

China Mobile 941 HK

TELECOMS | CHINA

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Maintained

BUY

NOMURA

NOMURA INTERNATIONAL (HK) LIMITED

Action

Per our latest trip to China Mobile retail shops in Shanghai and Beijing, we believe the company has work left to do in terms of improving the variety of RMB1,000-priced smartphones. For high-end users, the recent launch of Samsung Galaxy (TD version) should partially suffice. We maintain our view that the company could surprise the street's estimates for FY11. Our near-term pecking order remains Unicom (BUY) > China Mobile (BUY) > China Telecom (NEUTRAL).

Catalysts

Potential catalysts: 1) higher monthly net adds, 2) sharper MOU recovery, 3) stable EBITDA margin and 4) higher take-up rate of 3G services.

Anchor themes

With 3G rollout moving towards completion in 2010 and availability of 3G handsets expected to improve in China, we expect Chinese telecom operators to launch different campaigns to migrate their 2G subscribers onto a 3G platform gradually.

Postcards from Shanghai & Beijing

1 Key findings from Shanghai and Beijing trip

Following our latest trip to China, our key findings are: 1) the recently launched Samsung Galaxy (TD version) is getting a warm reception from China Mobile's high-ARPU subscribers; 2) China Mobile's current offering of RMB1,000 smartphones is not as comprehensive as that of China Unicom; 3) China Mobile's WLAN network coverage is more comprehensive when compared to other operators.

2 RMB1,000-priced smartphones needed for TD platform

Among the China Mobile retail shops we visited, the lowest priced smartphone is around RMB1,500 from Samsung, Motorola. Currently, China Telecom has 2 models of smartphones (from Huawei and ZTE) that are priced near RMB1,000, while Unicom has 14 models of smartphones that are priced at RMB1,000.

3 WLAN should be used as a supplementary solution

We note the signal presence of China Mobile's WLAN in places such as coffee shops in Shanghai and fast food restaurants in Beijing. As WLAN may not cover broad areas, on a long term basis, we believe China Mobile needs TD-LTE as an optimal solution to resolve the network coverage issue of TD-SCDMA.

4 Valuation

We reaffirm our BUY call on China Mobile, with a 12-month DCF-based price target of HK\$95 (unchanged). The stock is currently trading at 10.8x FY11F P/E, on our numbers.

Closing price on 30 Nov	HK\$77.5
Price target	HK\$95.0 (set on 13 Oct 10)
Upside/downside	22.7%
Difference from consensus	5.8%
FY11F net profit (RMBmn)	126,161
Difference from consensus	2.7%
Source: Nomura	

Nomura vs consensus

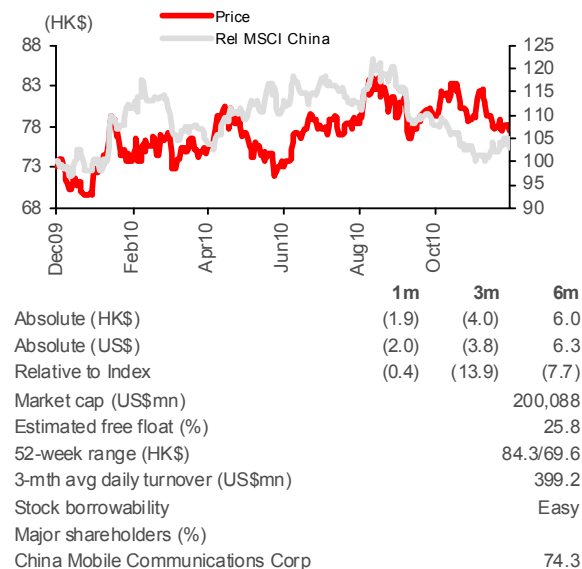
Our FY11F forecast is higher than consensus with inclusion of SPDB's earnings.

