



中国移动通信
CHINA MOBILE



**Reform &
Innovation**



**Strategic
Transformation**



**Sustainable
Growth**



China Mobile Limited

Stock Code: 941

Interim Report 2013



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Chairman's Statement



Dear Shareholders,

The first six months of 2013 brought positive momentum for the Group's development, underpinned by China's economic growth and a robust demand for information and communications services. We also faced a number of challenges, including slower macro-economic growth, more complex competition in the information and communications industry, greater impact from Over The Top (OTT) products on the traditional communications industry, and more intense horizontal competition due to the continued increase in mobile penetration. Against this challenging backdrop, the Group sustained positive trends in its operations and development, and maintained stable performance through embracing its strategic transformation, deepening reform and innovation, and speeding up its development transformation and structural adjustments.

Financial Results

In the first half of 2013, the Group's operating revenue¹ maintained steady growth, reaching RMB303.1 billion, up 10.4% over the same period last year. Revenue from telecommunications services was RMB284.7 billion, up 6.8% over the same period last year. Data business sustained favorable growth momentum with revenue of RMB95.4 billion, up 25.5% over the same period last year, and as a percentage of revenue from telecommunications services increased to 33.5%, of which, revenue from wireless data traffic reached RMB47.4 billion, up 62.2% over the same period last year. The revenue structure was further optimized. The Group continued to lead the industry in terms of profitability. Profit attributable to equity shareholders increased by 1.5% over the same period last year to RMB63.1 billion, and the margin of profit attributable to equity shareholders² was 20.8%. EBITDA increased by 0.5% over the same period last year to RMB123.7 billion, with EBITDA margin³ reaching 40.8%.

Business Development

Amidst complex and intense competition, the Group took full advantage of the three major drivers of its operations in existing business, data traffic and corporate customer services, to speed up the reform of its tariff and channel systems while strengthening the building of a corresponding marketing system, and to promote the sound development of its business. In the first half of 2013, the Group achieved notable progress in existing business operations with solid customer scale. The total number of customers exceeded 740 million and the total voice usage volume reached 2,137.6 billion minutes. Data traffic achieved strong growth, of which, wireless data traffic increased by 129.0% over the same period last year, contributing 16.6% to revenue from telecommunications services and becoming a significant element and major driver of revenue growth. Terminal sales showed a significant increase over the same period last year with approximately 66 million TD-SCDMA mobile phones sold in the first six months of 2013. By playing a crucial role in existing business maintenance, data traffic operations and value enhancement, terminal sales greatly supported our market development and competitive response. The Group's corporate customer business maintained favorable growth momentum, with corporate customer dedicated-lines exceeding 1 million, while revenue derived from communication and informationalization services for corporate customers increased by over 30%.

By adhering to its mantra of "Quality is the lifeline for any telecommunications company" and "Customers are our priority, quality service is our principle", the Group has constantly enhanced quality and improved services. We have maintained a leading position in customer satisfaction in network quality — voice quality for 2G network continued to perform at a high level while 3G (TD-SCDMA) network quality improved, providing more cities with outstanding coverage and quality. Our 3G terminals also maintained good quality. The Internet traffic on-net rate rose to 85% while the WLAN authentication success rate continued to improve. In order to spur the ongoing transformation of the content and model of our services, we have improved customer service, optimized service procedures and enhanced customer retention. We strengthened the

¹ Prior to 2013, the sales of products were incidental to the Group's telecommunications services. In 2013, the Group's sales of products have become more than incidental as a result of business development and accordingly, the Group presents the revenue from sales of products and related cost of products sold separately and the comparative figures have been presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the periods presented.

² In the first half of 2013, before the Group presents the revenue from sales of products and related cost of products sold separately, margin of profit attributable to equity shareholders was 22.2%.

³ In the first half of 2013, before the Group presents the revenue from sales of products and related cost of products sold separately, EBITDA margin was 43.4%.

centralized management of Internet complaints and put our Internet Service Center in Luoyang into operation. We also enhanced the management of disreputable information to protect customer interests. With the continued improvement in customer perceptions, the Group remained a leader in customer satisfaction, achieving the lowest complaint rate per millions of customers for three consecutive years within the industry.

Strategic Transformation

The Group firmly continued to implement its strategic transformation by deepening Four-Network Coordination, strengthening the ongoing consolidation of our infrastructure resources, and vigorously expanding our mobile Internet business.

The steady development of our Four-Network Coordination, specifically the optimization of traffic allocation, provided strong support to our data traffic operations. We strictly controlled our 2G network investment while maintaining network quality. The Group also advanced its 3G network construction and saw a significant increase in coverage and capacity with the number of 3G base stations reaching 361,000 and network utilization rate reaching 25.0%. We effectively capitalized on our advantage of low cost traffic allocation, with WLAN access points reaching 4.10 million and network utilization rate constantly improving. Meanwhile, we furthered our efforts to fully embrace the development of TD-LTE by initiating the nationwide construction of over 200,000 base stations, to provide continuous coverage for the main metropolitan areas in 100 major cities. Good progress was made in preparing for the commercialization of TD-LTE. At present, TD-LTE terminals and networks have enjoyed exciting accomplishments, with wide support among operators and manufacturers globally.

We enhanced infrastructure build-up to accelerate the formation of our second mover advantage by strengthening the construction of our backbone, metropolitan and international transmission networks, with our international transmission capacity exceeding 1,000 GB. We strengthened our efforts in public Internet construction through our continuous build-up of the CMNet backbone network. We also enhanced our Internet resource sharing mechanism with China Tietong to realize our goal of "One point of access for full resources". By adhering to our principles of new technology, high standards, product differentiation, and with a focus on investment returns, we capitalized on the synergies with our parent company to effectively develop our broadband business.

We embraced our mobile Internet development strategy of "smart pipes, open platforms, featured services and friendly interfaces". We have vigorously expanded our business in location-based services (LBS), voice recognition, mobile payment and cloud-based services through the launch of our fully commercialized 12585 LBS and intelligent voice portal "Lingxi", and the joint launch of mobile payment product "Mobile Wallet" with our partners. The construction and official rollout of "Wireless City" portals enabled us to provide a unified and versatile platform across multiple stations countrywide, and allowed customers to switch to local stations when roaming. We have established an Internet of Things (IOT) company to enhance the support capacity of our IOT specialized network, and to release high quality and reliable IOT products and services. Through producing standardized chips and modules, we have promoted a wider range of applications for IOT.

Reform and Innovation

In the first half of 2013, the Group moved forward with its transformation and innovation through centralized management, operational specialization, market-oriented mechanisms, a flat organization as well as process standardization.

We continued to promote our specialized operations in terminal sales, corporate customer business, international business, IOT, mobile Internet and other areas. In conjunction with trends in the development of smart terminals, we have guided the industry chain to improve quality and reduce cost. Terminal sales recorded an increase in response to our active expansion of social sales channels. Two models of TD-SCDMA smart phones were launched in August under our own brand. We were dedicated to building an international business network with second mover advantage, providing competitive products in international transmission and businesses. Through negotiation with international operators, we significantly lowered our international roaming charges by launching the new “RMB1/2/3 international roaming tariff scheme” that covers all 242 countries and regions with roaming services, stimulating voice usage while increasing client satisfaction.

