CHINA MOBILE LTD /ADR/
Form 20-F
April 25, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

OR

¨

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report ________

Commission file number: 1-14696

China Mobile Limited

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant s Name into English)

Hong Kong, China

(Jurisdiction of Incorporation or Organization)

60th Floor, The Center

99 Queen s Road Central

Hong Kong, China

(Address of Principal Executive Offices)

Grace Wong

Company Secretary

China Mobile Limited

60th Floor, The Center

99 Queen s Road Central

Hong Kong, China

Telephone: (852) 3121-8888

Fax: (852) 2511-9092

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary shares, par value HK$0.10 per share	**New York Stock Exchange***

* **Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares representing the ordinary shares.**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2013, 20,102,539,665 ordinary shares, par value HK$0.10 per share, were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or (15)(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP ¨	International Financial Reporting Standards as issued	Other ¨

by the International Accounting Standards Board x

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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China Mobile Limited

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Forward-Looking Statements

This annual report on Form 20-F contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business objectives and strategies;
- our operations and prospects;
- our network expansion and capital expenditure plans;
- the expected impact of any acquisitions or other strategic transactions;
- our provision of services, including 3G and 4G services and services based on evolution of 3G and 4G technology, and our ability to attract customers to these services;
- our objectives and strategies for the development of our terminal procurement and distribution business;
- the planned development of future generations of mobile telecommunications technologies and other technologies and related applications;
- the anticipated evolution of the industry chain of 3G, 4G and future generations of mobile telecommunications technologies, including future development in, and availability of, terminals that support our provision of services based on 3G, 4G and future generations of mobile telecommunications technologies;
- the expected impact of the potential implementation in China of value-added tax on our business, financial condition and results of operations;
- the expected impact of tariff changes on our business, financial condition and results of operations;
- the expected impact of new service offerings on our business, financial condition and results of operations; and
- future developments in the telecommunications industry in Mainland China, including changes in the regulatory and competitive landscape.

The words aim , anticipate , believe , could , estimate , expect , intend , may , plan , seek , should , target , will and similar e us, are intended to identify certain of these forward-looking statements. We do not intend to update these forward-looking statements and are under no obligation to do so.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including the risk factors set forth in Item 3. Key Information Risk Factors .

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PART I

Item 1. Identity of Directors, Senior Management and Advisers.
Not applicable.

Item 2. Offer Statistics and Expected Timetable.
Not applicable.

Item 3. Key Information.
Selected Financial Data

The following tables present selected historical financial data of our company as of and for each of the years in the five-year period ended December 31, 2013. Except for amounts presented in U.S. dollars and per American depositary share, or ADS, data, the selected historical consolidated statement of comprehensive income data and other financial data for the years ended December 31, 2011, 2012 and 2013 and the selected historical consolidated balance sheet data as of December 31, 2012 and 2013 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the related notes, included elsewhere in this annual report on Form 20-F. The selected historical consolidated statement of comprehensive income data for the years ended December 31, 2009 and 2010 and the selected historical consolidated balance sheet data as of December 31, 2009, 2010 and 2011 set forth below are derived from our audited consolidated financial statements that are not included in this annual report on Form 20-F. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board.

The statistical information set forth in this annual report on Form 20-F relating to Mainland China is taken or derived from various publicly available government publications that have not been prepared or independently verified by us. This statistical information may not be consistent with other statistical information from other sources within or outside Mainland China.

	As of or for the year ended December 31,					
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US$
	(in millions, except share, per share and per ADS information)					
Consolidated Statement of Comprehensive Income Data:						
Operating revenue[1]	459,857	492,743	537,806	581,835	630,177	104,098
Operating expenses[1]	311,069	339,653	383,948	429,105	494,528	81,690
Profit from operations	148,788	153,090	153,858	152,730	135,649	22,408
Profit before taxation	153,836	159,071	166,582	171,300	158,579	26,195
Taxation	(38,413)	(39,047)	(40,603)	(41,919)	(36,776)	(6,075)
Profit for the year attributable to equity shareholders	115,166	119,640	125,870	129,274	121,692	20,102
Basic earnings per share[2]	5.74	5.96	6.27	6.43	6.05	1.00
Diluted earnings per share[2]	5.67	5.89	6.20	6.36	5.98	0.99
Basic earnings per ADS[2]	28.71	29.82	31.36	32.17	30.27	5.00
Diluted earnings per ADS[2]	28.35	29.44	30.98	31.78	29.91	4.94

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	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US$
			(in millions, except share, per share and per ADS information)			
Number of shares utilized in basic calculation (in thousands)	20,057,674	20,062,910	20,068,194	20,090,824	20,101,232	20,101,232
Number of shares utilized in diluted calculation (in thousands)	20,312,459	20,321,332	20,315,252	20,341,516	20,343,120	20,343,120
Consolidated Balance Sheet Data:						
Working capital(3)	77,500	66,202	109,441	148,797	96,276	15,904
Cash and cash equivalents	78,894	87,543	86,259	70,906	44,931	7,422
Bank deposits	185,613	204,803	246,687	331,997	374,977	61,942
Accounts receivable	6,405	7,632	9,165	11,722	13,907	2,297
Property, plant and equipment	360,075	385,296	408,165	430,509	479,227	79,163
Total assets	751,368	861,935	952,558	1,052,109	1,167,392	192,839
Bonds current portion(4)		4,981				
non-current portion	9,918	4,982	4,984	4,986	4,989	824
Deferred consideration payable(5)	23,633	23,633	23,633	23,633		
Total liabilities	243,734	284,532	302,139	326,800	376,668	62,221
Share capital	2,139	2,139	2,140	2,142	2,142	354
Shareholders equity	506,748	576,157	649,064	723,447	788,773	130,296
Other Financial Data:						
Capital expenditures and land lease prepayments(6)	116,675	114,338	124,414	125,024	140,041	23,133
Net cash generated from operating activities	207,123	231,379	226,756	230,709	224,985	37,165
Net cash used in investing activities	(165,927)	(171,572)	(169,356)	(191,176)	(171,475)	(28,326)
Net cash used in financing activities	(49,774)	(51,051)	(58,420)	(54,897)	(79,431)	(13,121)
Dividend declared	49,544	51,818	54,298	55,821	52,675	8,701
Dividend declared per share (RMB)	2.471	2.595	2.730	2.773	2.621	0.43
Dividend declared per share (HK$)	2.804	3.014	3.327	3.411	3.311	0.43

(1) Prior to 2013, the sales of products were incidental to our telecommunications services. In 2013, our sales of products have become more than incidental as a result of our business development, and accordingly we present the revenue from sales of products and related cost of products sold separately with the comparative figures also being presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the years presented.

