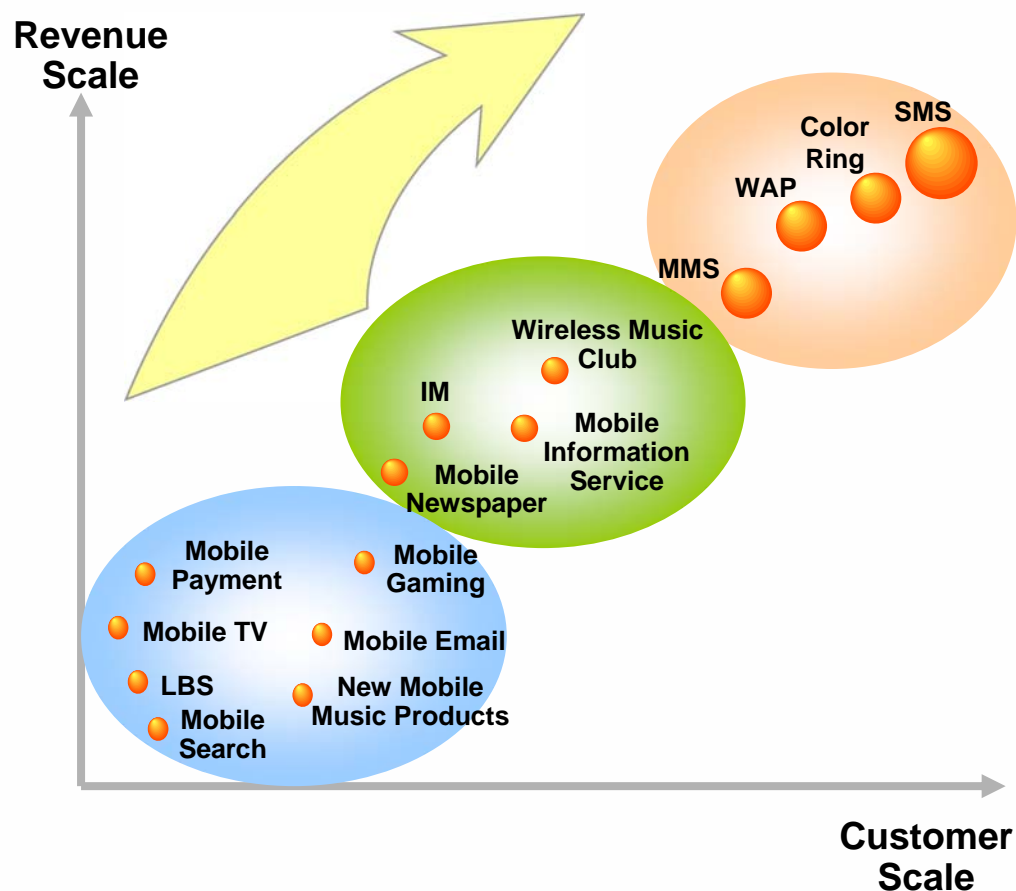


## MMS Revenue

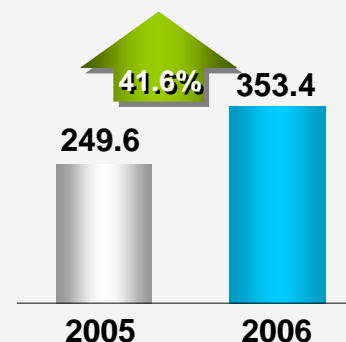
(RMB Billion)



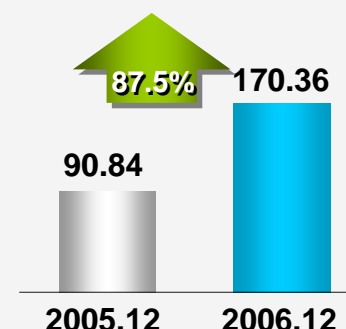
# A Matrix of Potential, Growth and Revenue Driving Products Behind Strong Development



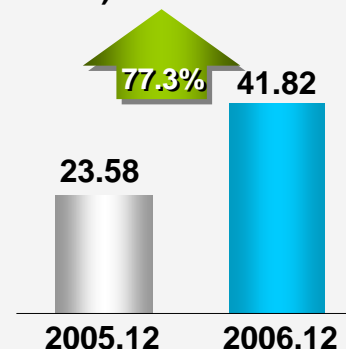
**SMS Usage**  
(Billion Messages)



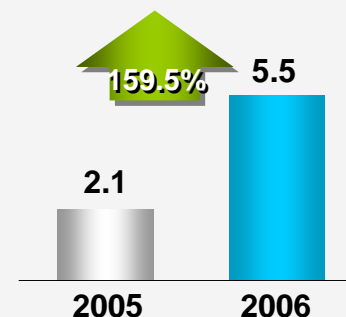
**Color Ring Users**  
(Million)



**WAP Users**  
(Million)



**MMS Usage**  
(Billion Messages)



# Accelerated Evolution of Mobile Media



## Meticulously Nurture Mobile Music Industry

- Wireless music club: Members grew to 17mn in 6 months since launch
- Actively co-operating with various well-known international and domestic music labels
- Content constantly enriched. Subscription of Color Ring exceeded 470 million times in the year.

Partners: Win-win co-operations

SP  
CP  
(music labels)

China Mobile:  
Abundant products



Customers:  
Strong demand

Color Ring browsing  
Vibration ring browsing  
IVR music browsing  
New song trial  
Full track trial  
...

## Mobile Newspaper Exhibits Vibrancy



- Exceeded 5.5 million users as of end of 2006
- Creating a platform to integrate quality resources with 30+ mainstream media companies
- Guiding consumption behavior by offering dedicated product lines to different customer segments

# Nurturing Potential Value-added Business



**IM**  
Various instant messaging services

**Mobile Search**  
Co-operation with Google

**Mobile Game**  
Over 10mn registered users in Premier Game Community

**Mobile Information Service**

**Mobile Email**

**Mobile TV**

**Mobile Payment**

**Location Based Services**

**New Mobile Music products**

## Handset Customization

- A large handset customization scale empowers our VAS development capability.
- By end of 2006, customized handset models amounted to 149. Customized handsets sold by different sales channels accounted for 1/3 of the GSM handset market.