We have deepened our centralized operations by proactively building centralized and standardized shared infrastructure and enhancing centralized procurement management. We have established a shared procurement service center and actively promoted reforms to centralize network operation maintenance. In the first six months of 2013, the successive launching of International Information Harbor Phase I and logistics centers for North, Southwest and Northwest China fully utilized our advantage in scale and fulfilled the goal of cost reduction and efficiency enhancement.

Corporate Governance

Abiding by our corporate governance principles of integrity, transparency, openness and high efficiency, the Company pursued best corporate governance practices by strictly following the requirements under the Listing Rules. We continued to improve our legal risk management system and thereby, strengthened the legal support for our innovative developments and organizational reform. Furthermore, we reinforced a strict code of conduct at both the managerial and employee levels. We also improved our internal audit and control system by focusing on key operational risks and continuing to strengthen the audit and supervision on key areas such as procurement, collaborative business and major decision-making processes. Through constructing and refining our risk control system, we enhanced our management in high risk areas and key processes to ensure orderly, safe and efficient operations.

Corporate Social Responsibility

The Group attaches great importance to corporate social responsibility. In the first half of 2013, we actively implemented a strategy of sustainable development which enabled us to integrate social responsibility in our day-to-day operations. We are committed to safeguarding our communications networks and information security by upholding our dedication to the promotion of reliable emergency communications services. In the event of disasters such as earthquakes, we activated our contingency plan in the first instance, and acted swiftly and effectively to restore communications systems and provide

support services. We further deepened the “Green Action Plan” focusing on energy saving and emissions reduction through the promotion of proven technologies and the innovation in energy-saving applications. We aim to achieve a reduction in power consumption per unit of business by 15% in 2013. Through our China Mobile Charity Foundation, we continued our efforts in philanthropic activities with a focus on our “Heart Caring Campaign” and “Blue Dream Educational Aid Plan”. Under the “Heart Caring Campaign”, we have already treated 1,012 children in poverty with congenital heart disease. Education support projects under “Blue Dream Educational Aid Plan” continued to progress in a sustainable manner, including the training for secondary and elementary school principals in rural Central and Western China, as well as the construction of libraries and multimedia classrooms.

Director Appointment

On 30 May 2013, as proposed by the Nomination Committee of the Company and as reviewed and approved by the Board, Mr. Paul Chow Man Yiu was appointed as an independent non-executive director as well as a member of the Audit Committee of the Company. Mr. Chow was an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited. Mr. Chow also served as the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited. The Company firmly believes that Mr. Chow's extensive experience and valuable expertise will be of great benefit to the Company. On behalf of the Company, I take this opportunity to welcome him as a member of the Board.

Awards and Recognition

Our efforts have continued to be recognized. In 2013, our ranking in Forbes Magazine's “Global 2000” List improved from 31st to 29th. The China Mobile brand was named one of the “BRANDZ™ Top 100 Most Powerful Brands” by Millward Brown and Financial Times for the eighth consecutive year, ranking 10th among all companies considered and 1st among all Chinese brands. Our brand value increased by 18% compared to last year. In the first half of 2013, Moody's and Standard & Poor's kept our corporate credit ratings equivalent to China's sovereign credit ratings, which are Aa3/Outlook Stable and AA-/Outlook Stable respectively.

Dividends

In view of the Group's stable operating results in the first six months of 2013, and taking into consideration its long-term future development, based on the dividend payout guidance for the full year of 2013, the Board declared an interim dividend of HK\$1.696 per share for the six months ended 30 June 2013.

The Board is of the view that the Company's good profitability and steady cash flow generating capability will continue to support the future sustainable development of the Company, while providing shareholders with a favorable return.

Future Outlook

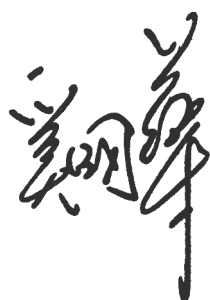
China's continued policy to increase internal demand and boost domestic consumption, as well as the proposed promotion of information consumption, provides us with broad prospects for future development. The government encourages proprietary technological innovation and fully supports TD-LTE as a new generation of wireless broadband technology, which will help speed up its industrialization, commercialization and internationalization. With the ICT industry entering into a phase of social integration, a new industry landscape of communications connectivity, capacity and resources, and application and information services is forming. All these factors have brought us new opportunities for development.

Meanwhile, the information and communications sector is experiencing a major transformation and a new industry landscape is quickly emerging. The growth model of telecommunication operators continues to be impacted, causing revenues from traditional business to fall. Competition among communications operators is intensifying with the rising saturation in the communications market. There is also a growing substitution effect brought on by the Internet business, causing more intense cross-sector competition. These challenges pose a threat to the Group's market position and an increasing downward pressure on its development. Currently embedded in the strategic transformation phase, the Group is experiencing growing demand in resource allocation and increasing pressure on short to medium term profitability.

The Group's development is currently in a critical period of transformation and solidification, and is presented with a distinct strategic opportunity. Facing such challenges and opportunities, we will focus on our strategic vision of "Mobile Changes Life", do our utmost to expand our market share in daily life services and information services, and continue the pursuit of strategic transformation, reform and innovation, and healthy development. We aim to enhance overall capacity and capabilities in network, marketing, management, and personnel execution. We will further promote the Four-Network Coordination and increase capacity in infrastructure resources. We will also enhance our capabilities in developing specialized mobile Internet products and services. By fully capitalizing on our three major drivers of operations in existing business, data traffic and corporate customer services, we will redeploy our resources and enhance business innovation while maintaining a cost effective operation to further promote our strategic transformation and sustainable growth.

We also continue to look for appropriate investment opportunities in an active but cautious manner, striving to grow our presence among a broader market.

We will persevere and strive to create value for investors.



Xi Guohua
Chairman

15 August 2013, Hong Kong

Interim Financial Information

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2013

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	2013 Million	2012 Million
Operating revenue (Turnover)			
Revenue from telecommunications services	5	284,671	266,530
Revenue from sales of products and others	5	18,433	7,937
		303,104	274,467
Operating expenses			
Leased lines		8,857	4,208
Interconnection		12,833	12,298
Depreciation		52,223	49,652
Personnel		16,534	15,134
Selling expenses	5	40,625	38,344
Cost of products sold	5	30,601	18,384
Other operating expenses		70,007	63,081
		231,680	201,101
Profit from operations		71,424	73,366
Non-operating net income		387	244
Interest income		7,324	5,916
Finance costs		(167)	(221)
Share of profit of associates		3,308	2,867
Share of profit of a jointly controlled entity		–	1
Profit before taxation	6	82,276	82,173
Taxation	7	(19,095)	(19,933)
PROFIT FOR THE PERIOD		63,181	62,240
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas entities		(67)	31
Share of other comprehensive income of associates		16	289
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		63,130	62,560

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

for the six months ended 30 June 2013

(Expressed in RMB)

		Six months ended 30 June	
	Note	2013 Million	2012 Million
Profit attributable to:			
Equity shareholders of the Company		63,128	62,202
Non-controlling interests		53	38
PROFIT FOR THE PERIOD		63,181	62,240
Total comprehensive income attributable to:			
Equity shareholders of the Company		63,078	62,522
Non-controlling interests		52	38
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		63,130	62,560
Earnings per share – Basic	9(a)	RMB3.14	RMB3.10
Earnings per share – Diluted	9(b)	RMB3.10	RMB3.06
EBITDA (RMB million)¹		123,687	123,051

The notes on pages 14 to 33 are an integral part of this interim financial information. Details of dividends to equity shareholders of the Company are set out in note 8.