(2) The basic earnings per share have been computed by dividing profit attributable to our equity shareholders by the weighted average number of shares outstanding in 2009, 2010, 2011, 2012 and 2013. The diluted earnings per share have been computed after adjusting for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares resulting from the share options granted to our directors and employees under the share option scheme would decrease profit attributable to equity shareholders per share. The basic and diluted earnings per ADS amounts have been computed based on one ADS representing five ordinary shares.

(3) Represents current assets minus current liabilities.

(4) The guaranteed bonds due in 2011 with an aggregate principal amount of RMB5,000 million were fully redeemed upon maturity in June 2011.

(5) Represents the respective balance of the purchase consideration payable to our immediate holding company for our acquisition of the eight regional mobile telecommunications companies in 2002 and for our acquisition of the ten regional mobile telecommunications companies and other telecommunications assets in 2004. The deferred consideration was fully repaid by December 31, 2013. See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Contractual Obligations and Commitments.

(6) Represents payments made for capital expenditures and land lease prepayments during the year and included in net cash used in investing activities.

Exchange Rate Information

We publish our consolidated financial statements in Renminbi. Solely for the convenience of the reader, this annual report on Form 20-F contains translations of certain Renminbi and Hong Kong dollar amounts into U.S. dollars and vice versa at RMB6.0537 = US$1.00 and HK$7.7539 = US$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2013. The noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York are published on a weekly basis in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States. These translations should not be construed as representations that the Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at such rates or at all.

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The noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York were RMB6.2240 = US$1.00 and HK$7.7539 = US$1.00, respectively, on April 18, 2014. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each month during the previous six months:

Noon Buying Rate

	RMB per US$1.00			HK$ per US$1.00	
	High	**Low**		**High**	**Low**
October 2013	6.1209	6.0815	October 2013	7.7545	7.7524
November 2013	6.0993	6.0903	November 2013	7.7535	7.7512
December 2013	6.0927	6.0537	December 2013	7.7550	7.7517
January 2014	6.0600	6.0402	January 2014	7.7663	7.7534
February 2014	6.1448	6.0591	February 2014	7.7645	7.7547
March 2014	6.2273	6.1183	March 2014	7.7669	7.7563
April 2014 (up to April 18, 2014)	6.2240	6.1966	April 2014 (up to April 18, 2014)	7.7568	7.7525

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars in 2009, 2010, 2011, 2012 and 2013 calculated by averaging the noon buying rates on the last day of each month during the relevant year.

Average Noon Buying Rate

	RMB per US$1.00	HK$ per US$1.00
2009	6.8295	7.7513
2010	6.7603	7.7692
2011	6.4475	7.7793
2012	6.2990	7.7556
2013	6.1412	7.7565

Risk Factors

The following factors, and those factors described in our other reports submitted to, or filed with, the SEC, among other factors, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf, and that such factors may have a material adverse effect on our business, financial condition, results of operations and prospects as well as the value of our ordinary shares and ADSs.

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Risks Relating to Our Business

We may not be able to maintain the same level of growth as we have experienced over the past decade, which could have a material adverse effect on our financial condition and results of operations as well as our profitability.

We have experienced significant growth over the past decade, measured by the increase in both our customer base and our revenue. However, in recent years, we have experienced a lower rate of growth as measured by our revenue, and in 2013, we experienced a decrease in profit from operations, profit before taxation and net profit, as well as a decrease in market share, compared to 2012. We cannot assure you that we will be able to achieve a high level of growth in the future due in part to the increased market saturation and competition among mobile telecommunications operators and from other related industries in Mainland China. In particular, according to data published by the Ministry of Industry and Information Technology, or the MIIT, mobile penetration rate in Mainland China reached 90.8% as of December 31, 2013. Moreover, the restructuring of the telecommunications industry in 2008 and measures adopted by the PRC government in 2013 that permit certain operators approved by the MIIT, which are commonly referred to as the mobile virtual network operators, or MVNOs, to lease and repackage mobile services for sale to end customers, have significantly changed the competitive landscape in the telecommunications industry in Mainland China and have resulted and will result in further intensified competition among existing industry participants as well as increasing competition from providers offering telecommunications services using alternative technologies, in particular Internet service providers. See Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations. All of these factors, among others, have contributed to a slowdown in the growth in demand for our telecommunications services in Mainland China. In addition, our costs for the provision of telecommunications services may increase in order for us to maintain our growth. Our efforts to achieve growth could be hampered and our profitability may decrease if we are unable to compete effectively with other telecommunications services providers and Internet service providers in Mainland China. We cannot assure you that we will be successful in our efforts to achieve a high level of customer growth or to increase the utilization of our telecommunications services. If we are unable to sustain our growth, our financial condition and results of operations as well as our profitability may be materially and adversely affected.

Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations.

We continue to face increasing competition from other telecommunications services providers in Mainland China. As a result of the restructuring of the PRC telecommunications industry in 2008, principal participants in the telecommunications industry in Mainland China include United Network Communications Group Company Limited, or China Unicom, China Telecommunications Corporation, or China Telecom, and us. Both China Telecom and China Unicom are full-service telecommunications services providers that have had permission to operate both fixed-line telecommunications networks and mobile telecommunications networks since 2008, whereas CMCC received permission from the MIIT to operate fixed-line telecommunications services on December 4, 2013. See Item 4. Information on the Company The History and Development of the Company Industry Restructuring and Changes in Our Shareholding Structure and Item 4. Information on the Company Business Overview Competition. In addition, the PRC government has in the past extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors. See Risks Relating to the Telecommunications Industry in Mainland China Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position. Further increased competition could reduce the rate at which we add new customers to our network and decrease our market share as customers choose to receive mobile telecommunications services from other providers. Our market share decreased to 62.1% as of December 31, 2013. We cannot assure you that we will not experience increases in churn rates as competition intensifies, which may materially reduce our profitability as we may incur significant additional selling expenses to retain existing customers and attract new customers. Moreover, we cannot assure you that any potential change, and in particular, any further restructuring in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations.