Key financials & valuations

31 Dec (RMBmn)	FY09	FY10F	FY11F	FY12F
Revenue	452,103	492,643	524,274	553,283
Reported net profit	115,166	118,028	126,161	133,994
Normalised net profit	115,166	118,028	126,161	133,994
Normalised EPS (RMB)	5.74	5.88	6.29	6.68
Norm. EPS growth (%)	2.0	2.5	6.9	6.2
Norm. P/E (x)	12.0	11.6	10.8	10.2
EV/EBITDA (x)	5.0	4.4	4.0	3.6
Price/book (x)	2.7	2.4	2.1	1.9
Dividend yield (%)	3.6	3.7	4.2	4.5
ROE (%)	24.3	21.8	20.6	19.4
Net debt/equity (%)		net cash	net cash	net cash
Earnings revisions				
Previous norm. net profit		118,028	126,161	133,994
Change from previous (%)		-	-	-
Previous norm. EPS (RMB)		5.88	6.29	6.68

Source: Company, Nomura estimates

Share price relative to MSCI China



Source: Company, Nomura estimates

Any authors named on this report are research analysts unless otherwise indicated.
See the important disclosures and analyst certifications on pages 9 to 13.

Drilling down

Postcards from Shanghai and Beijing

We recently visited China Mobile retail shops in Shanghai and Beijing, respectively. Based on our shop visits, we note the following:

- **Launch of Samsung Galaxy (TD version) has attracted decent interest from China Mobile's high-ARPU subscribers.** In China, the WCDMA version of the Samsung Galaxy was launched around June of this year. Then in September, the EV-DO version of the Samsung Galaxy was made available for China Telecom's mobile subscribers. In our latest trip, we note China Mobile has recently launched the TD-SCDMA version of the Samsung Galaxy. We note no major difference in terms of ASP of Samsung Galaxy (~RMB5,800) on different technology platforms (WCDMA, CDMA, TD-SCDMA). All three operators offer roughly the same magnitude of handset subsidy without major differences. Per our discussion with shop staff inside China Mobile retail shops, they indicated the Samsung Galaxy is quite a popular smartphone among China Mobile's high-ARPU subscribers. Given that the TD-SCDMA version of the Apple iPhone is currently not available and HTC smartphones for TD-SCDMA are not yet immediately available, we expect the Samsung Galaxy to be one of the very few high-end TD smartphones addressing the needs of China Mobile's high-ARPU subscribers.

Upon the launch of Samsung Galaxy (TD-SCDMA version), we note good response from China Mobile's high-ARPU subscribers

Exhibit 1. Samsung Galaxy (TD-SCDMA version)



Source: Sina

Exhibit 2. Sony Ericsson A8i (TD-SCDMA version)



Source: Sina

Exhibit 3. List of most popular 3G handsets sold via Beijing Mobile

Ranking	Brand	Model	Smartphone	ASP (RMB)
1	Samsung	I9008	Y	5,988
2	Sony Ericsson	A8i	Y	2,770
3	Dopod	A8188	Y	5,480
4	Samsung	S5680	Y	2,498
5	Samsung	S3930C	N	2,788

Source: Company data

- **Similar to China Telecom, China Mobile has lots of work to do in terms of improving variety of RMB1,000-priced smartphones (aka low-end smartphones).** Among the China Mobile retail shops we visited, the lowest priced smartphone is around RMB1,500 from Samsung, Motorola. Currently, China Telecom has 2 models of smartphones (from Huawei and ZTE respectively) that are priced near RMB1,000, while China Unicom has 14 models of smartphones that are priced at RMB1,000. For the latter one, please refer to the following exhibit for brief specifications of those relevant smartphones.

As we expect the mass market in China will be warming up to this notion of using smartphones some time within 2011, we believe it is important for a mobile operator to ensure abundant supply and variety of RMB1,000-priced smartphones. In our view, whichever mainland mobile operator that can launch a more comprehensive collection of RMB1,000-priced smartphones should be able to capture a bulk of the mass segment of 2G subscribers switching into the 3G platform.