# Significant Contribution and Growth Potential of Rural Market



## Significant Contribution from the Rural Market

Nearly 50% subscriber growth from rural areas

Further enhanced economies of scale positively contributed to overall profit

Opened up new source of growth for the whole sector

## Huge Growth Potential

Huge rural population  
Low penetration rate indicates robust demand

Continuous growth of per capital net income further strengthens consumption power

State's new rural policy effectively fosters economic development in rural areas

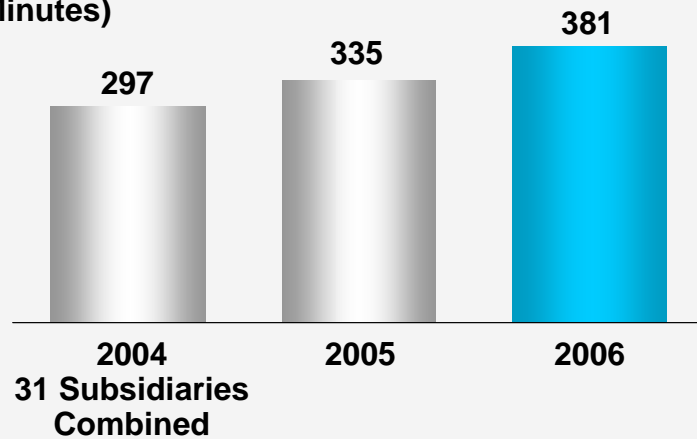
Users' entry barrier is further lowered

# Continued Growth in Operating Revenue



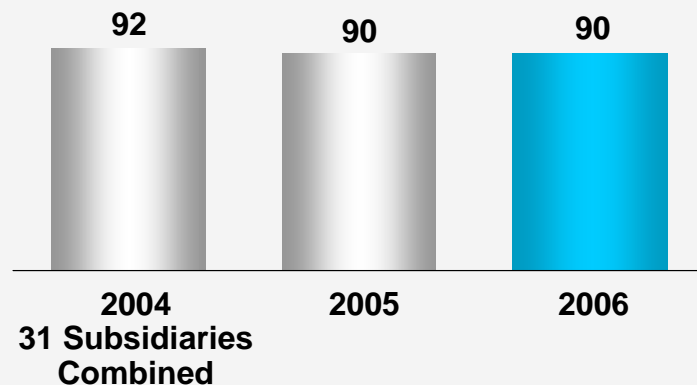
## MOU

(Minutes)



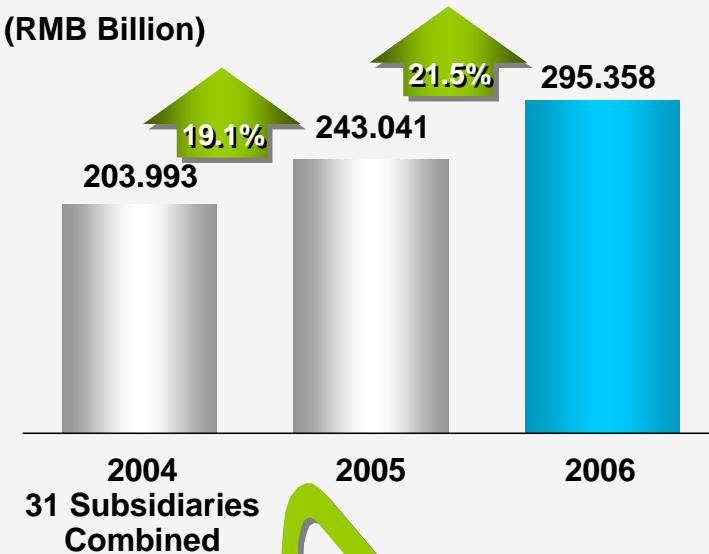
## ARPU

(RMB)



## Operating Revenue

(RMB Billion)



- Subscriber and voice usage growth
- Favorable impetus of value-added business
- Rapid development of rural market

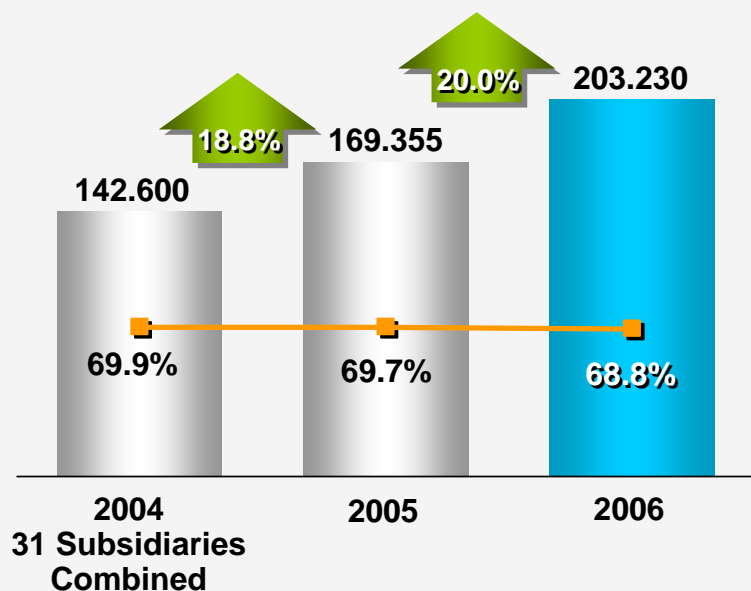
Continued growth in operating revenue

# Sustained Profit Growth



## Operating Expense

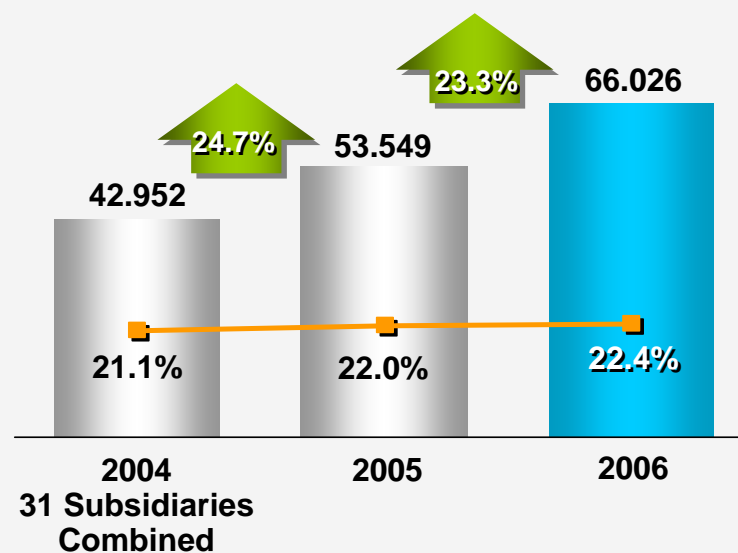
(RMB Billion)



— Operating expense / Operating revenue

## Net Profit

(RMB Billion)