Moreover, the PRC government recently implemented a number of measures that permit certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers. On May 17, 2013, the MIIT announced that it would accept applications from non-State-owned companies to, on a trial basis, lease mobile services from China Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. The trial period will end on December 31, 2015, subject to further adjustment by MIIT. In December 2013 and February 2014, the applications of 19 applicants to lease and repackage mobile services and provide mobile services to end customers were approved. Approved applicants included Jingdong Century Trading Co., which operates one of Mainland China s largest e-commerce sites, Net.cn, a subsidiary of Alibaba Group, one of Mainland China s largest e-commerce companies, and Suning and GOME, two leading retail franchises in Mainland China. We are currently negotiating a number of similar prospective arrangements. The MIIT plans to accept applications until July 1, 2014 and may approve additional applications. We may face intense competition from these new mobile network operators in light of such policy and decisions by the MIIT. In particular, increased competition may cause tariff rates to decline, which may adversely affect our business, financial condition and results of operations.

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Our ability to compete effectively will depend on how successfully we respond to various factors affecting the telecommunications industry in Mainland China, including changes in consumer preferences and demand for existing services. We cannot assure you that the measures we are taking in response to these competitive challenges will achieve the expected results.

Rapid development of new technologies, new services and products, and new business models, including Over The Top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.

The rapid development of new technologies, new services and products, and new business models has begun to eliminate the distinctions between local, long distance, wireless, cable and Internet communication services and bring new competitors into the telecommunications market. As a result, we are subject to increasing competition from non-traditional telecommunications services providers, such as Internet service providers and mobile software and applications developers, as they gain an increasing share of the telecommunication industry value chain. These new competitors compete against us in both voice and data businesses by offering mobile Internet access, Over The Top products such as instant voice and messaging services, and other mobile services. See Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from telecommunications services providers that use alternative technologies, which could materially and adversely affect on our business and market position.

Revenue generated from wireless data traffic grew substantially in 2013, partly due to increased penetration of smartphones and improvements in our services provided on our upgraded networks. However, there is no guarantee that our wireless data traffic business will continue to grow at a high speed or that any increase in revenue generated from wireless data traffic will offset any decrease in our voice services revenue and revenue generated from SMS and MMS. We cannot assure you that the measures we are taking in response to these challenges will achieve the results we expect.

The TD-SCDMA industry chain requires further development. As a result, we have encountered and may continue to encounter challenges in the deployment of our 3G services.

We are committed to developing and carrying on our 3G business based on the Time Division Synchronous Code Division Multiple Access, or TD-SCDMA, technology. As a result, our ability to deploy and deliver our 3G services depends, to a large extent, on the TD-SCDMA technology. However, we face intense competition in the delivery of 3G services from our competitors, which are delivering 3G services using Wideband Code Division Multiple Access, or WCDMA, and Code Division Multiple Access 2000, or CDMA 2000, technologies, both of which are widely used in western Europe and the United States and may offer more effective global roaming or other services to customers. If the TD-SCDMA technology proves not to be as competitive as the WCDMA or CDMA 2000 technology, or otherwise ends up not being widely adopted, our ability to attract and retain customers or offer services to our customers may be limited, our business and prospects may suffer and our revenues and profitability could be materially and adversely affected. We may not be able to successfully overcome our current challenges and may encounter new challenges in the development of our 3G business, and the deployment of our 3G services may not proceed according to anticipated schedules.

In addition, we have made substantial investments and incurred significant expenses in the development of our 3G services, including the leasing of network capacity from our parent company, China Mobile Communications Corporation, or CMCC, and the development of our 3G market. See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures for more information on our expected capital expenditures. If the deployment of our 3G business does not reach anticipated scale, or if we encounter other challenges in the provision of our 3G services, our ability to realize benefits from our significant capital investment in our networks and 3G services will be limited, which could have a material adverse effect on our financial condition and results of operations.

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We may encounter difficulties and challenges in developing and implementing TD-LTE technologies and developing our 4G services.

We are developing and carrying on our 4G business based on the TDD mode long-term evolution, or TD-LTE, technology. On December 4, 2013, the MIIT granted to CMCC, China Telecom and China Unicom permission to operate TD-LTE businesses, and CMCC received permission to operate a TD-LTE business through us. Subsequently, we launched our TD-LTE business. As of December 31, 2013, we have launched TD-LTE services in 16 cities in Mainland China, and the number of cities where we have launched TD-LTE services continues to increase. As of March 31, 2014, the number of 4G customers has reached 2,793,000. We expect that the number of TD-LTE base stations that we have in Mainland China will reach approximately 500,000 by the end of 2014. However, our ability to successfully deploy and deliver 4G services depends on various factors, including the maturity level of TD-LTE technology and availability of terminals. We may encounter unexpected technological difficulties and risks in developing and implementing new telecommunications technologies, including TD-LTE technology, and as a result may incur substantial cost or service disruptions, which could have a material adverse effect on our business, financial condition, results of operations and prospects. We may also encounter limited availability of terminals, such as handsets, data cards and other terminals such as MiFi, which is a wireless router acting as mobile Wi-Fi hotspot, and customer-premises equipment, to meet the demand of our business development based on TD-LTE technology. As a result, we cannot assure you that our plan to implement TD-LTE technology and provide telecommunications services based on TD-LTE technology will achieve expected results.

In addition, we expect to make substantial investments in the development of our 4G services, including construction of infrastructure networks and base stations. Accordingly, the amount of our capital expenditures in future years could remain high. We expect that 33% of our capital expenditures in 2014, or RMB74.9 billion, will be used in the construction of our TD-LTE mobile communication networks. See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures for more information on our expected capital expenditures. If we are unable to launch and provide 4G services in a commercially viable manner and on a timely basis, our ability to realize benefits from our significant capital investment and expenses in our networks and 4G services will be limited, and our operating revenue and profit from operations could be materially and adversely affected.

Future implementation of value-added tax in Mainland China will reduce our operating revenue and may decrease our profitability.