Exhibit 4. Specifications of RMB1,000-priced smartphones currently available on WCDMA platform via China Unicom

Brand	Model	Operating system	Touch screen	QWERTY keyboard	Display size (inch)
Nokia	5235	Symbian	Y	N	3.2
Samsung	B6520	Windows Mobile 6.5	Y	Y	2.4
Samsung	i5508	Android 2.1	Y	N	2.8
Samsung	s5750e	Bada	Y	N	3.2
Motorola	XT300	Android 2.1	Y	Y	3
Sony Ericsson	M1i	Windows Mobile 6.5	Y	Y	2.4
ZTE	X876	Android 2.1	Y	N	3.2
ZTE	X850	Android 2.1	Y	N	2.8
Huawei	U8110	Android 2.1	Y	N	2.8
Huawei	U8100	Android 2.1	Y	N	2.8
Huawei	U8500	Android 2.1	Y	N	3.2
Coolpad	W711	Android 2.1	Y	N	3.5
K-Touch	W366	Windows Mobile 6.5	Y	N	3.2
K-Touch	W606	Android 2.1	Y	N	3.5

Source: Company data

- China Mobile is actively using WLAN to supplement TD-SCDMA on network coverage.** When we were in Shanghai, we note the signal presence of China Mobile's WLAN network in Starbucks. When we were in Beijing, we note the signal presence of China Mobile's WLAN network in Burger King. From these instances, we believe China Mobile is actively using WLAN as a technology to supplement TD-SCDMA technology on network coverage. We note the coverage area of each WLAN hotspot is not as broad as the coverage area of a mobile base station. On a long term basis, we believe China Mobile needs TD-LTE (4G technology) as an optimal solution to resolve the network coverage issue of TD-SCDMA (homegrown 3G technology).

Exhibit 5. Availability of Wi-Fi hotspots in China

Telecom operator	no. of hotspots (k)	no. of access points (k)
China Mobile	na	300
China Telecom	100	200
China Unicom	na	70

Source: Company data, Nomura estimates

Current view on the stock

With 1) the inclusion of SPDB's earnings and 2) a passionate and energetic CEO taking the driver's seat, we expect consensus estimates to rise in order to reflect improving fundamentals. With the removal of the overhang from Vodafone's strategic stake and no negative news flow likely for the next six months, we believe the stage is set for a re-rating of China Mobile on its potential upcoming mainland listing and more favourable earnings payout. Reiterate BUY.

Our order of preference remains China Unicom (BUY) > China Mobile (BUY) > China Telecom (NEUTRAL).

After Shanghai World Expo, latest buzz on TD-LTE in China

Back in July when we toured China Mobile's TD-LTE trial network in Shanghai World Expo, we were told that the next phase of the TD-LTE trial will cover three more cities in 2H10. In each city, over 100 TD-LTE base stations will be deployed and around 5,000 terminals (most likely to be data cards) will be distributed to end-users. However, in late October, according to news flow from mainland China, China Mobile's parentco will start TD-LTE trial network in six cities and deploy a total of roughly 3,000 base stations in those cities. From the expanded scale and accelerated pace of the TD-LTE trial network rollout, we believe China Mobile's parentco is getting more comfortable and confident with the technology (TD-LTE) itself.

Exhibit 6. Comparison of TD-LTE's trial network expansion

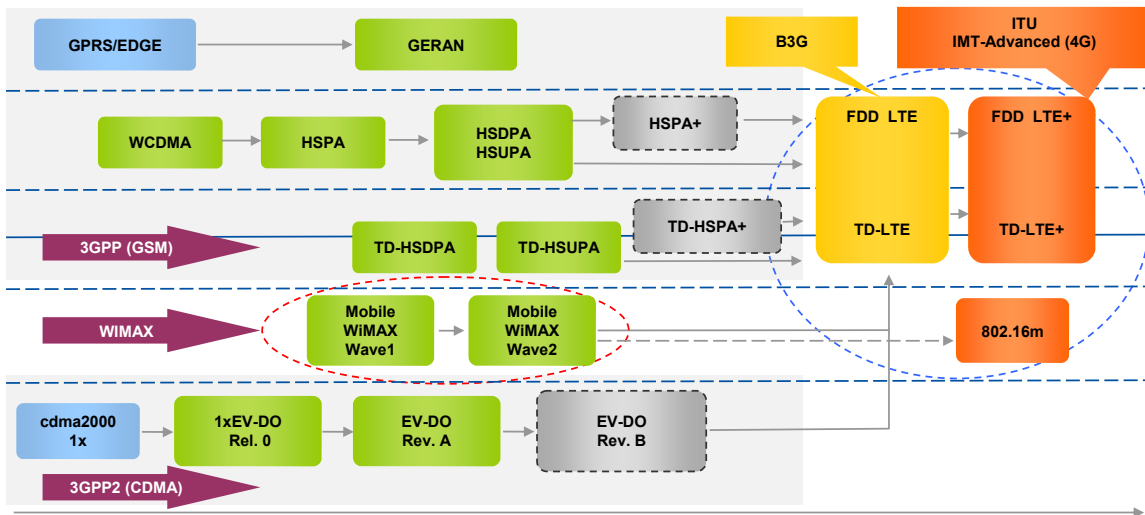
	Scale of TD-LTE trial network mentioned in Jul-2010	Scale of TD-LTE trial network mentioned in Oct-2010
# of cities	3	6
City details	na	Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Xiamen
Base station per city	~100	~500
Trial terminals	Data cards	Data cards