¹ The Company defines EBITDA as profit for the period, before taxation, share of profit of a jointly controlled entity, share of profit of associates, finance costs, interest income, non-operating net income, depreciation and amortization of other intangible assets.

Interim Financial Information (Continued)

UNAUDITED CONSOLIDATED BALANCE SHEET

as at 30 June 2013

(Expressed in RMB)

	Note	As at 30 June 2013 Million	As at 31 December 2012 Million
Non-current assets			
Property, plant and equipment	10	421,776	430,509
Construction in progress	10	68,977	55,507
Land lease prepayments		14,604	14,244
Goodwill		36,894	36,894
Other intangible assets		1,118	924
Interest in associates	11	50,979	48,343
Interest in a jointly controlled entity		–	6
Deferred tax assets		17,832	13,544
Restricted bank deposits	12	6,320	5,418
Other financial assets		127	127
		618,627	605,516
Current assets			
Inventories		7,602	7,195
Accounts receivable	13	14,680	11,722
Other receivables	14	9,730	8,605
Prepayments and other current assets	14	15,742	15,913
Amount due from ultimate holding company	15	144	102
Tax recoverable		60	153
Bank deposits	16	385,601	331,997
Cash and cash equivalents	17	66,013	70,906
		499,572	446,593
Current liabilities			
Accounts payable	18	119,829	123,896
Bills payable		1,084	1,159
Deferred revenue		70,009	57,988
Accrued expenses and other payables		127,902	103,774
Amount due to ultimate holding company	15	55	39
Amount due to immediate holding company		16	16
Obligations under finance leases		68	68
Current taxation		10,233	10,856
		329,196	297,796
Net current assets		170,376	148,797
Total assets less current liabilities carried forward		789,003	754,313

Interim Financial Information (Continued)

UNAUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 30 June 2013

(Expressed in RMB)

	Note	As at 30 June 2013 Million	As at 31 December 2012 Million
Total assets less current liabilities brought forward		789,003	754,313
Non-current liabilities			
Interest-bearing borrowings	19	(28,621)	(28,619)
Deferred revenue, excluding current portion		(344)	(334)
Deferred tax liabilities		(60)	(51)
		(29,025)	(29,004)
NET ASSETS		759,978	725,309
CAPITAL AND RESERVES			
Share capital	20	2,142	2,142
Reserves		755,943	721,305
Total equity attributable to equity shareholders of the Company		758,085	723,447
Non-controlling interests		1,893	1,862
TOTAL EQUITY		759,978	725,309

The notes on pages 14 to 33 are an integral part of this interim financial information.

Interim Financial Information (Continued)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests Million	Total equity Million
	Share capital Million	Share premium Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million	Total Million		
As at 1 January 2012	2,140	386,629	(292,227)	72	(1,483)	179,236	374,697	649,064	1,355	650,419
Changes in equity for the six months ended 30 June 2012:										
Profit for the period	–	–	–	–	–	–	62,202	62,202	38	62,240
Other comprehensive income	–	–	289	–	31	–	–	320	–	320
Total comprehensive income for the period	–	–	289	–	31	–	62,202	62,522	38	62,560
Dividends to equity shareholders (note 8(b))	–	–	–	–	–	–	(28,583)	(28,583)	–	(28,583)
Shares issued under share option scheme (note 20)	2	510	(13)	–	–	–	–	499	–	499
Transfer to PRC statutory reserves	–	–	–	–	–	9	–	9	–	9
Non-controlling interests of a new subsidiary	–	–	–	–	–	–	–	–	400	400
As at 30 June 2012	2,142	387,139	(291,951)	72	(1,452)	179,245	408,316	683,511	1,793	685,304
As at 1 January 2013	2,142	387,183	(292,268)	72	(1,489)	211,610	416,197	723,447	1,862	725,309
Changes in equity for the six months ended 30 June 2013:										
Profit for the period	–	–	–	–	–	–	63,128	63,128	53	63,181
Other comprehensive income	–	–	16	–	(66)	–	–	(50)	(1)	(51)
Total comprehensive income for the period	–	–	16	–	(66)	–	63,128	63,078	52	63,130
Dividends to equity shareholders (note 8(b))	–	–	–	–	–	–	(28,460)	(28,460)	(21)	(28,481)
Shares issued under share option scheme (note 20)	–	17	(5)	–	–	–	–	12	–	12
Transfer to PRC statutory reserves	–	–	–	–	–	8	–	8	–	8
As at 30 June 2013	2,142	387,200	(292,257)	72	(1,555)	211,618	450,865	758,085	1,893	759,978

The notes on pages 14 to 33 are an integral part of this interim financial information.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013

(Expressed in RMB)

	Six months ended 30 June	
	2013 Million	2012 Million
Net cash generated from operating activities	125,206	128,810
Net cash used in investing activities	(101,564)	(90,899)
Net cash used in financing activities	(28,521)	(27,791)
Net (decrease)/increase in cash and cash equivalents	(4,879)	10,120
Cash and cash equivalents as at 1 January	70,906	86,259
Effect of changes in foreign exchange rate	(14)	26
Cash and cash equivalents as at 30 June	66,013	96,405

The notes on pages 14 to 33 are an integral part of this interim financial information.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 General Information

The principal activities of China Mobile Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) are the provision of mobile telecommunications and related services in Mainland China and in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”). The Company’s ultimate holding company is China Mobile Communications Corporation (“CMCC”).

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 23 October 1997 and the American Depositary Shares of the Company were listed on the New York Stock Exchange on 22 October 1997.

The unaudited condensed consolidated interim financial information was approved for issuance on 15 August 2013.

The Group’s condensed consolidated interim financial information is unaudited, but has been reviewed by the Company’s Audit Committee. The condensed consolidated interim financial information has also been reviewed by the Company’s independent auditor, PricewaterhouseCoopers (“PwC”), in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). PwC’s unmodified independent review report to the board of directors is included on page 34 of this interim report.

2 Basis of Preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (“IASB”). IAS 34 is consistent with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by HKICPA and accordingly this unaudited condensed consolidated interim financial information is also prepared in accordance with HKAS 34.

The preparation of the unaudited condensed consolidated interim financial information in conformity with IAS/HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012. The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2012 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2013.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in RMB unless otherwise indicated)***2 Basis of Preparation (Continued)**

The Group's unaudited consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2012. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs").

3 Significant Accounting Policies

Except as described below, the accounting policies applied in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2012.