Our business operations in Mainland China are subject to PRC business tax, which is assessed against our operating revenue at a rate of 3% or 5%. On November 16, 2011, the Ministry of Finance and the State Administration of Taxation issued a pilot tax program under which value-added tax, instead of business tax will be levied on the provision of certain services that previously would be subject to business tax in China. The pilot tax program will be implemented in the transportation industry and certain service sectors in selected regions of Mainland China. Effective from January 1, 2012, transportation companies and companies in certain service sectors in Shanghai became subject to value-added tax in lieu of the PRC business tax. In 2012 and 2013, transportation companies and companies in certain service sectors in the remaining parts of Mainland China became subject to value-added tax in lieu of the PRC business tax. Effective from January 1, 2014, the program was extended to railroad transportation and postal service companies. The application of the pilot tax program may be expanded to other industries, including telecommunications, in the future. The timetable for applying the pilot program to the telecommunications industry and the applicable tax rate remain uncertain. The imposition of value-added tax on certain services provided by us may decrease our profitability.

Failure to capitalize on new business opportunities may substantially reduce our growth potential.

We may pursue acquisitions or otherwise make investments in other business opportunities as such opportunities arise. We cannot assure you that we will be successful in pursuing such acquisitions or investments or will otherwise be able to successfully integrate any acquired business into our existing operations. Our ability to capture new business opportunities may also depend on the availability of sufficient financing from internal as well as external sources. Any failure to capitalize on new business opportunities may have a material adverse effect on our competitive position, as well as materially reduce our future profitability and growth.

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In October 2010, we, through our wholly-owned subsidiary China Mobile Group Guangdong Co., Ltd., or Guangdong Mobile, acquired 20% of the enlarged share capital of Shanghai Pudong Development Bank, or SPD Bank, for an aggregate amount of RMB39.5 billion (approximately US$6.0 billion). In connection with this acquisition, we entered into a strategic cooperation agreement with SPD Bank in November 2010, pursuant to which we will cooperate with SPD Bank in the areas of mobile finance and mobile e-Commerce businesses such as mobile payment which includes on-site payment and remote payment as well as in the sharing of customers services and channels resources. See Item 4. Information on the Company Business Overview Investment in, and strategic cooperation with, SPD Bank. SPD Bank s profitability is impacted to some extent by macroeconomic conditions and changes in monetary and fiscal policies in Mainland China, and we cannot assure you that our investment in SPD Bank will achieve the desired level of return. In addition, any strategic cooperation may not produce the intended benefits due to a number of factors, some of which are beyond our control, including the lack of a well-developed consumer market for mobile e-Commerce in Mainland China. If we encounter difficulties in carrying out our cooperation with SPD Bank, the prospects of the mobile finance and mobile e-Commerce businesses contemplated to be jointly developed by us and SPD Bank may be materially and adversely affected. Furthermore, expected benefits from our investment in networks, licenses and new technologies may not be realized.

In 2011, we established certain subsidiaries to operate certain aspects of our businesses, such as procuring and distributing terminals through China Mobile Group Device Company Limited, or China Mobile Device, and conducting our international businesses through China Mobile International Company Limited, or China Mobile International, and expect to further enhance our operational efficiency by establishing other subsidiaries that operate certain other aspects of our businesses. We cannot assure you, however, that this business model would be sustainable or that we will achieve the expected benefits.

In August 2012, China Mobile Communication Co., Ltd., or CMC, our wholly-owned subsidiary, entered into a share subscription agreement with Anhui USTC iFLYTEK Co., Ltd., or Anhui USTC, a company listed on the Shenzhen Stock Exchange, pursuant to which CMC would subscribe for 15% of the shares of Anhui USTC for an aggregate subscription price of RMB1,363,314,339 (approximately US$218,827,040). The share subscription was completed on April 24, 2013. Concurrent with the share subscription, we and Anhui USTC also entered into a strategic cooperation agreement to cooperate in various areas, including smart voice portals, smart voice cloud services, smart voice technologies and product innovations, applications in relation to customer services and basic telecommunications businesses and informatization of the telecommunications industry. In collaboration with Anhui USTC, we launched Lingxi , a smart voice assistant application. We cannot assure you that our investment in Anhui USTC will achieve the desired level of return or the strategic cooperation will produce the expected benefits, if at all.

Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from providers offering telecommunications services using alternative technologies, which could materially and adversely affect our business and market position.

In recent years, the telecommunications industry in Mainland China has been characterized by rapidly changing and increasingly complex technologies. Accordingly, although we strive to keep our technologies up to international standards, the mobile telecommunications technologies that we currently employ may become obsolete. In addition, the development and application of new technologies involve time, substantial costs and risks. We may encounter unexpected technological difficulties in developing and implementing new technologies and, as a result, may incur substantial costs or services disruptions, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, the rapid development of new technologies, new services and products and new business models has also accelerated the convergence of local, long distance, wireless, cable and Internet communication services and resulted in new competitors entering the telecommunications market. See Rapid development of new technologies, new services and products, and new business models, including Over The Top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.

The intensified competitive landscape requires us to implement new technologies and develop new businesses in order to adapt to and maintain our share of the evolving value chain of the telecommunications industry in Mainland China. In order to meet the challenges posed by changes in technology and business models, we are carrying out our strategic transformation consisting of: (1) the coordinated and synergistic development of our GSM, TD-SCDMA, WLAN and TD-LTE businesses in order to facilitate the transition from voice-centric to data-centric operations; (2) a shift in the focus of our business development from communications to the mobile Internet and information consumption; and (3) the building up of our infrastructure and the improvement of our fundamental network capabilities in order to support the transition from mobile communications operations to innovative full service operations. However, as the implementation of the components of our strategic transformation, as well as the development of new businesses, such as mobile Internet, Internet of Things and cloud computing, require significant time, costs and risk, we may not be able to successfully implement the components of our strategic transformation, launch or develop such new businesses within a short time period, or otherwise achieve the expected benefits.

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Substantial increase in data traffic significantly strains the existing capacity of our telecommunications network infrastructures.

Our wireless data traffic business has experienced significant growth in recent years, which contributed to the growth of our operating revenue and provides our business with further opportunities for development. In addition, we have launched our TD-LTE services, which are expected to drive further growth in data traffic. The continued substantial increase in data traffic resulting from the growth of our wireless data traffic business, our TD-LTE business and the proliferation of smartphones significantly strains the existing capacity of our telecommunications network infrastructure. As a result, we have made and will continue to make substantial investments in the construction of our infrastructure network, including our TD-LTE infrastructure, to carry increasing data traffic. We cannot assure you that these investments would successfully address the issues resulting from the substantial increases in data traffic or otherwise achieve the desired economic returns.

