

China Mobile 1H Profit Edges Up Just 1.5 Percent

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HONG KONG (AP) — State-owned China Mobile's first half-profit rose just 1.5 percent as the world's biggest phone company by subscribers grappled with rising competition.

The weak earnings growth underscores the Beijing-based company's intensifying battle to maintain dominance over two big state-owned rivals armed with better 3G network technology as well as the emerging challenge from mobile apps that let users sidestep traditional telecom fees.

The company said Thursday that income in the January-June period rose to 63.1 billion yuan (\$10.3 billion) as wireless data revenue jumped by two-thirds.

Operating revenue rose 10 percent to 303.1 billion yuan.

The company said the number of subscribers rose to more than 740 million from 710 million at the end of 2012. The number of 3G customers doubled to 137.1 million from the year-ago period.

Competition with rivals China Unicom Ltd. and China Telecom Ltd. is intensifying as the three companies invest heavily in new, faster fourth-generation networks to support data-hungry smartphones and tablet computers.

China Mobile is at a disadvantage because its third-generation network technology, running its homegrown TD-SCDMA technology, doesn't support Apple's popular iPhone. Its rivals' networks use a different 3G technology that is also widely adopted globally.

Unicom, China's second biggest mobile phone company, said last week that first-half profit jumped by more than half on more 3G users and customers' increased mobile data usage.

China Mobile's Chairman Xi Guohua said the company "faced a number of challenges" including slower economic growth and more complex competition in the information and communications industry.

"Good progress was made in preparing for the commercialization of TD-LTE," Xi said, referring to 4G "long-term evolution" network technology that may support newer iPhone models.

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But he warned that the rise in popularity of third-party mobile chat software for smartphones, like the popular WeChat, is a threat to China Mobile's dominance. Such programs allow users to send each other text messages, photos and videos through the mobile internet, instead of through traditional text messages and voice calls that telecom operators charge for.

"There is also a growing substitution effect brought on by the Internet business, causing more intense cross-sector competition," he said. "These challenges pose a threat to the group's market position and an increasing downward pressure on its development."

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