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2013 and are applicable for the Group:

IAS/HKAS 1 (amendments), Presentation of Financial Statements
 IFRS/HKFRS 10, Consolidated Financial Statements
 IFRS/HKFRS 11, Joint Arrangements
 IFRS/HKFRS 12, Disclosure of Interests in Other Entities
 IFRS/HKFRS 13, Fair Value Measurement
 IAS/HKAS 27 (revised), Separate Financial Statements
 IAS/HKAS 28 (revised), Investments in Associates and Joint Ventures
 IAS/HKAS 19 (revised), Employee Benefits
 Annual Improvements to IFRSs/HKFRSs 2009–2011 Cycle
 IFRS/HKFRS 7, Financial instruments: Disclosures

The adoption of the above new and amended standards did not have any significant impact on the Group's unaudited condensed consolidated interim financial information.

In addition, the IASB and HKICPA also published a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2013 and have not been early adopted by the Group. Management is assessing the impact of such new standards, amendments to standards and interpretations and will adopt the relevant standards, amendments to standards and interpretations in the subsequent periods as required.

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

4 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") in order to allocate resource and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. For the periods presented, the Group as a whole is an operating segment since the Group is only engaged in mobile telecommunications and related business. No geographical information has been disclosed as the majority of the Group's operating activities are carried out in Mainland China (for the purpose of preparing the unaudited condensed consolidated interim financial information, Mainland China refers to the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan). The Group's assets located and operating revenue derived from activities outside Mainland China are less than 5% of the Group's assets and operating revenue, respectively.

5 Operating Revenue (Turnover)

	Six months ended 30 June	
	2013 Million	2012 Million
Revenue from telecommunications services		
Voice services	175,072	177,128
Data services	95,388	75,985
Others	14,211	13,417
	284,671	266,530
Revenue from sales of products and others	18,433	7,937
	303,104	274,467

Prior to 2013, the sales of products were incidental to the Group's telecommunications services. In 2013, the Group's sales of products have become more than incidental as a result of business development and accordingly, the Group presents the revenue from sales of products and related cost of products sold separately and the comparative figures have been presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the periods presented.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

6 Profit Before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	Million	Million
Impairment loss for doubtful accounts	2,372	2,466
Amortization of other intangible assets	40	33
Operating lease charges		
– land and buildings	5,085	4,404
– leased lines	8,857	4,208
– others	1,629	1,540
Contributions to defined contribution retirement plans	1,852	1,641

7 Taxation

		Six months ended 30 June	
	Note	2013	2012
		Million	Million
Current tax			
Provision for Hong Kong profits tax on the estimated assessable profits for the period	(i)	94	128
Provision for the PRC enterprise income tax on the estimated taxable profits for the period	(ii)	23,280	23,590
		23,374	23,718
Deferred tax			
Origination and reversal of temporary differences	(iii)	(4,279)	(3,785)
		19,095	19,933

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

7 Taxation (Continued)

- (i) The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 16.5%).
- (ii) The provision for the PRC enterprise income tax is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 25%). Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (for the six months ended 30 June 2012: 15% to 24%).
- (iii) Deferred taxes of the Group are recognized based on tax rates that are expected to apply to the periods when the temporary differences are realized or settled.

8 Dividends

(a) Dividends attributable to the period

	Six months ended 30 June	
	2013	2012
	Million	Million
Ordinary interim dividend declared after the balance sheet date of HK\$1.696 (equivalent to approximately RMB1.351) (2012: HK\$1.633 (equivalent to approximately RMB1.331)) per share	27,156	26,758

The 2013 ordinary interim dividend which is declared in Hong Kong dollar is translated into RMB at the rate HK\$1=RMB0.79655, being the rate announced by the State Administration of Foreign Exchange in the PRC on 28 June 2013. As the ordinary interim dividend is declared after the balance sheet date, such dividend is not recognized as liability as at 30 June 2013.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

8 Dividends (Continued)

(b) Dividends attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2013 Million	2012 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the period, of HK\$1.778 (equivalent to approximately RMB1.442) (2012: HK\$1.747 (equivalent to approximately RMB1.416)) per share	28,460	28,583

9 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB63,128,000,000 (for the six months ended 30 June 2012: RMB62,202,000,000) and the weighted average number of 20,100,659,184 shares (for the six months ended 30 June 2012: 20,081,929,283 shares) in issue during the six months ended 30 June 2013.

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

9 Earnings Per Share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB63,128,000,000 (for the six months ended 30 June 2012: RMB62,202,000,000), and the weighted average number of 20,343,371,214 shares (for the six months ended 30 June 2012: 20,334,901,906 shares), calculated as follows:

Weighted average number of shares (diluted)

	Six months ended 30 June	
	2013	2012
	Number of shares	Number of shares
Weighted average number of shares	20,100,659,184	20,081,929,283
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	242,712,030	252,972,623
Weighted average number of shares (diluted)	20,343,371,214	20,334,901,906

10 Property, Plant and Equipment and Construction in Progress

(a) Acquisition of property, plant and equipment and construction in progress

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment and construction in progress with a cost of RMB57,857,000,000 (for the six months ended 30 June 2012: RMB57,829,000,000).

(b) Write off of property, plant and equipment

Property, plant and equipment with a net book value of RMB836,000,000 were written off during the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB1,612,000,000).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

11 Interest in Associates

On 24 April 2013, China Mobile Communication Company Limited, a wholly-owned subsidiary of the Company, completed the subscription of 70,273,935 ordinary shares of ANHUI USTC IFLYTEK Co. Ltd (“Anhui USTC”), representing 15% of the total issued and outstanding shares of Anhui USTC. Anhui USTC is a listed company in Shenzhen Stock Exchange which primarily engages in Chinese speech and language technology industry. The cash consideration for the investment was approximately RMB1,363,000,000. Upon completion of the subscription, the Group has the right to appoint a director for Anhui USTC. Accordingly, the Group recognized the investment as interest in associate considering the Group can exercise significant influence on Anhui USTC.

12 Restricted Bank Deposits

	Note	As at 30 June 2013 Million	As at 31 December 2012 Million
Restricted bank deposits			
– Statutory deposit reserves	(i)	6,161	5,296
– Pledged bank deposits	(ii)	159	122
		6,320	5,418

- (i) The statutory deposit reserves are deposited by China Mobile Finance Company Limited with the People's Bank of China (“PBOC”) as required, which are not available for use in its daily operations.
- (ii) Pledged bank deposits relate to the performance bonds issued by banks in favor of the Office of the Communication Authority (formerly “the Office of the Telecommunications Authority”) of Hong Kong, to secure China Mobile Hong Kong Company Limited’s due performance of network and service rollout requirement in or before 2017 and 2018, respectively.

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

13 Accounts Receivable

Aging analysis of accounts receivable, net of allowance for impairment loss for doubtful accounts is as follows:

	As at 30 June 2013 Million	As at 31 December 2012 Million
Within 30 days	8,694	7,696
31–60 days	2,333	1,606
61–90 days	1,304	882
Over 90 days	2,349	1,538
	14,680	11,722

Accounts receivable primarily comprise receivables from customers and telecommunications operators. Accounts receivable from the provision of telecommunications services to customers are mainly due for payment within one month from date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further telecommunications services can be provided. The increase of accounts receivable over 90 days is mainly due to receivables arising from other telecommunications operators and certain corporate customers that are within credit term.