Source: Company data, c114.net, Nomura estimates

Based on past experience of the TD-SCDMA (3G) trial network, it often takes 12-18 months between the trial network rollout and the commercial network launch.

Therefore, we believe the earliest China Mobile group may launch some form of commercialized 4G service would be in late 2011 or early 2012. We expect the early form of commercialized service will be offered via the platform of data cards instead of mobile handsets. This belief is reinforced by the showcase of various TD-LTE data cards by telecom equipment vendors during our visit to Shanghai World Expo.

Exhibit 7. Roadmap for technology evolution



Source: Company data

Implications for capex

So far, China Mobile group has not made very concrete comments with regards to absolute figures of capex that the group is going to spend on the technology. In the past, Chairman Wang Jianzhou has emphasized quite a couple of times that the incremental capex associated with the 4G rollout should be less than the incremental capex associated with the 3G rollout. **Given that most of the telecom equipment procured by the group for its TD-SCDMA rollout is forward compatible with TD-LTE, we believe it is quite likely the incremental capex associated with the 4G rollout should be less than the incremental capex associated with the 3G rollout.**

Implications on the China Mobile listco

Overall, we believe an accelerated rollout of 4G technology by China Mobile's parentco should be positive for sentiment toward China Mobile listco shares, as the market is concerned that China Mobile may be lagging competitors in 3G developments (eg, handset availability, subscriber take-up rate, etc). **In addition, given that the TD-SCDMA (3G) network is currently owned by China Mobile's parentco, we believe it is reasonable to assume the relevant capex for the 4G rollout will be borne by China Mobile's parentco. Therefore, no significant cash outflow associated with 4G rollout is expected for China Mobile listco. On the other hand, we believe the listco should benefit from accelerated growth of mobile data services revenue with the launch of faster data services via TD-LTE.**

Valuation methodology

Our price target of HK\$95 is based on DCF. We assume a WACC of 11.7% and a long-term growth-to-perpetuity rate of 1.5%.

Catalysts

On a short-term basis (three months), we believe catalysts for China Mobile include:

- Monthly net adds, which partially affect revenue growth;
- 4Q10 results, which would serve as China Mobile's report card versus its competitors during the three-month period;
- China's GDP growth;
- The market's acceptance of TD-SCDMA (homegrown 3G technology);
- Subscribers' use of various new services (eg, Mobile Market, e Reading, Mobile Wallet).

On a longer-term basis (12 months), we believe that catalysts for China Mobile include:

- China's overall economic conditions, as MOU tends to grow with the economy;
- Progress on mainland listing, as China Mobile has indicated its intention to be listed on the mainland;
- Dividend policy, as investors would like to receive more cash from the company;
- Progress on TD-SCDMA rollout (ie, foreign brand handset availability and smooth network coverage);
- FY11 results, which reflect the company's effectiveness in increasing earnings;
- A regulatory roadmap drawn out by the Ministry of Industry and Information Technology (China's telecom regulator).