— Net profit margin

- Favorable revenue growth
- Effective cost control
- Better economies of scale

**Sustained  
profit growth**

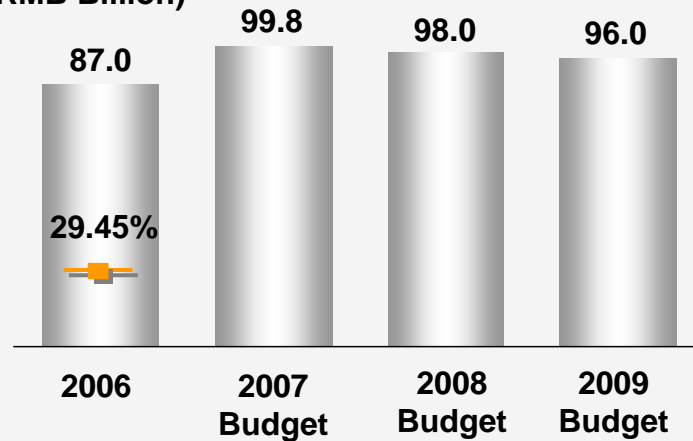


# CAPEX



## CAPEX

(RMB Billion)



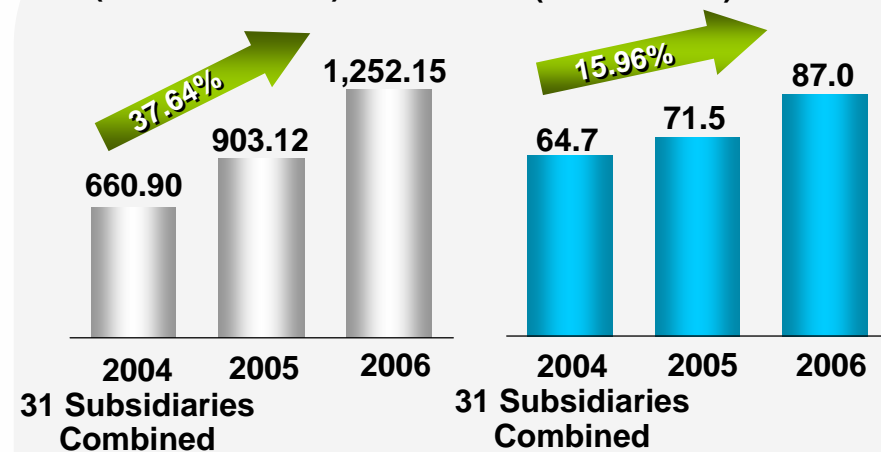
— CAPEX / Operating revenue

- Satisfy robust market demand
- Promote continuous development of value-added business
- Secure leading network advantage
- Lower cost by establishing a centralized, standardized, electronic-based procurement process
- Better prepared for next generation technology by deploying IP based equipment and softswitches

## Investment Effectiveness

(Billion Minutes)

(RMB Billion)



■ Total voice usage

■ CAPEX

→ CAGR

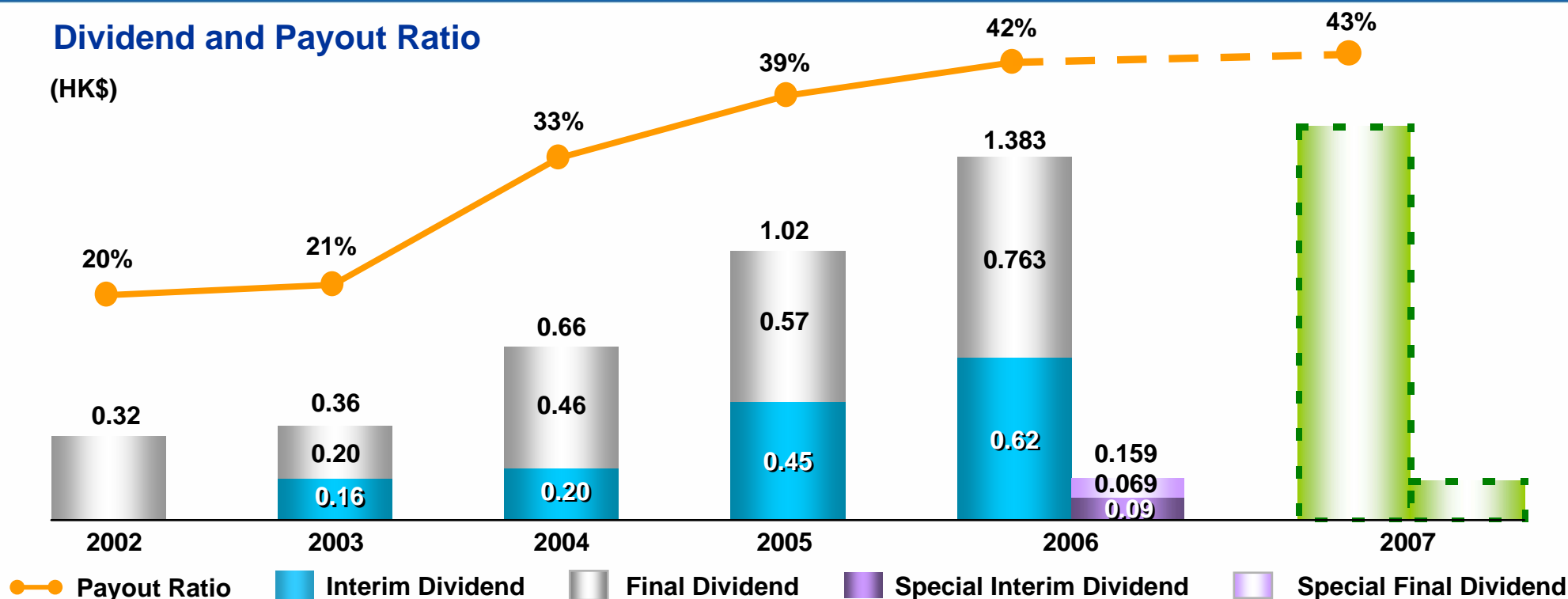
- Favorable business development
- Refined cost control
- Rational CAPEX
- Better economies of scale

# Favorable and Continued Dividend Growth



## Dividend and Payout Ratio

(HK\$)



- Annual dividend for 2006 was HK\$1.383 per share (including the interim dividend payout of HK\$0.62 per share) , with a full year payout ratio of 42%
- Annual special dividend for 2006 was HK\$0.159 per share (including the interim special dividend of HK\$0.09 per share)
- Planned dividend payout ratio for the full year of 2007 is 43%
- Consider to distribute special dividend for 2007 based on the effect from the intended revision of depreciation policy
- Endeavor to achieve a long-term sustainable, steadily increasing dividend, with a view to generating the best possible return for shareholders