Any failure to achieve and maintain effective internal controls could have a material adverse effect on our reputation, business, results of operations and the market prices of our shares and ADSs.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to prevent fraud. We are required to comply with various Hong Kong and U.S. laws, rules and regulations on internal controls, including the Sarbanes-Oxley Act of 2002. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting in our annual reports on Form 20-F that contains an assessment by our management of the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm must issue an auditor s report on the effectiveness of our internal control over financial reporting.

Internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. In addition, projections of any evaluation of the effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in operating conditions or a deterioration in the degree of compliance with our policies or procedures. As a result, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal control over financial reporting, our management may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may disagree. If our independent registered public accounting firm is not satisfied with our internal control over financial reporting or the level at which our controls are designed or operated, or if the independent registered public accounting firm interprets the requirements, rules or regulations differently from us, it may decline to express an opinion on the effectiveness of our internal control over financial reporting or may issue an adverse opinion. Any of these possible outcomes could result in a loss of investor confidence in the reliability of our consolidated financial statements, which could cause the market prices of our ordinary shares and ADSs to decline significantly. In addition, any deficiency in our internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the New York Stock Exchange, regulatory investigations and civil or criminal sanctions.

Some employee misconduct, including misconduct by senior management, may not be detected or prevented in a timely manner, and such misconduct may damage our reputation and cause the trading price of our ordinary shares and ADSs to decrease.

Certain of the management personnel of our company and our subsidiaries, including certain executive directors, were alleged to have engaged in unlawful conduct in recent periods, including in 2013. Such allegations of unlawful conduct include the acceptance of bribes. While some of these incidents are still under investigation, we believe that such management misconduct are isolated incidents resulting from individual misconduct.

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In order to further strengthen our internal system and policies for detecting and preventing similar and other misconduct, we have re-examined our policies and procedures and have implemented additional operational measures. In particular, with respect to our business cooperation arrangements with third parties, we have adjusted the model of business cooperation and have implemented more stringent policies and processes. These efforts are expected to reduce the probability of third parties engaging in improper business relationships with our employees. We have also further expanded the type of equipment and products that are subject to centralized procurement. Furthermore, we have implemented a rotation policy under which the management of our major operating subsidiaries will rotate among different subsidiaries every few years. In addition, we have revised our policy in relation to, and strengthened control over, the material investment projects. We have also provided ongoing compliance and ethics trainings to our employees.

As described above, we have taken various measures to prevent employee misconduct. We cannot assure you, however, that all misconducts or allegations of misconduct by our management and staff will be detected or prevented in a timely manner. If various measures we have taken prove ineffective in preventing employee misconduct, our reputation may be severely harmed, and the trading price of our ordinary shares and ADSs could decrease significantly.

We are controlled by CMCC, which may not always act in our best interest.

As of March 31, 2014, CMCC indirectly owned approximately 73.66% of our outstanding shares. Accordingly, CMCC is, and will be, able to (i) nominate substantially all of the members of our board of directors and, in turn, indirectly influence the selection of our senior management; (ii) control the timing and amount of our dividend payments; and (iii) otherwise control or influence actions that require approvals of our shareholders.

The interests of CMCC as our ultimate controlling person may conflict with the interests of our minority shareholders. In particular, CMCC may take actions with respect to our business that may not be in our other shareholders best interest.

In addition, CMCC provides our operating subsidiaries in Mainland China with services that are necessary for our business activities. See Item 5. Operating and Financial Review and Prospects Overview of Our Operations Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results. Furthermore, we operate our 3G business pursuant to arrangements with CMCC, which was granted licenses by the PRC government to operate a 3G business based on TD-SCDMA technology. The interests of CMCC as the provider of these services to our operating subsidiaries in Mainland China may conflict with the interests of us or our other shareholders.

We may conduct a public offering and listing of our shares in Mainland China, which may result in increased regulatory scrutiny and compliance costs as well as increased fluctuations in the prices of our ordinary shares and ADSs listed in overseas markets.

We may conduct a public offering and listing of our shares on a stock exchange in Mainland China. We have not set a specific timetable or decided on any specific form for an offering in the PRC. The precise timing of the offering and listing of our shares in Mainland China would depend on a number of factors, including relevant regulatory developments and market conditions. If we complete a public offering in Mainland China, we would become subject to the applicable laws, rules and regulations governing public companies listed in Mainland China, in addition to the various laws, rules and regulations that we are currently subject to in the Hong Kong Special Administrative Region of the People s Republic of China, or Hong Kong, and the United States. The listing and trading of our securities in multiple jurisdictions and multiple markets may lead to increased compliance costs for us, and we may face the risk of significant intervention by regulatory authorities in these jurisdictions and markets.

In addition, under current PRC laws, rules and regulations, our ordinary shares listed on the Hong Kong Stock Exchange will not be interchangeable or fungible with any shares we may decide to list on a Mainland China stock exchange, and there is no trading or settlement between these two markets. As a result, the trading prices of our ordinary shares listed on the Hong Kong Stock Exchange may not be the same as the trading prices of any shares we may decide to list on a Mainland China stock exchange. The issuance of a separate class of shares and fluctuations in its trading price may also lead to increased volatility in, and may otherwise materially and adversely affect, the prices of our ordinary shares and ADSs listed in overseas markets.

Pursuant to a statement jointly issued by the China Securities Regulatory Commission, or CSRC, and Hong Kong Securities and Futures Commission, or the SFC, on April 10, 2014, the CSRC and the SFC will implement a pilot scheme that would allow investors in Mainland China to trade shares in designated companies listed on The Stock Exchange of Hong Kong Limited, including constituent stocks of the Hang Seng Composite LargeCap Indexes such our ordinary shares, subject to certain quota limitations. We cannot predict what impact such new initiatives on cross-border investment by investors in Mainland China will have on the trading prices of our ordinary shares and ADSs.

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Our future network capacity growth may be constrained by the frequency spectrum available to us.