Accounts receivable are expected to be recovered within one year.

14 Other Receivables, Prepayments and Other Current Assets

Other receivables primarily comprise interest receivable from banks, utilities deposits, and rental deposits, which are mainly expected to be recovered within one year.

Prepayments and other current assets primarily consist of rental prepayments.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in RMB unless otherwise indicated)***15 Amounts due from/to Ultimate Holding Company**

Amounts due from/to ultimate holding company are unsecured, interest free, repayable on demand, and arose in the ordinary course of business.

16 Bank Deposits

Bank deposits represent term deposits with banks with original maturity exceeding three months.

17 Cash and Cash Equivalents

	As at 30 June 2013 Million	As at 31 December 2012 Million
Bank deposits with original maturity within three months	15,396	14,457
Cash at banks and in hand	50,617	56,449
	66,013	70,906

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

18 Accounts Payable

Accounts payable primarily include payables for network expansion projects expenditure, maintenance and interconnection expenses.

The aging analysis of accounts payable is as follows:

	As at 30 June 2013 Million	As at 31 December 2012 Million
Due within 1 month or on demand	91,909	102,676
Due after 1 month but within 3 months	9,139	6,847
Due after 3 months but within 6 months	7,179	5,554
Due after 6 months but within 9 months	5,277	4,176
Due after 9 months but within 12 months	6,325	4,643
	119,829	123,896

All of the accounts payable are expected to be settled within one year or are repayable on demand.

19 Interest-Bearing Borrowings

	Note	As at 30 June 2013 Million	As at 31 December 2012 Million
Bonds	(i)	4,988	4,986
Deferred consideration payable	(ii)	23,633	23,633
		28,621	28,619

All of the above interest-bearing borrowings are unsecured and are not expected to be settled within one year.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

19 Interest-Bearing Borrowings (Continued)

- (i) As at 30 June 2013, the bonds represent the balance of fifteen-year guaranteed bonds ("Fifteen-year Bonds") issued by China Mobile Group Guangdong Co., Ltd., a subsidiary of the Company, with a principal amount of RMB5,000,000,000, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 4.5% per annum which is payable annually. The bonds, redeemable at 100% of the principal amount, will mature on 28 October 2017.

The Company has issued a joint and irrevocable guarantee (the "Guarantee") for the performance of the bonds. CMCC, the ultimate holding company, has also issued a further guarantee in relation to the performance by the Company of its obligations under the Guarantee.

- (ii) The deferred consideration payable represents the balance of RMB9,976,000,000 and RMB13,657,000,000 due to the immediate holding company in respect of the acquisition of subsidiaries in 2002 and 2004 with initial amount of US\$2,800,000,000 and US\$1,650,000,000, respectively. The balances are due on 1 July 2017 and 1 July 2019, respectively, payable in RMB at pre-determined exchange rates.

The deferred considerations are unsecured and bear interest at the rate of two-year US dollar LIBOR swap rate per annum (for the six months ended 30 June 2013: 0.560% to 0.644% per annum; for the six months ended 30 June 2012: 1.123% to 1.238% per annum) and such interest is paid semi-annually. The balances are subordinated to other senior debts owed by the Company from time to time. The Company may make early payment of all or part of the balances at any time before the maturity date without penalty.

Deferred consideration liabilities are measured at amortized cost. The arrangement to settle the US\$ denominated payable in RMB at pre-determined exchange rate is a derivative. The net effect of translating the US\$ payable into RMB at closing rate and revaluing the derivative liability at fair value has no significant impact on the condensed interim financial information.

20 Share Capital

Issued and fully paid:

	Number of shares	HK\$ million	Equivalent RMB million
As at 1 January 2013	20,100,340,600	2,010	2,142
Shares issued under share option scheme	626,700	–	–
As at 30 June 2013	20,100,967,300	2,010	2,142

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

20 Share Capital (Continued)

The outstanding options were as follows:

	Number of instruments		Vesting conditions	Contractual life of options
	As at 30 June 2013	As at 31 December 2012		
Options granted to directors				
– on 28 October 2004	473,175	473,175	40% one year from the date of grant 30% two years from the date of grant 30% three years from the date of grant	10 years
– on 8 November 2005	2,881,500	2,881,500	40% one year from the date of grant 30% two years from the date of grant 30% three years from the date of grant	10 years
Options granted to other employees				
– on 28 October 2004	114,895,095	115,416,275	40% one year from the date of grant 30% two years from the date of grant 30% three years from the date of grant	10 years
– on 21 December 2004	475,000	475,000	40% one year from the date of grant 30% two years from the date of grant 30% three years from the date of grant	10 years
– on 8 November 2005	268,459,879	268,565,399	40% one year from the date of grant 30% two years from the date of grant 30% three years from the date of grant	10 years
Total share options	387,184,649	387,811,349		

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

*(Expressed in RMB unless otherwise indicated)***20 Share Capital (Continued)**

No share option was granted to the directors of the Company or other employees of the Group or lapsed during the six months ended 30 June 2013 and 2012.

During the six months ended 30 June 2013, the directors of the Company and other employees of the Group exercised options to subscribe for nil and 626,700 ordinary shares of the Company, respectively (for the six months ended 30 June 2012: 7,000 and 26,705,974 ordinary shares respectively).

Details of share options exercised during the six months ended 30 June 2013:

Grant date	Exercise price	Weighted average closing price per share of the share options exercised	Proceeds received	Number of shares involved in the options
28 October 2004	HK\$22.75	HK\$84.85	HK\$11,856,845	521,180
8 November 2005	HK\$34.87	HK\$84.50	HK\$3,679,482	105,520
				626,700

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 Related Party Transactions

(a) Transactions with CMCC Group

The following is a summary of principal related party transactions entered into by the Group with CMCC and its subsidiaries ("CMCC Group"), for the six months ended 30 June 2013 and 2012. The majority of these transactions also constitute continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

	Note	Six months ended 30 June	
		2013 Million	2012 Million
Telecommunications services revenue	(i)	770	862
Telecommunications services charges	(i)	1,054	503
Property leasing and management services charges	(ii)	347	322
Interest paid/payable	(iii)	53	107
Interconnection revenue	(iv)	116	123
Interconnection charges	(iv)	248	238
Network assets leasing revenue	(iv)	48	28
Network assets leasing charges	(iv)	4,672	929
Network capacity leasing charges	(v)	1,784	1,011
Revenue derived from cooperation of telecommunications services	(vi)	225	141
Charges for cooperation of telecommunications services	(vi)	986	757

Notes:

- (i) The amounts represent telecommunications services settlement received/receivable from or paid/payable to CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, telecommunications line maintenance services and installation, and maintenance services in respect of transmission towers.
- (ii) The amount represents the rental and property management fees paid/payable to CMCC Group in respect of business premises and offices, retail outlets and warehouses.
- (iii) The amount represents the interest paid/payable to China Mobile Hong Kong (BVI) Limited, the Company's immediate holding company, in respect of the balance of purchase consideration for acquisitions of subsidiaries.
- (iv) The amounts represent settlement received/receivable from or paid/payable to CMCC Group in respect of interconnection settlement and network assets leasing revenue and charges.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 Related Party Transactions (Continued)