Risks to our price target

The risks to our investment view include: 1) irrational tariff competition — if China Telecom or China Unicom were to lower mobile tariffs in an attempt to gain market share, we believe China Mobile might respond by launching similar tariff plans; 2) the regulatory environment — any significant change in the regulatory environment could have important implications for mainland telecom operators; and 3) new technologies may disrupt the industry landscape — the introduction of new technologies could complement or cannibalise existing technologies (ie, GSM, GPRS and EDGE). Given that telecom operators have invested heavily in their existing networks, the potential obsolescence of networks could lead to asset write-offs, in our view.

For further details on 4G technology, please refer to our recent Anchor Report (*Spectrum availability, mid-air scare?* published on 21 October 2010)



Exhibit 8. Recent publications on China telecom services sector

Date	Title of publication
17 Nov, 2010	China Mobile: Reporting live from MAC 2010
29 Oct, 2010	China Mobile: Scale of TD-LTE trial may exceed initial expectations
20 Oct, 2010	China Mobile: Review of 3Q10 results
13 Oct, 2010	China Mobile: Man vs machine
29 Sep, 2010	China Mobile: Happiness (LePhone) coming to TD-SCDMA; 3Q10 preview
8 Sep, 2010	China Mobile: Quick thoughts on placement
23 Aug, 2010	China Mobile: Friday morning with management
19 Aug, 2010	China Mobile: Elephant moving forward; one more new TD handset from Nokia
23 Jul, 2010	China Mobile: 1H10 preview, Nokia's new stylish TD-SCDMA handset
13 Jul, 2010	China Mobile: Reporting live from World Expo
25 Nov, 2010	China Telecom: Postcards from Shanghai & Beijing
28 Oct, 2010	China Telecom: 3Q10 review – "CDMA express train" lost some steam
15 Oct, 2010	China Telecom: Preview of 3Q10 results
13 Oct, 2010	China Telecom: Catching breath before another dash
13 Sep, 2010	China Telecom: Back to school
27 Aug, 2010	China Telecom: Thursday morning with management
25 Aug, 2010	China Telecom: Better-than-expected results; investing for the future
28 Jul, 2010	China Telecom: Latest snippets from Shenzhen trip, 1H10 preview
19 Jul, 2010	China Telecom: Shop visits along with Expo tour
2 Jul, 2010	China Telecom: 12 cities named for network convergence trial
26 Nov, 2010	China Unicom: All they want for X'mas is ... iPhone 4 or iPad
15 Nov, 2010	China Unicom: Benefits from iPhone 4, iPad and smartphone not fully reflected
29 Oct, 2010	China Unicom: Driving a Ferrari (iPhone 4) through highway or local?
13 Oct, 2010	China Unicom: Revenge of the fallen
27 Aug, 2010	China Unicom: 1H10 review: Spring has not arrived yet
29 Nov, 2010	Telecoms China: Monthly industry data
5 Nov, 2010	Telecoms China: MNP commercial launch may start soon
22 Oct, 2010	Telecoms China: Monthly industry data
20 Oct, 2010	Telecoms China: Spectrum availability, mid-air scare?
13 Oct, 2010	Comba: Takeaway from field trip and communication expo
29 Sep, 2010	Telecom Equipment China: Rising with convergence
31 Aug, 2010	China ComService: Situated in sweet spot to benefit from network convergence
26 Aug, 2010	ZTE: Entering the era of network convergence
20 Aug, 2010	ZTE: Negative surprise in handset margin
4 Aug, 2010	Telecoms China: Network convergence: equipment vendors to benefit first