Mobile telecommunications network capacity is to a certain extent limited by the amount of frequency spectrum available for its use. Since the MIIT controls the allocation of frequency spectrum to mobile telecommunications operators in Mainland China, the capacity of our mobile telecommunications network is limited by the amount of spectrum that the MIIT allocates to our parent company, CMCC. For our GSM network, the MIIT has allocated a total of 45x2 MHz of spectrum to be used for transmission and reception, respectively, to our parent company, CMCC. Of the 45x2 MHz of spectrum allocated to us, 40x2 MHz in the 900 MHz and 1800 MHz frequency bands is allocated for use nationwide, and 5x2 MHz in the 1800 MHz frequency band is allocated for use in the cities of Beijing, Shanghai and Chengdu and Guangdong province. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 35 MHz of spectrum to be used for nationwide coverage and an additional 50 MHz of spectrum to be used for indoor coverage. In connection with our 4G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 130 MHz of spectrum to be used for nationwide coverage, including 20 MHz of spectrum previously allocated for use by our 3G business for outdoor coverage and 50 MHz of spectrum previously allocated for use by our 3G business for indoor coverage. Under the existing agreement between CMCC and us, we have the right to use the allocated frequency spectrum in Mainland China.

We believe that our current spectrum allocation is sufficient for anticipated customer growth in the near term. However, we may need additional spectrum to accommodate future customer growth or to further develop our 4G services. We cannot assure you that we will be able to obtain additional spectrum from the MIIT that would meet our expectations or business needs on a timely basis. Our network expansion or upgrade plans may be affected if we are unable to obtain additional spectrum. This could in turn constrain our future network capacity growth and materially and adversely affect our business and prospects as well as our financial condition and results of operations.

Since our services require interconnection with networks of other operators, disruption in interconnections with those networks could have a material adverse effect on our business, profitability and growth.

Our mobile telecommunications services depend, in large part, upon our interconnection arrangements and access to other networks. Interconnection is necessary in the case of all calls between our customers and customers of other networks. We have entered into interconnection and transmission line leasing agreements with other operators. Any disruption on our interconnection with the networks of other operators with which we interconnect due to technical or competitive reasons may affect our operations, service quality and customer satisfaction, and in turn our business and results of operations. In addition, any obstacles in existing interconnection arrangements and leased line agreements or any change in their terms, as a result of natural events, accidents, or for regulatory, technological, competitive or other reasons, could lead to temporary service disruptions and increased costs that could severely harm our operations and materially decrease our profitability and growth.

Current and potential future changes in the settlement standards for network interconnections, including the implementation of asymmetrical changes, could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.

The MIIT has decided to adjust the public telecommunications network interconnection settlement standards of basic telecommunications operators in Mainland China. With effect from January 1, 2014, when mobile users of China Telecom and China Unicom in Mainland China and our mobile users in Mainland China (excluding TD-SCDMA users with certain specified prefix numbers) make calls to each other, the settlement charges payable by China Telecom and China Unicom to us were adjusted from RMB0.06/minute to RMB0.04/minute, while the settlement charges payable by us to China Telecom and China Unicom remained at RMB0.06/minute. The MIIT will assess the above interconnection settlement policy once every two years based on the development conditions of the telecommunications market and will make adjustments when appropriate. Current and potential future changes in the settlement standards for network interconnections, including the implementation of asymmetrical changes such as those that took effect on January 1, 2014, could materially harm our competitive position, which could in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.

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Compliance with the SEC s new rule for disclosures on conflict minerals may be time consuming and costly and could adversely affect our reputation.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has adopted a new rule that applies to companies that use certain minerals and metals, known as conflict minerals, in their products, including certain products manufactured for them by third parties. The new rule will require companies that use conflict minerals in the production of their products to conduct due diligence as to whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries and to file certain information with the SEC about the use of these minerals. The first conflict minerals report is due June 2, 2014. We will incur additional costs to comply with the new due diligence and disclosure requirements. In addition, depending upon our findings, or our inability to make reliable findings, about the source of any possible conflict minerals that may be used in any products manufactured for us by third parties, our reputation could be harmed.

Risks Relating to the Telecommunications Industry in Mainland China

We are subject to extensive government regulation and may be materially affected by any change in the regulatory environment, especially in the telecommunications industry, in the PRC.

As a telecommunications operator in China, we are subject to regulation by, and under the supervision of, the MIIT, the primary regulator of the telecommunications industry in China. Other PRC government authorities also take part in regulating the telecommunications industry in areas such as tariff policies and foreign investment. The regulatory framework within which we operate may limit our flexibility to respond to changes in market conditions or competition, including changes in our cost structure. For instance, we cannot predict when or if changes in tariff policies may occur. Future adverse changes in tariff policies could significantly decrease our revenues and materially reduce our profitability.

The MIIT, under the direction of the State Council, has been preparing a draft telecommunications law, which, once adopted, will become the fundamental telecommunications statute and the legal basis for telecommunications regulations in Mainland China. In 2000, the State Council promulgated a set of telecommunications regulations, or the Telecommunications Regulations, that apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will positively affect the overall development of the telecommunications industry in Mainland China, we do not fully know what will be its nature and scope. The telecommunications law and other new telecommunications regulations or rules may contain provisions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

We operate our businesses with approvals granted by the State Council and under licenses granted by the MIIT. We also have arrangements with CMCC, our parent company, under which we operate a 3G telecommunications business based on a 3G license granted to CMCC by the MIIT. Any future adverse change in the conditions or other obligations relating to these approvals and licenses could have a material adverse effect on our business, financial condition, results of operations and prospects.

Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position.

The PRC government has in the past extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors to us. Under the restructuring initiatives relating to the telecommunications industry in Mainland China announced in May 2008, the PRC government may also implement necessary asymmetrical regulatory measures over a period of time, in order to optimize the allocation of telecommunications resources in the PRC and improve the competitive landscape. One of the regulatory measures announced by the MIIT in 2008 as part of the restructuring initiatives was the offering of roaming services across different mobile telecommunications networks. Under such roaming services, the prices at which the mobile telecommunications services providers may settle for these inter-network roaming services would be initially set by the PRC regulatory authorities. We cannot predict at this point in time the impact, if any, such offering of roaming services or other measures may have on our business and prospects. In addition, the PRC government may implement other asymmetrical regulatory measures. For example, the MIIT has decided to adjust, effective January 1, 2014, the public telecommunications network interconnection settlement standards of basic telecommunications operators in Mainland China. See Item 4. Information on the Company Business Overview Regulation Interconnection Charges. In addition, the MIIT has decided to expand the mobile number portability policy that has been under trial implementation in Tianjin Municipality and Hainan Province to Jiangxi Province, Hubei Province and Yunnan Province. The PRC government may continue to expand the trial implementation of the mobile number portability policy to other areas of Mainland China. The implementation and expansion of the mobile number portability policy may have a greater impact on us, as a leading operator, than on our competitors.