(a) Transactions with CMCC Group (Continued)

Notes: (Continued)

- (v) The amount represents the leasing fees paid/payable to CMCC Group including the leasing of TD-SCDMA network capacity. On 29 December 2008, the Company entered into a network capacity leasing agreement (the "Network Capacity Leasing Agreement") with CMCC Group for the provision of TD-SCDMA related services. The lease was effective from 1 January 2009 to 31 December 2009 and is automatically renewed for successive one-year periods unless otherwise notified by one party to the other party. The Group is permitted to terminate the lease by giving 60 days advance written notice to CMCC Group. No penalty will be imposed in the event of a lease termination. Pursuant to the Network Capacity Leasing Agreement, the Group leases TD-SCDMA network capacity from CMCC Group and pays leasing fees to CMCC Group. The leasing fees are determined on a basis that reflects the actual usage of CMCC Group's TD-SCDMA network capacity and compensates CMCC Group for the costs of such network capacity. At the end of the lease term, there is no purchase option granted to the Group to purchase the network assets. The Group also does not bear any gains or losses in the fluctuation in the fair value of the leased network assets at the end of the lease term. As a result, the Group does not bear the risks associated with the ownership of the TD-SCDMA network assets and accordingly, the Group accounts for the TD-SCDMA network capacity lease as an operating lease.
- (vi) The amounts represent the services fee received/receivable from or paid/payable to CMCC Group for providing customer development services and cooperation in the provision of basic and value added telecommunications services.

(b) Amounts due from/to CMCC Group

Amounts due from/to CMCC Group, other than amount due from/to ultimate holding company and amount due to the immediate holding company, are included in the following accounts captions summarized as follows:

	As at 30 June 2013 Million	As at 31 December 2012 Million
Accounts receivable	1,162	921
Other receivables	3	2
Prepayments and other current assets	33	46
Accounts payable	5,300	2,276
Accrued expenses and other payables	109	157

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 Related Party Transactions (Continued)

(c) Transactions with associates

The Group has entered into transactions with its associates, over which the Group can exercise significant influence. The major transactions entered into by the Group and the associates are as follows:

	As at 30 June 2013 Million	As at 31 December 2012 Million
Bank deposits	38,841	29,089

		Six months ended 30 June 2013 Million	2012 Million
	Note		
Interest income	(i)	600	359
Mobile telecommunications services fees	(ii)	31	23
Dividend income		2,052	1,120

Notes:

- (i) Interest income represents interest earned from deposits placed with Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank"). The applicable interest rate is determined in accordance with the benchmark interest rate published by PBOC.
- (ii) The amount represents the mobile telecommunications services fees received/receivable from SPD Bank.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 Related Party Transactions (Continued)**(d) Transactions with other government-related entities in the PRC**

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through government authorities, agencies, affiliations and other organisation (collectively referred to as “government-related entities”).

Apart from transactions with CMCC Group (note 21(a)) and associates (note 21(c)), the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- rendering and receiving telecommunications services, including interconnection revenue/charges
- purchasing of goods, including use of public utilities
- placing of bank deposits

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products in accordance with rules and regulations stipulated by related authorities of the PRC Government, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

22 Fair Values

All financial instruments are carried at amounts not materially different from their fair values at the balance sheet dates except as follows:

	As at 30 June 2013		As at 31 December 2012	
	Carrying amount Million	Fair value Million	Carrying amount Million	Fair value Million
Interest in associates	50,979	34,137	48,343	37,008
Interest-bearing borrowings – bonds	4,988	4,890	4,986	4,908

The fair value of investment in associates and bonds is based on quoted market prices at the balance sheet dates without any deduction for transaction costs. The management has determined that there was no impairment of the Group’s interest in associates as at 30 June 2013 and 31 December 2012.

Interim Financial Information (Continued)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

23 Commitments

(a) Capital commitments

The Group had capital commitments as follows:

	As at 30 June 2013 Million	As at 31 December 2012 Million
Commitments in respect of land and buildings		
– authorized and contracted for	8,677	8,043
– authorized but not contracted for	26,158	30,903
	34,835	38,946
Commitments in respect of telecommunications equipment		
– authorized and contracted for	22,641	23,150
– authorized but not contracted for	123,530	150,382
	146,171	173,532
Total commitments		
– authorized and contracted for	31,318	31,193
– authorized but not contracted for	149,688	181,285
	181,006	212,478

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

(Expressed in RMB unless otherwise indicated)

23 Commitments (Continued)

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings Million	Leased lines Million	Others Million	Total Million
As at 30 June 2013:				
Within one year	7,327	8,986	779	17,092
After one year but within five years	15,133	2,982	650	18,765
After five years	4,744	619	72	5,435
	27,204	12,587	1,501	41,292
As at 31 December 2012:				
Within one year	6,836	3,758	1,032	11,626
After one year but within five years	14,886	4,161	970	20,017
After five years	4,484	1,035	70	5,589
	26,206	8,954	2,072	37,232

24 Post Balance Sheet Event

After the balance sheet date, the directors declared an ordinary interim dividend. Further details are disclosed in note 8(a).

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA MOBILE LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial information set out on pages 8 to 33, which comprises the consolidated balance sheet of China Mobile Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board or Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants, depending on whether the issuer’s annual financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”) or Hong Kong Financial Reporting Standards (“HKFRSs”) respectively. As the annual financial statements of the Group are prepared in accordance with both IFRSs and HKFRSs, the directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with both IAS 34 and HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting” and Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 August 2013

Discussion of Selected Items in the Interim Results

1. Pressure on Earnings Increased for a Considerable Period of Time in Light of Accelerated Four-Network Coordination

In the first half of 2013, in order to capitalize on the rapid growth momentum of the mobile Internet business, effectively support the business structure transformation and proactively strengthen the network resources reserve, the Group building on its sound capital planning accelerated the Four-Network Coordination and increased investment in network construction rationally. This helped the Group consolidate its leading position in the 2G network, steadily promote the 3G and WLAN network construction and gain an early advantage in the evolving 4G network market. The Group's capital expenditure for the first half of 2013 was RMB57.0 billion, representing 20.0% of revenue from telecommunications services, and was funded primarily by cash generated from operations.

In consideration with the network expansion, there will be corresponding increases in fixed costs of assets such as depreciation. The Group will thus face increased pressure on earnings for a considerable period of time. The Group is committed to pursuing rational investment, promoting centralized construction and closely monitoring the cost-effectiveness of capital expenditure, with a view to maintaining a balance between the Group's long-term competitiveness and short- to mid-term operating results.

2. Resolute Focus on Refined Cost Management and Endeavored to Enhance the Sustainable Development Capabilities

The Group's operating expenses for the first half of 2013 totaled RMB231.7 billion, representing an increase of 15.2% over the same period last year and accounted for 76.4% of the operating revenue. Faced with various challenges including the increasingly complicated competitive landscape and the rising proportion of fixed costs, the Group adhered to the cost-effective resource allocation principle of "forward-looking planning, effective resource allocation, rational investment and refined management", focused on the three major drivers of its operations in existing business, data traffic and corporate customer services, further optimized the refined cost management and endeavored to enhance its sustainable development capabilities.