Source: Nomura research

Financial statements

Income statement (RMBmn)					
Year-end 31 Dec	FY08	FY09	FY10F	FY11F	FY12F
Revenue	412,343	452,103	492,643	524,274	553,283
Cost of goods sold	-	-	-	-	-
Gross profit	412,343	452,103	492,643	524,274	553,283
SG&A	(269,728)	(305,095)	(342,345)	(369,731)	(390,977)
Employee share expense	-	-	-	-	-
Operating profit	142,615	147,008	150,298	154,543	162,306
EBITDA	214,124	227,187	237,259	244,566	250,364
Depreciation	(71,509)	(80,179)	(86,962)	(90,023)	(88,058)
Amortisation	-	-	-	-	-
EBIT	142,615	147,008	150,298	154,543	162,306
Net interest expense	4,452	4,697	4,890	5,779	7,682
Associates & JCEs	-	-	-	4,252	4,803
Other income	2,676	2,131	2,316	2,357	2,399
Earnings before tax	149,743	153,836	157,504	166,931	177,191
Income tax	(36,789)	(38,413)	(39,376)	(40,670)	(43,097)
Net profit after tax	112,954	115,423	118,128	126,261	134,094
Minority interests	(161)	(257)	(100)	(100)	(100)
Other items	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Normalised NPAT	112,793	115,166	118,028	126,161	133,994
Extraordinary items	-	-	-	-	-
Reported NPAT	112,793	115,166	118,028	126,161	133,994
Dividends	(48,364)	(49,544)	(50,752)	(56,772)	(61,637)
Transfer to reserves	64,429	65,622	67,276	69,388	72,357

Subscriber growth and value-added business boosting revenue growth

Valuation and ratio analysis

FD normalised P/E (x)	12.3	12.0	11.6	10.8	10.2
FD normalised P/E at price target (x)	15.1	14.7	14.2	13.3	12.5
Reported P/E (x)	12.1	11.9	11.6	10.8	10.2
Dividend yield (%)	3.5	3.6	3.7	4.2	4.5
Price/cashflow (x)	6.9	6.1	6.4	6.3	6.1
Price/book (x)	3.1	2.7	2.4	2.1	1.9
EV/EBITDA (x)	5.5	5.0	4.4	4.0	3.6
EV/EBIT (x)	8.3	7.7	7.0	6.3	5.5
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
EBITDA margin (%)	51.9	50.3	48.2	46.6	45.3
EBIT margin (%)	34.6	32.5	30.5	29.5	29.3
Net margin (%)	27.4	25.5	24.0	24.1	24.2
Effective tax rate (%)	24.6	25.0	25.0	24.4	24.3
Dividend payout (%)	42.9	43.0	43.0	45.0	46.0
Capex to sales (%)	33.1	28.6	25.0	18.7	14.5
Capex to depreciation (x)	1.9	1.6	1.4	1.1	0.9
ROE (%)	27.6	24.3	21.8	20.6	19.4
ROA (pretax %)	35.0	31.7	28.6	27.9	29.1

Growth (%)

Revenue	15.5	9.6	9.0	6.4	5.5
EBITDA	11.9	6.1	4.4	3.1	2.4
EBIT	14.9	3.1	2.2	2.8	5.0
Normalised EPS	29.3	2.0	2.5	6.9	6.2
Normalised FDEPS	29.4	2.3	3.8	6.9	6.2

Per share

Reported EPS (RMB)	5.63	5.74	5.88	6.29	6.68
Norm EPS (RMB)	5.63	5.74	5.88	6.29	6.68
Fully diluted norm EPS (RMB)	5.54	5.67	5.88	6.29	6.68
Book value per share (RMB)	22.05	25.26	28.68	32.44	36.29
DPS (RMB)	2.41	2.47	2.53	2.83	3.07

Source: Nomura estimates

Cashflow (RMBmn)					
Year-end 31 Dec	FY08	FY09	FY10F	FY11F	FY12F
EBITDA	214,124	227,187	237,259	244,566	250,364
Change in working capital	22,800	28,295	8,651	7,292	7,928
Other operating cashflow	(37,785)	(32,092)	(33,523)	(33,597)	(32,987)
Cashflow from operations	199,139	223,390	212,387	218,261	225,305
Capital expenditure	(136,300)	(129,400)	(123,000)	(98,000)	(80,400)
Free cashflow	62,839	93,990	89,387	120,261	144,905
Reduction in investments	(7)	1	(39,453)	(4,252)	(4,803)
Net acquisitions	-	-	-	-	-
Reduction in other LT assets	(1,439)	(2,055)	-	-	-
Addition in other LT liabilities	(55)	(286)	-	-	-
Adjustments	-	-	-	-	-
Cashflow after investing acts	61,338	91,650	49,934	116,010	140,101
Cash dividends	(44,560)	(48,364)	(49,544)	(50,752)	(56,772)
Equity issue	465	-	-	-	-
Debt issue	(29)	(2)	-	(5,000)	-
Convertible debt issue	-	-	-	-	-
Others	12,501	2,964	1,253	5,215	4,675
Cashflow from financial acts	(31,623)	(45,402)	(48,291)	(50,537)	(52,097)
Net cashflow	29,715	46,248	1,643	65,472	88,004
Beginning cash	188,544	218,259	264,507	266,150	331,622
Ending cash	218,259	264,507	266,150	331,622	419,626
Ending net debt	(184,638)	(230,888)	(232,531)	(303,003)	(391,007)