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The PRC government may also adopt other regulatory measures that may harm our competitive position. For example, the PRC government recently implemented a number of measures that permit certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers. On May 17, 2013, the MIIT announced that it would accept applications from non-State-owned companies to, on a trial basis, lease mobile services from China Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. In December 2013 and February 2014, the applications of 19 applicants to lease and repackage mobile services and provide mobile services to end customers were approved. Each of the approved applications pertained to proposed arrangements with China Telecom, China Unicom, or both, but none of the approved applications involved proposed arrangements with us. We are currently negotiating a number of similar prospective arrangements. The MIIT plans to accept applications until July 1, 2014 and may approve additional applications. We may face intense competition from these new mobile network operators in light of such policy and decisions by the MIIT.

The implementation of asymmetrical and other regulatory measures could materially harm our competitive position, which could in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.

The PRC government may require major operators, including us, to provide universal services with specified obligations, and we may not be compensated adequately for providing these services.

Under the Telecommunications Regulations, telecommunications operators in Mainland China are required to fulfill universal service obligations in accordance with relevant regulations to be promulgated by the PRC government, and the MIIT has the authority to delineate the scope of these service obligations. However, the specific rules have not been promulgated and there are currently no specific regulatory requirements relating to the provision of universal services in Mainland China.

While the scope of specific universal services obligations is not yet clear, we believe that these services may include mandatory provision of basic mobile telecommunications services in less economically developed areas in Mainland China and mandatory contribution to a universal service fund. In addition, as part of the transitional measure prior to the formalization of a universal service obligation framework, the MIIT has required major telecommunications services providers in Mainland China, including us, to participate in a project to provide basic telecommunications services in remote villages in Mainland China.

We cannot predict whether we will be required to provide universal services in the future and, if so, whether we will be adequately compensated by the government or by the universal service fund. We also cannot assure you whether we will be required to make contribution to the universal service fund. Any of these events could reduce our revenues and/or profitability.

Our share price has been and may continue to be volatile in response to conditions in the global securities markets generally and in the telecommunications and technology sectors in particular.

Our share price has been subject to significant volatility, due in part to highly volatile securities markets, particularly for telecommunications companies shares, as well as variations in our sales and profit from operations. Factors other than our results of operations that may affect our share price include, among other things, overall market conditions and performance, market expectations of our performance, projected growth in the mobile telecommunications market in Mainland China and adverse changes in our brand value. In addition, our share price may be affected by factors such as the level of business activity or perceived growth (or the lack thereof) in the telecommunications market in general, the performance of other telecommunications companies, announcements by or the results of operations of our competitors, customers and suppliers, announcements by and information released by governmental entities, and new technologies, products and services. See Item 9. The Offer and Listing for information regarding the trading price history of our ordinary shares and ADSs.

Actual or perceived health risks associated with the use of mobile devices could impair our ability to retain and attract customers, reduce wireless telecommunications usage or result in litigation.

There continues to be public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. While a substantial amount of scientific research conducted to date by various independent research bodies has shown that radio signals, at levels within the limits prescribed by public health authority safety standards and recommendations, present no adverse effect to human health, we cannot be certain that future studies, irrespective of their relative reliability or trustworthiness, will not impute a link between electromagnetic fields and adverse health effects. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific understanding and public awareness of these issues. In addition, several wireless industry participants were the targets of lawsuits alleging various health consequences as a result of wireless phone usage or seeking protective measures. While we are not aware of any scientific studies or objective evidence which substantiates such alleged health risks, we cannot assure you that the actual, or perceived, risks associated with radio wave transmission will not impair our ability to retain customers and attract new customers, reduce wireless telecommunications usage or result in litigation.

Risks Relating to Mainland China

An economic slowdown in Mainland China may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct most of our business and generate substantially all our revenues in Mainland China. As a result, economic, political and legal developments in Mainland China have a significant effect on our financial condition and results of operations, as well as our future prospects. In recent years, Mainland China has been one of the world s fastest growing economies in terms of gross domestic product, or GDP, growth. If China s economic growth slows down, there will be reduced business activities and reduced demand for our services, which could materially and adversely affect our business, as well as our financial condition and results of operations.

The PRC legal system contains uncertainties which could limit the legal protections available to our shareholders.

Most of our operating subsidiaries are organized under the laws of the PRC and are subject to laws, rules and regulations in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have limited precedential value. The PRC government has promulgated laws, rules and regulations dealing with economic matters, such as corporate organization and governance, commerce, property, taxation, trade and foreign investment. However, because some of these laws, rules and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and/or enforcement of these laws, rules and regulations involves uncertainties, which may limit the remedies available to our investors and to us in the event of any claims or disputes with third parties. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. Consequently, the protection provided by the PRC legal system may not be the same as the legal protection available to investors in the United States or elsewhere. Furthermore, various uncertainties involved in the rulemaking, interpretation and enforcement process of the laws, rules and regulations in the PRC that are related to our business and operations, particularly those relating to telecommunications and taxation, may also materially and adversely affect our financial condition, result of operations and prospects.

Natural disasters and health hazards in China may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.

Several natural disasters have struck Mainland China in recent years. Our network equipment, including our base stations, in the affected areas sustained extensive damages in some of these natural disasters, leading to service stoppage and other disruptions in our operations in those areas. We are unable to predict the effect, if any, that any future natural disasters and health hazards may have on our business. Any future natural disasters and health hazards may, among other things, significantly disrupt our ability to adequately staff our business, and may generally disrupt our operations. Furthermore, such natural disasters and health hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects. As a result, any natural disasters or health hazards in China may have a material adverse effect on our financial condition and results of operations.

Our investors may be deprived of the benefits of PCAOB s oversight of our independent registered public accounting firm through inspections.

