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China's mobile maestro

China Mobile has 330 million subscribers, thousands of shareholders, and one Communist Party to please. That's not an easy job for CEO Wang Jianzhou, reports Fortune's Clay Chandler.

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(Fortune Magazine) -- In New York City last year for a meeting with News Corp.'s Rupert Murdoch, Wang Jianzhou, CEO of China's largest mobile-phone company, came across an ad for Cingular Wireless that gave him pause. Touting low dropped-call rates and a vast web of base stations - "over 47,000 cell sites, more than any other wireless network" - the ad proclaimed Cingular, then the largest U.S. mobile operator, "the only true leader in wireless."

Wang wouldn't dream of making such a boast; he'd be too embarrassed. His company, China Mobile, has a network of more than 230,000 base stations and is spending furiously to put up more. When you run the biggest mobile-phone network in the world's most populous country, you operate on a different scale.

And what a scale it is. With 330 million subscribers as of June, China Mobile serves five times as many customers as [AT&T \(Charts, Fortune 500\)](#), the largest U.S. carrier since acquiring Cingular last year, and continues to sign five million new users a month. In China's largest cities, where mobile penetration rates match those in the U.S. and Europe, China Mobile offers a dizzying array of non-voice services including Internet search, ringtones, and music downloads. It has struck content deals with domestic and foreign providers, including [News Corp. \(Charts, Fortune 500\)](#), [MTV Networks](#), [Yahoo \(Charts, Fortune 500\)](#), and the National Basketball Association, and transmits 1.2 billion text messages every day.



PHOTO: TONY LAW/REDUX

CEO Wang (in Beijing) oversees a network that stretches from Hong Kong to the Himalayas.



PHOTO: TONY LAW/REDUX

China Mobile is attracting five million new customers a month, like these at a store in Beijing.

TOP TEN MOBILE COMPANIES	COUNTRY	2006 WORLDWIDE SUBSCRIBERS (MILLIONS)
CHINA MOBILE	China	291
VODAFONE	Britain	199
CHINA UNICOM	China	142
TELEFÓNICA	Spain	126
AMÉRICA MÓVIL	Mexico	117
DEUTSCHE TELEKOM	Germany	99
FRANCE TÉLÉCOM	France	98
TELENOR	Norway	68
AT&T	U.S.	64
TELECOM ITALIA	Italy	60

SOURCE: COWEN & CO.
FORTUNE GRAPHIC

In rural China, home to two-thirds of China's 1.3 billion people, the carrier has launched an aggressive expansion drive, joining with government agricultural bureaus to beam farmers in remote hamlets advice on improving harvests and where to get the best prices for their crops. China Mobile's wireless network now stretches from Hong Kong to the Himalayas, offering mobile coverage to 97% of China's citizens. Its signal comes in strong on the Beijing subway, inside Shanghai elevators, in Guangxi rice paddies - even atop Mount Everest.

So far, this breakneck growth hasn't come at the expense of profit. Far from it: In 2006 the company reported net income of \$6.3 billion, up 24% from the previous year, on sales of \$35.9 billion. As of early July its shares traded at \$59 on the New York Stock Exchange, an eightfold increase since their October 1997 debut, lifting China Mobile's market capitalization to \$234 billion. The result? China, a country where only two decades ago fixed-line phones were a privilege of the Communist elite, now claims the most valuable mobile-phone company in the world.

But running this behemoth is no cinch. Wang, an unassuming 58-year-old engineer who started his career three decades ago as a bureaucrat in the Ministry of Post and Telecommunications, may have one of the trickiest jobs of any Fortune Global 500 CEO. It's hard to imagine

another chief who answers to as many masters. First and foremost, he must heed the wishes of the Chinese government, China Mobile's regulator and its controlling shareholder. Beijing wants China Mobile, which has a 73% market share, to become a global powerhouse, but without beating up too badly on China Unicom, China's other mobile carrier. Government planners have prodded China Mobile to take an active approach to foreign acquisitions, as it did this year when parent company China Mobile Communications, which Wang also heads, snapped up Paktel, Pakistan's fifth-largest wireless company, for \$460 million. They've also ordered China Mobile to take the lead in developing a Chinese standard for third-generation mobile services rather than rely on existing technologies from the U.S., Japan, or Europe.

But investors, who own 25% of [China Mobile's \(Charts\)](#) shares, fret that Beijing's national policy goals threaten the bottom line. They worry that Wang will be encouraged to overpay for foreign acquisitions he doesn't need, forced to overspend on unproven homegrown 3G technologies less efficient than those already available, and discouraged from seizing opportunities in his home market for fear of becoming too dominant.

And then there are all those customers: on the one hand, hip, young urbanites demanding world-class mobile services, and on the other, farmers clamoring for lower prices. How to reconcile these divergent interests? Wang insists he isn't fazed. "I don't think it's so difficult to find the balance," he says at China Mobile's imposing headquarters in Beijing's new financial district. "As head of a state-owned enterprise, my duty is to maximize the value of state assets. As CEO of a listed company, my job is to enhance value for our shareholders."

Improbably, Wang has hatched a growth strategy that, for now at least, is keeping everyone happy. The secret to his balancing act can be found in places like Wuzhubi, a village of about 250 families nestled deep in the mountains of Yunnan

province not far from the Tibet border. Until last year only a handful of Wuzhubi's residents owned a mobile phone. And little wonder: To pick up a signal, would-be callers had to hike to the top of a ridge several miles away. But all that changed in March, when China Mobile erected a transmission tower atop a nearby hill. Hundreds of residents purchased handsets. Dozens invested in wireless terminals on which they can make unlimited calls within the village at a monthly rate of less than \$2.