# Strengthening Competitive Advantages for the Arrival of New Generation Technology



## Support System Advantage

Advanced and flexible support system enhances operating and managerial standards

## Brand Advantage

A widely recognized brand name with its value ranked 4<sup>th</sup> in the world

## Network Advantage

Population coverage > 97%  
Wireless connection rate: 99.3%  
Call drop rate: 0.85%

## Channel Advantage

Sales network covers cities and rural areas forming comprehensive sales service system

## Scale Advantage

World's largest subscriber base of over 300 million and network scale with 234K base stations

## Service Advantage

Customer satisfaction rate: 79.6%



# Corporate Social Responsibility



Responsibility  
makes  
perfection

Core Value

Release of the first “Corporate Social Responsibility” report

Led by Chairman and managed by a designated department

Build an information society and eliminate digital divide

Caring for the minority and active participation in charity work

Focus on environmental protection and energy preservation

Realize harmonious development among corporation, society and environment



# Mobile Information Expert



**A World-class Enterprise and  
A Mobile Information Expert**

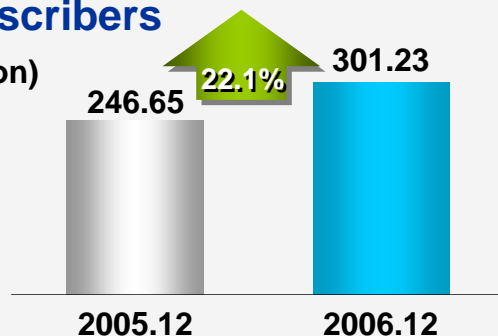
## **Financial Results for 2006**

# Rapid Growth in Revenue



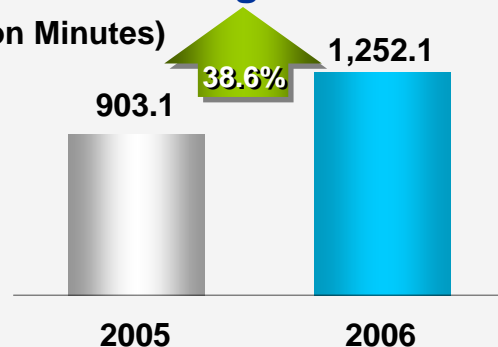
## Subscribers

(Million)



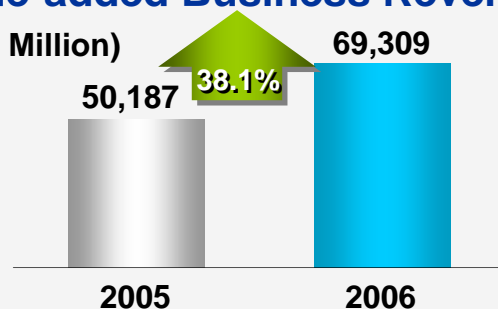
## Total Voice Usage

(Billion Minutes)



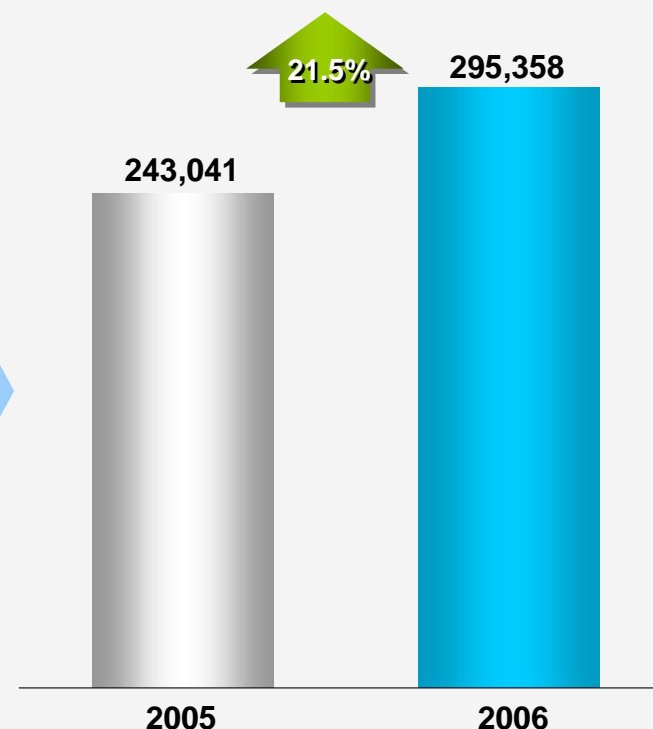
## Value-added Business Revenue

(RMB Million)



## Operating Revenue

(RMB Million)



Note: All data for 2006 shown in this presentation included the results of China Mobile Peoples Telephone Company Limited.

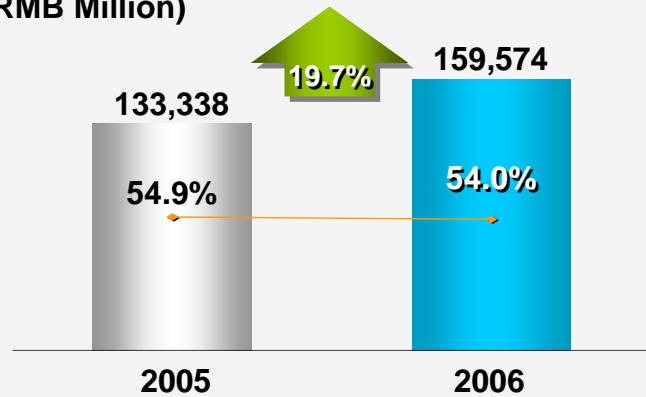


# Continuous Favorable Growth of Profitability



## EBITDA

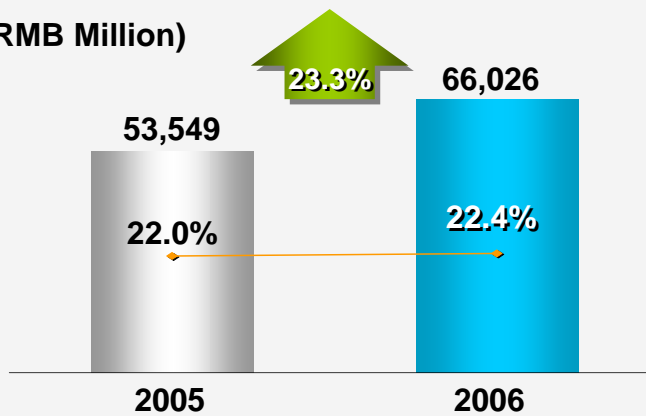
(RMB Million)