In order to promote the development of data traffic operations and improve the data traffic dredge from 2G network to 3G and WLAN, the Group achieved significant results by rationally increasing efforts in terminal sales and marketing, utilizing a variety of marketing resources including subsidies and channels commissions to promote the sales of TD terminals, especially TD smart phones. In the first half of 2013, the Group sold approximately 66 million TD-SCDMA mobile phones, representing an increase by approximately 1.5 times compared with the same period last year.

In relation to personnel expenses, the Group continued to enhance effective personnel management and incentive mechanisms. In order to support the needs of business development and transformation, the Group further strengthened its personnel capabilities. As at 30 June 2013, the total number of employees of the Group was approximately 188,000. Personnel expenses for the first half of 2013 were RMB16.5 billion, representing 5.5% of the operating revenue. The Group implemented strict management and control over its non-operation related expenses with efforts on reducing administration and management expenses through streamlining conference and business travel activities and enhancing cost benchmarking measures, and fostered a favorable cost optimization culture.

3. Continued to Maintain Steady Cash Flow and Sound Capital Structure

The Group maintained its steady cash flow as a result of its stable and favorable growth in business operations and revenue, refined cost control and the continuous effect of economies of scale. Free cash flow (net cash generated from operating activities after deduction of capital expenditure incurred) of the Group was RMB68.2 billion for the six months ended 30 June 2013. As of 30 June 2013, the Group's total cash and bank balances were RMB457.9 billion, of which 99.2%, 0.2% and 0.6% were denominated in RMB, U.S. dollar and Hong Kong dollar, respectively.

As of 30 June 2013, the Group's debt to capitalization ratio (with capitalization representing the sum of total debt and total shareholders' equity value) was approximately 3.8%, and the borrowings of the Group totaled RMB29.8 billion. The financial position of the Group continued to remain at a sound level. Of the total borrowings, 20.6% was in RMB, and 79.4% was in U.S. dollar (representing the balances of the deferred consideration for the acquisitions of the eight and the ten provincial telecommunications operators). 79.6% of the Group's borrowings were made at floating interest rates. The effective average interest rate of borrowings of the Group was 1.16% in the first half of 2013.

The Group will consistently uphold prudent financial principles and strictly monitor and control financial risks in order to maintain a steady cash flow generating capability and to preserve and enhance value. In addition, the group will focus on scientific resource allocation, maintain a solid capital structure, and reinforce and develop favorable economic benefits in order to continuously create value for its shareholders.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

The following directors of the Company had the following interests in the shares of the Company as at 30 June 2013 as recorded in the register of directors' and chief executive's interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

Name of director	Personal interest as beneficial owner
LO Ka Shui	400,000 shares
Frank WONG Kwong Shing	350,000 shares

Certain directors of the Company personally hold options to subscribe for ordinary shares of the Company. Details of such options are disclosed under the paragraph "Directors', chief executive's and employees' rights to acquire shares" below. These share options were granted pursuant to the terms of the share option scheme adopted by the Company.

Apart from those disclosed herein, as at 30 June 2013, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) that is required to be recorded and kept in the register in accordance with section 352 of the SFO or any interests required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Directors', Chief Executive's and Employees' Rights to Acquire Shares

Apart from those disclosed below, at no time during the six months ended 30 June 2013 was the Company, any of its holding companies or subsidiaries, a party for any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme of the Company

Pursuant to a resolution passed at the annual general meeting held on 24 June 2002, a share option scheme (the "Scheme") was adopted. The Scheme shall be valid and effective for a period of 10 years commencing on its adoption date after which period no further options to subscribe for shares of the Company will be granted. The Scheme ceased to be valid and effective on 24 June 2012 and accordingly, no further share option was granted under the Scheme. Accordingly, during the six months ended 30 June 2013, no share option was granted or cancelled under the Scheme. However, the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted under the Scheme prior to the expiry of the 10-year period and which may become thereafter capable of being exercised under the rules of the Scheme.

Other Information (Continued)

Directors', Chief Executive's and Employees' Rights to Acquire Shares (Continued)

Share option scheme of the Company (Continued)

As at 30 June 2013, the directors and chief executive of the Company and employees of the Group had the following personal interests in options to subscribe for shares of the Company granted under the Scheme.

	No. of shares involved in the options outstanding at the beginning of the period	No. of shares involved in the options outstanding at period end	Date on which options were granted	No. of shares involved in the options lapsed during the period	No. of shares acquired on exercise of options during the period	Exercise price HK\$
Directors						
LI Yue	154,000	154,000	28 October 2004	–	–	22.75
	780,000	780,000	8 November 2005	–	–	34.87
XUE Taohai	154,000	154,000	28 October 2004	–	–	22.75
	780,000	780,000	8 November 2005	–	–	34.87
SHA Yuejia	82,575	82,575	28 October 2004	–	–	22.75
	780,000	780,000	8 November 2005	–	–	34.87
LIU Aili	82,600	82,600	28 October 2004	–	–	22.75
	141,500	141,500	8 November 2005	–	–	34.87
Moses CHENG Mo Chi	400,000	400,000	8 November 2005	–	–	34.87
Employees	115,416,275	114,895,095	28 October 2004	–	521,180	22.75
	475,000	475,000	21 December 2004	–	–	26.75
	268,565,399	268,459,879	8 November 2005	–	105,520	34.87
		387,184,649	(Note (a))			

Directors', Chief Executive's and Employees' Rights to Acquire Shares (Continued)

Share option scheme of the Company (Continued)

Notes:

- (a) The total number of shares involved in the options outstanding at period end represents 1.93% of the issued share capital of the Company as at the date of this report.
- (b) Particulars of share options:

Date of grant	Exercise period
28 October 2004	28 October 2005 to 27 October 2014 (in respect of 40% of the options granted) 28 October 2006 to 27 October 2014 (in respect of 30% of the options granted) 28 October 2007 to 27 October 2014 (in respect of the remaining 30% of the options granted)
21 December 2004	21 December 2005 to 20 December 2014 (in respect of 40% of the options granted) 21 December 2006 to 20 December 2014 (in respect of 30% of the options granted) 21 December 2007 to 20 December 2014 (in respect of the remaining 30% of the options granted)
8 November 2005	8 November 2006 to 7 November 2015 (in respect of 40% of the options granted) 8 November 2007 to 7 November 2015 (in respect of 30% of the options granted) 8 November 2008 to 7 November 2015 (in respect of the remaining 30% of the options granted)

Details of share options exercised during the period:

Period during which options were exercised	Exercise price HK\$	Weighted average closing price per share immediately before dates of exercise of options HK\$	Proceeds received HK\$	Number of shares involved in the options
2 January 2013 to 28 June 2013	22.75	84.70	11,856,845	521,180
2 January 2013 to 28 June 2013	34.87	84.30	3,679,482	105,520

Directors', Chief Executive's and Employees' Rights to Acquire Shares (Continued)

Share option scheme of Aspire Holdings Limited ("Aspire")

Pursuant to a resolution passed at the annual general meeting of the Company held on 24 June 2002, the share option scheme of Aspire (the "Aspire Scheme") was adopted by the Company.