Source: Nomura estimates

Balance sheet (RMBmn)					
As at 31 Dec	FY08	FY09	FY10F	FY11F	FY12F
Cash & equivalents	218,259	264,507	266,150	331,622	419,626
Marketable securities	-	-	-	-	-
Accounts receivable	6,913	6,405	6,979	7,427	7,838
Inventories	3,494	3,847	4,192	4,461	4,708
Other current assets	11,504	12,596	12,596	12,596	12,596
Total current assets	240,170	287,355	289,917	356,107	444,769
LT investments	7	6	39,459	43,711	48,514
Fixed assets	363,265	406,169	442,207	450,184	442,527
Goodwill	37,192	37,621	37,621	37,621	37,621
Other intangible assets	10,102	11,201	11,201	11,201	11,201
Other LT assets	6,961	9,016	9,016	9,016	9,016
Total assets	657,697	751,368	829,422	907,840	993,647
Short-term debt	68	68	68	68	68
Accounts payable	79,606	95,985	104,592	111,307	117,466
Other current liabilities	100,899	113,752	114,715	116,009	118,436
Total current liabilities	180,573	209,805	219,375	227,384	235,970
Long-term debt	33,553	33,551	33,551	28,551	28,551
Convertible debt	-	-	-	-	-
Other LT liabilities	664	378	378	378	378
Total liabilities	214,790	243,734	253,304	256,313	264,899
Minority interest	629	886	886	886	886
Preferred stock	-	-	-	-	-
Common stock	381,378	381,379	381,379	381,379	381,379
Retained earnings	301,843	366,312	434,796	510,205	587,426
Proposed dividends	-	-	-	-	-
Other equity and reserves	(240,943)	(240,943)	(240,943)	(240,943)	(240,943)
Total shareholders' equity	442,278	506,748	575,232	650,641	727,862
Total equity & liabilities	657,697	751,368	829,422	907,840	993,647

Lots of cash sitting on the balance sheet

Liquidity (x)

Current ratio	1.33	1.37	1.32	1.57	1.88
Interest cover	na	na	na	na	na

Leverage

Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Activity (days)

Days receivable	6.2	5.4	5.0	5.0	5.0
Days inventory	na	na	na	na	na
Days payable	na	na	na	na	na
Cash cycle	na	na	na	na	na

Source: Nomura estimates

Any Authors named on this report are Research Analysts unless otherwise indicated

ANALYST CERTIFICATIONS

I, Danny Chu, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

ISSUER SPECIFIC REGULATORY DISCLOSURES

Issuer	Ticker	Price (as at last close)	Closing Price Date	Rating	Disclosures
China Mobile	941 HK	77.45 HKD	30 Nov 2010	Buy	4,58

Disclosures required in the European Union

4 Market maker

Nomura International plc or an affiliate in the global Nomura group is a market maker or liquidity provider in the securities / related derivatives of the issuer.

Disclosures required in Hong Kong

58 Nomura financial interest/business relationships disclosures:

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Previous Ratings

Issuer	Previous Rating	Date of change
China Mobile	Neutral	28 Nov 2007

Three-year stock price and rating history

Not Available for China Mobile

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SECTORS

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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

STOCKS

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A **'Strong buy'** recommendation indicates that upside is more than 20%.

A **'Buy'** recommendation indicates that upside is between 10% and 20%.

A **'Neutral'** recommendation indicates that upside or downside is less than 10%.

A **'Reduce'** recommendation indicates that downside is between 10% and 20%.

A **'Sell'** recommendation indicates that downside is more than 20%.

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A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

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