◆ EBITDA margin

## Net Profit

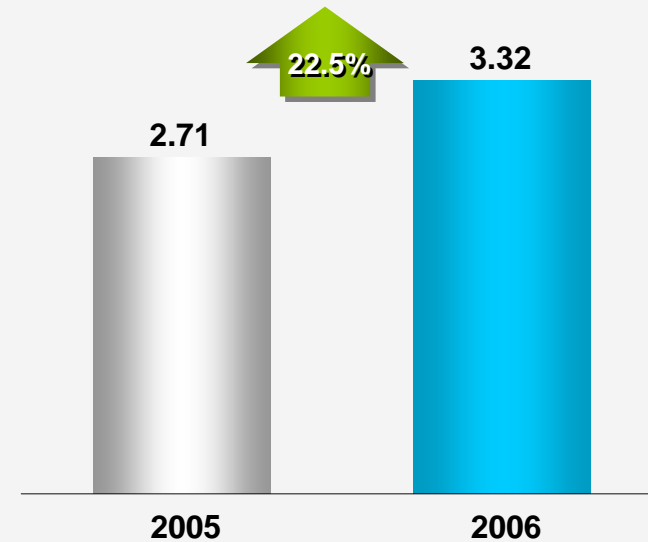
(RMB Million)



◆ Net profit margin

## Basic EPS

(RMB)



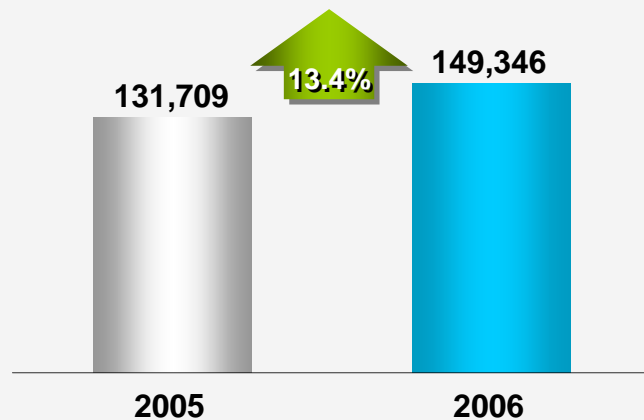
Continuous enhancement in profitability  
and shareholder value



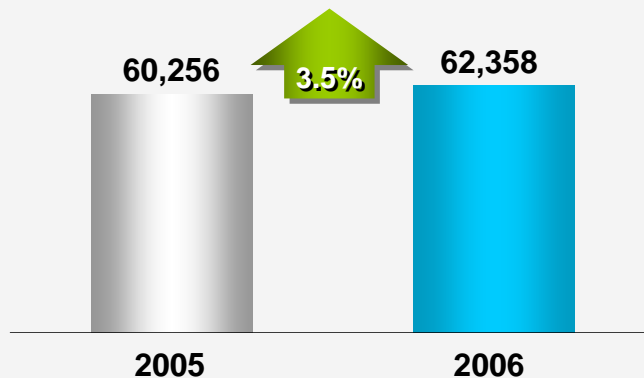
# Strong Cash Flow



## Net Cash Generated from Operating Activities (RMB Million)



## Free Cash Flow (RMB Million)



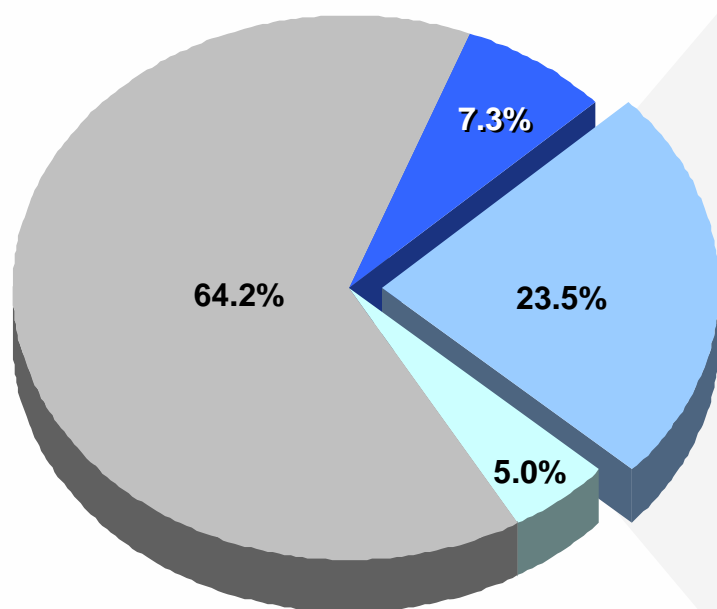
Continued favorable business growth and economies of scale

Providing a solid foundation for the sustainable healthy development of the Company

# Revenue Composition



2006



Usage fees
  Monthly fees
  Value-added business
  Others

Voice value-added services revenue

SMS revenue

Non-SMS data business revenue

Value-added business revenue

|                                    | 2006  | 2005  | 2004  |
|------------------------------------|-------|-------|-------|
| Voice value-added services revenue | 5.6%  | 5.4%  | 4.2%  |
| SMS revenue                        | 10.9% | 10.2% | 8.0%  |
| Non-SMS data business revenue      | 7.0%  | 5.0%  | 3.3%  |
| Value-added business revenue       | 23.5% | 20.6% | 15.5% |