The Aspire Scheme is valid and effective for a period of 10 years commencing on its adoption date after which period no further options to subscribe for shares of Aspire will be granted. The Aspire Scheme ceased to be valid and effective on 24 June 2012 and accordingly, no further options will be granted under the Aspire Scheme. However, the provisions of the Aspire Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under the Aspire Scheme prior to the expiry of the 10-year period and which may become thereafter capable of being exercised under the rules of the Aspire Scheme.

As at 30 June 2013, the employees of Aspire had the following personal interests in options to subscribe for shares of Aspire granted under the Aspire Scheme.

	No. of shares involved in the options outstanding at the beginning of the period	No. of shares involved in the options outstanding at period end	Date on which options were granted	Normal period during which options are exercisable	No. of shares involved in the options lapsed during the period	Exercise price US\$
Employees of Aspire*	3,420,000	—	18 February 2003	(Note 2)	3,420,000	0.298
	160,000	—	18 April 2003	(Note 2)	160,000	0.298
	1,280,000	1,170,000	16 September 2003	(Note 2)	110,000	0.298
	775,000	725,000	18 March 2004	(Note 2)	50,000	0.298
	45,000	45,000	28 May 2004	(Note 2)	—	0.298
		1,940,000	(Note 1)			

* During the six months ended 30 June 2013, no share options have been granted under the Aspire Scheme for the directors or chief executive of the Company.

Note 1: The total number of shares involved in the options outstanding at the end of the period represents 0.21% of the issued share capital of Aspire as at the date of this report.

Note 2: (a) The initial 50% of the options granted to a particular employee are exercisable between the period:

- commencing on the later of:
 - (i) 2 years after the commencement of employment of that employee or the option offer date (as the case may be); or
 - (ii) the listing of the shares of Aspire; and
- ending on the date falling 10 years from the option grant date; and

Directors', Chief Executive's and Employees' Rights to Acquire Shares (Continued)

Share option scheme of Aspire Holdings Limited ("Aspire") (Continued)

Note 2: (Continued)

- (b) the remaining 50% of such options shall be exercisable between the period commencing 3 years after the initial 50% of the options become exercisable and ending on the date falling 10 years from the option grant date.

None of the directors of Aspire had any personal interests in options to subscribe for shares of Aspire granted under the Aspire Scheme at the beginning and at the end of the six months ended 30 June 2013.

No options were granted or exercised under the Aspire Scheme during the six months ended 30 June 2013. Share options involving 3,740,000 Aspire shares have lapsed during the six months ended 30 June 2013.

Since the options granted pursuant to the Aspire Scheme are for the subscription of shares in Aspire which are not listed, the value of the options granted is not required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pre-IPO Share Option Scheme of China Mobile Hong Kong Company Limited

Pursuant to a resolution passed by the shareholders of China Mobile Hong Kong Company Limited (formerly known as China Mobile Peoples Telephone Company Limited) ("CMHK") on 4 March 2004, the pre-IPO share option scheme (the "CMHK Pre-IPO Scheme") was adopted to incentivize the then employees of CMHK.

No share options were granted under the CMHK Pre-IPO Scheme after the listing of CMHK on 31 March 2004 and no further share options will be granted under the CMHK Pre-IPO Scheme. There were 70,000 shares covered by the share options granted under the CMHK Pre-IPO Scheme which were outstanding at the beginning and at the end of the six months ended 30 June 2013. All the share options outstanding at the beginning of the six months ended 30 June 2013 were granted to employees of CMHK on 11 March 2004, and the exercise price was HK\$4.55 per share, being the offer price of the shares of CMHK at the time of its initial public offering. All options granted under the CMHK Pre-IPO Scheme have been vested. Grantees of the outstanding share options are entitled to exercise the share options from 11 March 2005 to 10 March 2014. No share options granted under the CMHK Pre-IPO Scheme have been exercised during the six months ended 30 June 2013. No share options were cancelled or lapsed during the six months ended 30 June 2013. The share options outstanding as at 30 June 2013 were held by 7 individuals, 6 of whom have left the employment of CMHK.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

The Company has been notified of the following interests in the Company's issued shares as at 30 June 2013 amounting to 5% or more of the ordinary shares in issue:

	Ordinary shares held		Percentage of
	directly	indirectly	total issued share capital
(i) China Mobile Communications Corporation ("CMCC")	–	14,890,116,842	74.08%
(ii) China Mobile (Hong Kong) Group Limited ("CMHK (Group)")	–	14,890,116,842	74.08%
(iii) China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)")	14,890,116,842	–	74.08%

Note: In light of the fact that CMCC and CMHK (Group) directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of CMHK (BVI), in accordance with the SFO, the interests of CMHK (BVI) are deemed to be, and have therefore been included in, the interests of CMCC and CMHK (Group).

Apart from the foregoing, as at 30 June 2013, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest in 5% or more of or any short position in the issued share capital of the Company.

Changes in Director's Biographical Details

Changes in director's biographical details since the date of the 2012 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. SHA Yuejia no longer served as the Chairman of Union Mobile Pay Limited with effect from August 2013.

Mr. Paul CHOW Man Yiu has been appointed as an independent non-executive director as well as a member of the Audit Committee of the Company, with effect from 30 May 2013.

Dr. LO Ka Shui has resigned from his positions as the Chairman and a member of the Audit Committee of the Company and Mr. Frank WONG Kwong Shing has been appointed as the Chairman of the Audit Committee of the Company, with effect from 30 May 2013.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters, including the review of the unaudited interim report for the six months ended 30 June 2013.

Compliance with the Code Provisions of the Corporate Governance Code

For the six months ended 30 June 2013, the Company complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, as amended. All directors have confirmed, following enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the period from 1 January 2013 to 30 June 2013.

Closure of Register of Members

The Board declared an interim dividend for the six months ended 30 June 2013 of HK\$1.696 per share (before withholding and payment of PRC enterprise income tax) (the "**2013 Interim Dividend**") to the shareholders of the Company.

The register of members of the Company will be closed from Monday, 9 September 2013 to Wednesday, 11 September 2013 (both days inclusive). During this period, no transfer of shares will be registered. In order to qualify for the 2013 Interim Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 6 September 2013. The 2013 Interim Dividend will be paid on or about Monday, 30 September 2013 to those shareholders on the register of members on Wednesday, 11 September 2013 (the "**Record Date**").

Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprises in Respect of 2013 Interim Dividend

Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China”, the “Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China” and the “Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management”, the Company is required to withhold and pay 10% enterprise income tax on the distribution of the 2013 Interim Dividend to its non-resident enterprise shareholders. The withholding and payment obligation lies with the Company. In respect of all shareholders whose names appear on the Company’s register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2013 Interim Dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2013 Interim Dividend payable to any natural person shareholders whose names appear on the Company’s register of members as at the Record Date.

If any resident enterprise (as defined in the “Enterprise Income Tax Law of the People’s Republic of China”) listed on the Company’s register of members which is duly incorporated in the People’s Republic of China (the “**PRC**”) or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Hong Kong Registrars Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend to which it is entitled at or before 4:30 p.m. on Friday, 6 September 2013.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company’s register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

Forward-Looking Statements

Certain statements contained in this report 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 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.



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