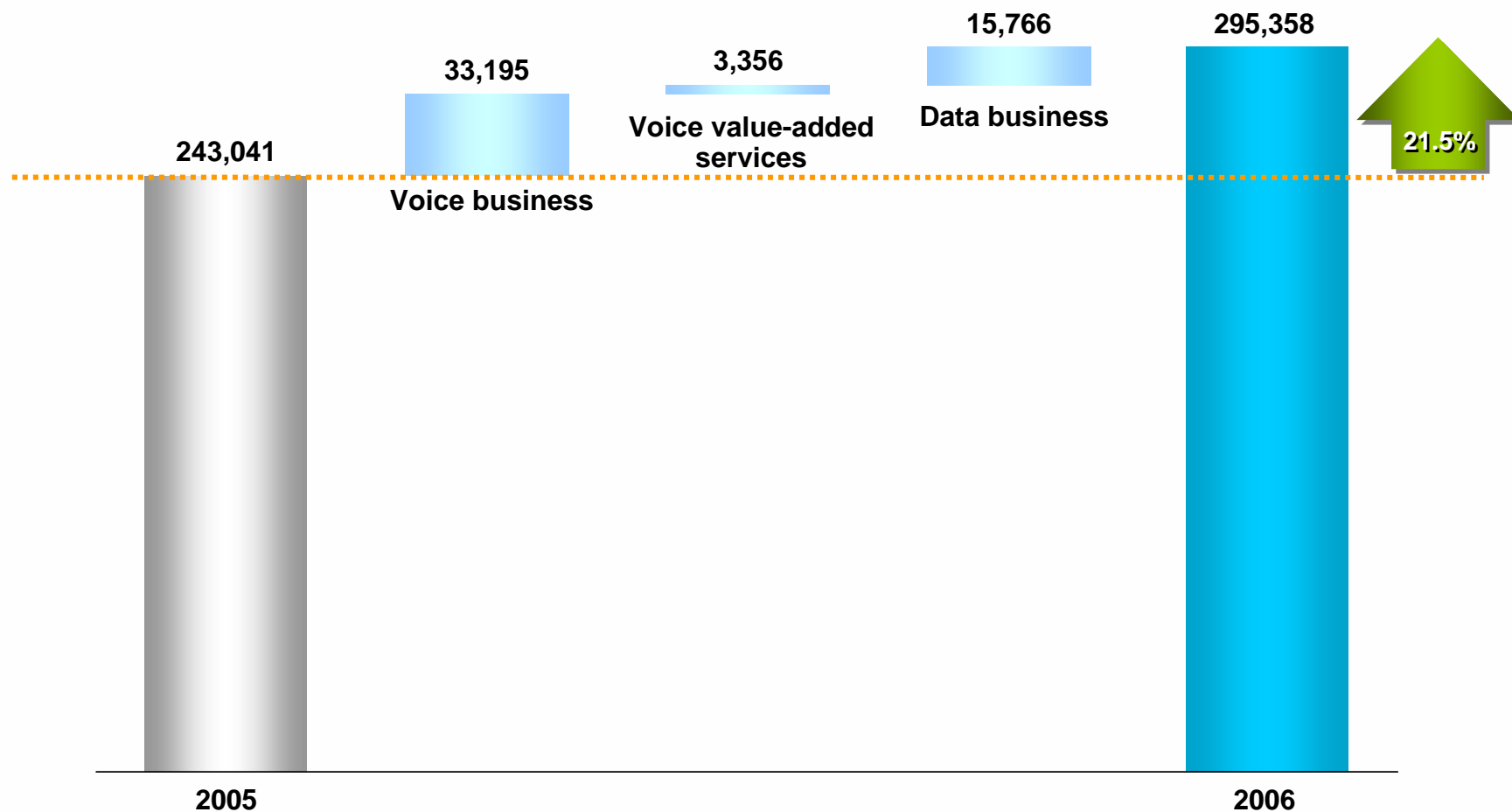
Note 1: The above data are expressed as a percentage of operating revenue.

Note 2: The above data for 2004 represented the combined results of 31 operating subsidiaries.

# Composition of Revenue Growth



(RMB Million)

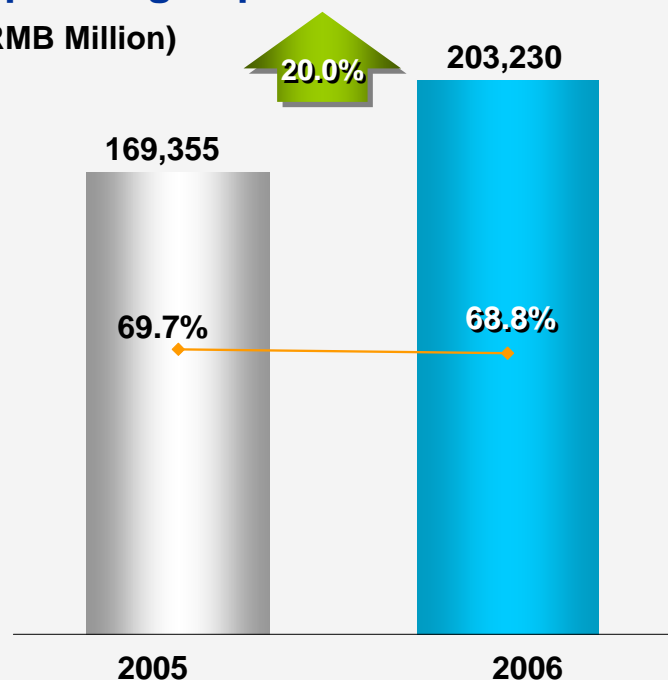


# Effective Cost Control



## Operating Expenses

(RMB Million)

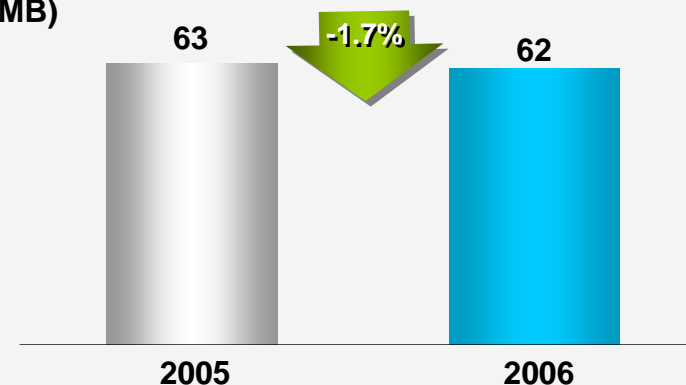


◆ Operating expenses / Operating revenue

Effective cost control management  
Favorable economies of cost scale

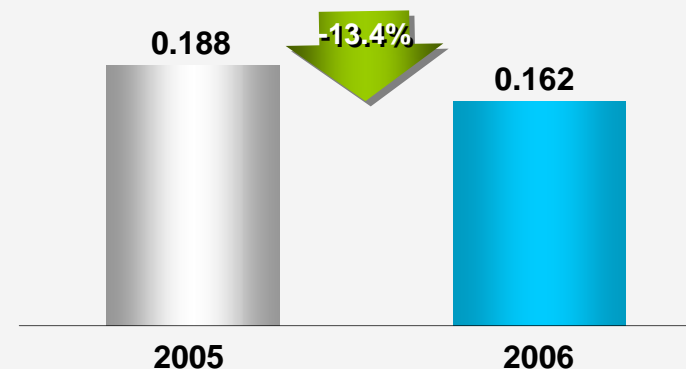
## Average Monthly Operating Expenses per Subscriber

(RMB)

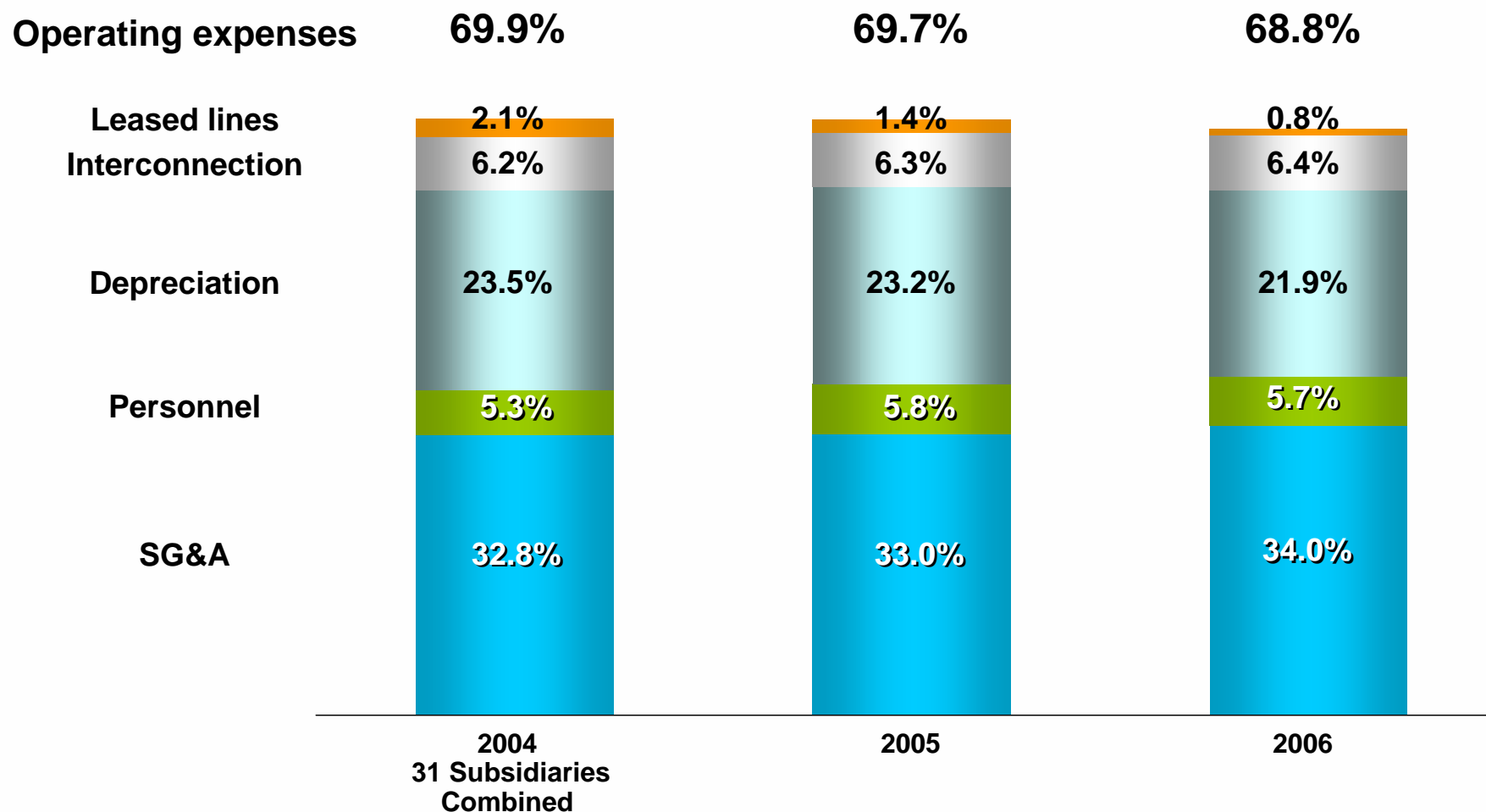


## Average Operating Expenses per Minute

(RMB)



# Cost Composition



Note 1: The above data are expressed as a percentage of operating revenue

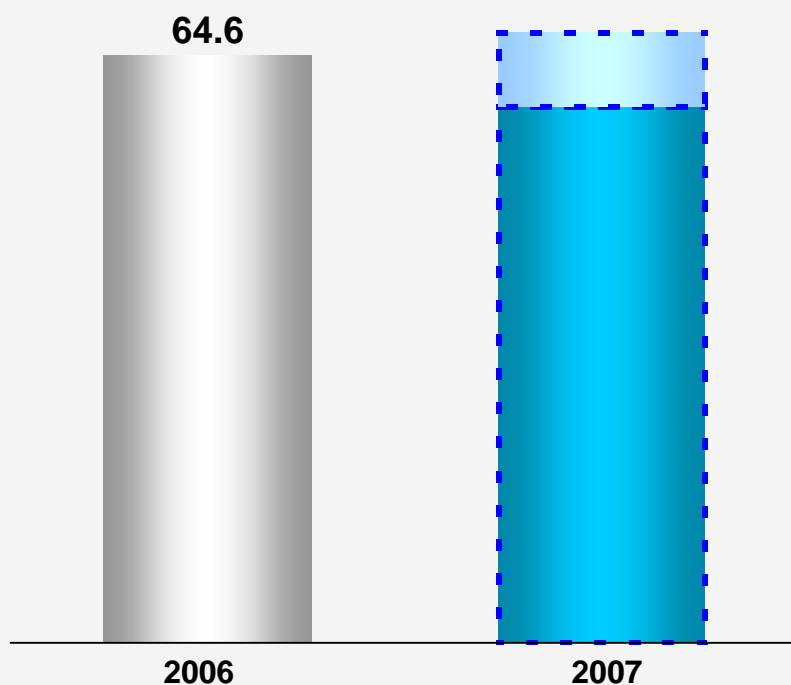
Note 2: Revision of depreciable lives for 2G wireless equipment and etc. in 2006 resulted in additional depreciation expenses of RMB11.5 billion.

# Revision of Assets Depreciable Lives



## Depreciation Expense

(RMB Billion)



 Effect of revised depreciable lives

- Assesses and evaluates the conditions of existing network in accordance with prudent financial principles
- Intends to revise the estimated useful lives of existing switching centers equipment (exclusive soft switching centers equipment that are conformed with the new generation technology) from 7 years to 5 years in 2007

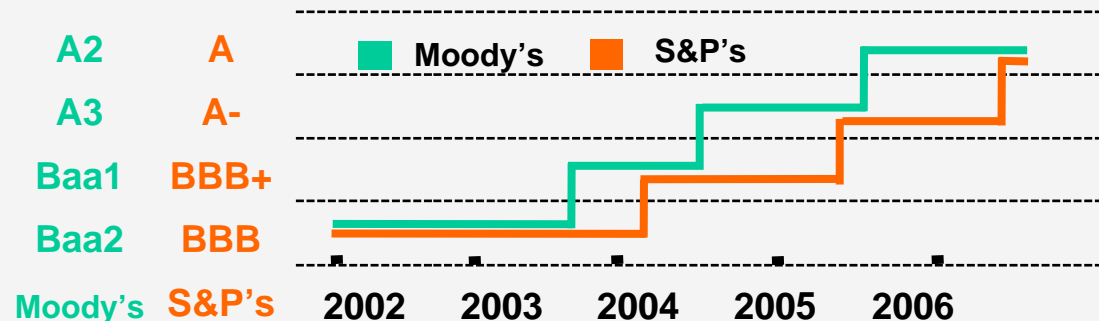
# Solid Capital Structure



| (RMB Million)                          | 31.12.2005     | 31.12.2006     |
|--|----------------|----------------|
| Short Term Debt                        | 1,427          | 5,276          |
| Long Term Debt                         | 36,545         | 33,574         |
| <b>Total Debt</b>                      | <b>37,972</b>  | <b>38,850</b>  |
| Shareholders' Equity                   | 272,824        | 319,002        |
| <b>Total Book Capitalization</b>       | <b>310,796</b> | <b>357,852</b> |
| Total Debt / Total Book Capitalization | 12.2%          | 10.9%          |
| Cash & Bank Deposits                   | 106,386        | 153,461        |
| Net Cash                               | 68,414         | 114,611        |
| Interest Coverage                      | 58X            | 63X            |

Note: Net cash represents Cash & bank deposits minus total debt. The increase of total debt was mainly due to increased non-interest bearing debts, such as bills payable.

## Credit Rating

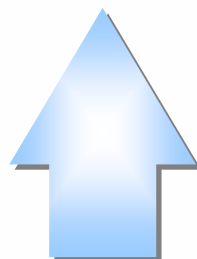


# Comply with SOX 404 Requirements

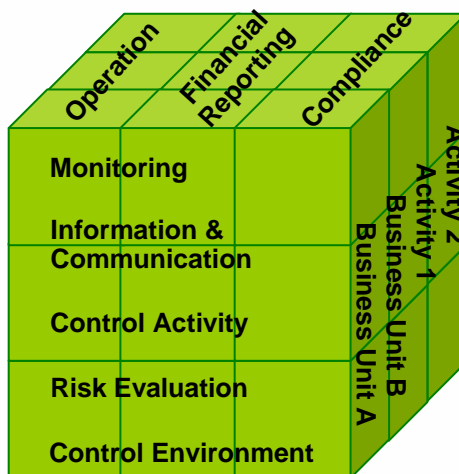


- Ensure design and operating effectiveness of the related internal control over financial reporting
- Comply with SOX 404 requirements
- Further enhanced corporate governance

Establish internal control system according to COSO framework



Comply with SOX 404 requirements



Note: "COSO Framework" refers to the internal control framework issued in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission.



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***THANK YOU***



# Extracts from audited consolidated income statement for the year ended 31 December 2006 – Appendix I



| (RMB Million)             | 2005           | 2006           |
|---------------------------|----------------|----------------|
| <b>Operating Revenue</b>  |                |                |
| Usage Fees                | 156,710        | 189,710        |
| Monthly Fees              | 25,055         | 21,629         |
| Value-added business      | 50,187         | 69,309         |
| Others                    | 11,089         | 14,710         |
|                           | <u>243,041</u> | <u>295,358</u> |
| <b>Operating Expenses</b> |                |                |
| Leased Lines              | 3,224          | 2,451          |
| Interconnection           | 15,309         | 18,783         |
| Depreciation              | 56,368         | 64,574         |
| Personnel                 | 14,200         | 16,853         |
| Others                    | 80,254         | 100,569        |
|                           | <u>169,355</u> | <u>203,230</u> |
| <b>Operating Profit</b>   | <u>73,686</u>  | <u>92,128</u>  |

|   | 2005                 | 2006                 |
|---|----------------------|----------------------|
| <b>Operating Profit (Con't)</b>           | <b>73,686</b>        | <b>92,128</b>        |
| Amortisation of other intangible assets   | -                    | (203)                |
| Other Net Income                          | 3,284                | 2,872                |
| Non-operating Net Income                  | 1,025                | 1,017                |
| Interest Income                           | 1,615                | 2,604                |
| Finance Cost                              | (1,346)              | (1,510)              |
| Taxation                                  | (24,675)             | (30,794)             |
| <b>Profit for the year</b>                | <u><b>53,589</b></u> | <u><b>66,114</b></u> |
| <b>Equity shareholders of the Company</b> | <b>53,549</b>        | <b>66,026</b>        |
| <b>Minority Interests</b>                 | <b>40</b>            | <b>88</b>            |
| <b>Profit for the year</b>                | <u><b>53,589</b></u> | <u><b>66,114</b></u> |

# Extracts from audited consolidated balance sheet as at 31 December 2006 – Appendix II



| (RMB Million)            | 2005.12.31       | 2006.12.31       |
|--------------------------|------------------|------------------|
| Current Assets           | 121,076          | 171,507          |
| Non-current Assets       | 299,951          | 323,169          |
| <b>Total Assets</b>      | <b>421,027</b>   | <b>494,676</b>   |
| Current Liabilities      | (109,954)        | (140,607)        |
| Non-current Liabilities  | (37,966)         | (34,696)         |
| <b>Total Liabilities</b> | <b>(147,920)</b> | <b>(175,303)</b> |
| <b>Net Assets</b>        | <b>273,107</b>   | <b>319,373</b>   |

## Operating Data – Appendix III



|  | 2005        | 2006        |
|--|-------------|-------------|
| Contract Subscribers (Million)         | 61.311      | 65.269      |
| Prepaid Subscribers (Million)          | 185.341     | 235.963     |
| Blended/Contract/Prepaid MOU (Minutes) | 335/589/241 | 381/671/293 |
| Blended/Contract/Prepaid ARPU (RMB)    | 90/185/55   | 90/207/55   |
| Average Revenue per Minute (RMB)       | 0.269       | 0.236       |
| Mobile Data Users (Million)            | 206.682     | 270.384     |
| SMS Usage (Billion Messages)           | 249.609     | 353.384     |
| Average Monthly Churn Rate (%)         | 1.87%       | 2.73%       |

# Forward-looking Statements



Certain statements contained in this document may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of China Mobile Limited (the “Company”) to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.