Under the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board, or PCAOB, has the authority and is required to conduct continuing inspections of registered public accounting firms that provide audit services to public companies subject to the reporting requirements of the SEC. Our external auditor is registered with the PCAOB and is subject to inspections by the PCAOB. However, the PCAOB is currently unable to inspect a registered public accounting firm s audit work relating to a company s operations in China where the documentation of such audit work is located in China, such as our registered public accounting firm s audit work relating to our operations in China. As a result, our investors may be deprived of the benefits of PCAOB s oversight of our independent registered public accounting firm through such inspections.

If a recent initial decision rendered by the Administrative Law Judge, or the ALJ, in administrative proceedings brought by the SEC against the PRC-based network firms of the Big Four accounting firms, including our independent registered public accounting firm, becomes final, we could become unable to timely file future financial statements in compliance with the requirements of the U.S. Securities Exchange Act of 1934, as amended.

In December 2012, the SEC instituted administrative proceedings against the PRC-based network firms of the Big Four accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC s rules and regulations thereunder by failing to provide to the SEC the audit work papers of these firms with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the ALJ presiding over the matter rendered an initial decision that each of the firms had violated the SEC s rules of practice by failing to produce audit workpapers to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. The ALJ s initial decision has been appealed by these firms. The ALJ s decision does not take effect unless and until it is endorsed by the SEC. Any SEC endorsement or other determination could be appealed by the accounting firms through the U.S. federal courts. While we cannot predict the outcome of the SEC s review or that of any subsequent appeal process, if the accounting firms are ultimately temporarily denied the ability to practice before the SEC, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from the New York Stock Exchange or the termination of the registration of our ADSs under the Securities Exchange Act of 1934, as amended, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Item 4. Information on the Company.

We provide a full range of mobile telecommunications services in all 31 provinces, autonomous regions and directly-administered municipalities in Mainland China as well as in Hong Kong. As of December 31, 2013, the total population residing in Mainland China exceeded 1.3 billion. Based on publicly available information, we are the leading provider of mobile telecommunications services in Mainland China and the largest provider of mobile telecommunications services in the world as measured by total number of customers as of December 31, 2013. As of the same date, our total number of customers reached approximately 767.2 million, representing approximately 62.1% of all mobile customers in Mainland China. As of March 31, 2014, our total number of customers reached approximately 781.1 million.

The History and Development of the Company

We were incorporated under the laws of Hong Kong on September 3, 1997 as a limited liability company under the name China Telecom (Hong Kong) Limited . We changed our name to China Mobile (Hong Kong) Limited on June 28, 2000 and to China Mobile Limited on May 29, 2006 after obtaining the approval of our shareholders.

Our ordinary shares are listed on the Hong Kong Stock Exchange, and our ADSs, each currently representing the right to receive five ordinary shares, are listed on the New York Stock Exchange.

Expansion Through Acquisitions

Our initial mobile telecommunications operations included those in Guangdong Province and Zhejiang Province, conducted by Guangdong Mobile Communication Company Limited (currently known as China Mobile Group Guangdong Co., Ltd.), or Guangdong Mobile, and Zhejiang Mobile Communication Company Limited (currently known as China Mobile Group Zhejiang Co., Ltd.), or Zhejiang Mobile, respectively. As part of the restructuring in preparation for our initial public offering in 1997, the former Ministry of Posts and Telecommunications transferred to us a 100% equity interest in Guangdong Mobile and a 99.63% equity interest in Zhejiang Mobile. We subsequently increased our shareholding in Zhejiang Mobile to 100%.

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We carried out a series of acquisitions between 1998 and 2004, through which we acquired from CMCC, our parent company, mobile telecommunications operations conducted by its other regional subsidiaries. As a result, we significantly expanded the geographical coverage of our operations to all 31 provinces, autonomous regions and directly-administered municipalities in Mainland China.

In addition, we acquired all of the issued and outstanding shares of China Resources Peoples Telephone Company Limited (currently known as China Mobile Hong Kong Company Limited, or Hong Kong Mobile), a mobile telecommunications services provider based in Hong Kong, in 2006.

In 2011, we, through our wholly-owned subsidiary, CMC, acquired 100% of the share capital of China Topssion Communication Co., Ltd., or Topssion, a company primarily engaged in the sale of mobile phone handsets and devices, from CMCC, ZTE, Eastern Communications Co., Ltd., Beijing Digital China Limited, Ningbo Bird Co., Ltd. and Shenzhen Huawei Investment & Holding Co., Ltd. for an aggregate purchase price of RMB237,070,000 (approximately US$37,666,630). CMC subsequently transferred 1% of the share capital of Topssion to CMCC, and further subscribed for additional share capital of Topssion. Topssion thereafter changed its name to China Mobile Device. As of March 31, 2014, we held 99.97% of equity interest in China Mobile Device.

These acquisitions have significantly enlarged our customer base and expanded the geographical coverage and scope of our business. The integration of these acquired operations has also enabled us to realize synergies and economies of scale.

Industry Restructuring and Changes in Our Shareholding Structure

Prior to 1993, all public telecommunications networks and services in Mainland China were controlled and operated by the former Ministry of Posts and Telecommunications through the former Directorate General of Telecommunications, provincial telecommunications administrations and their city and county level bureaus.

Between 1993 and 2008, the telecommunication industry of Mainland China underwent significant reforms and restructuring that resulted in improved competitive environment and enhanced regulation of the industry.

In March 2008, the MIIT was created as the industry regulator providing industry policy guidance and exercising regulatory authority over all telecommunications services providers in Mainland China, including, among others, formulating and enforcing industry policy, standards and regulations, granting telecommunications licenses and permits, formulating interconnection and settlement standards for implementation between telecommunications networks, formulating tariff and service charge standards for certain telecommunications services together with other relevant regulatory authorities, supervising the operations of telecommunications services providers, promoting fair and orderly market competition among operators, and allocating and administering public telecommunications resources.

On May 24, 2008, the MIIT, the National Development and Reform Commission, or the NDRC, and the Ministry of Finance, or the MOF, jointly issued a joint announcement relating to the further reform of the telecommunications industry in Mainland China, which led to a future restructuring of the then-existing telecommunications services providers. The restructuring resulted in: (i) the acquisition by China Telecom of the CDMA network (including both assets and customer base) then owned by China United Telecommunications Corporation in July 2008; (ii) the merger between China United Telecommunications Corporation and China Netcom to form China Unicom in January 2009; (iii) the transfer of the basic telecommunications services business then operated by China Satellite into China Telecom; and (iv) the consolidation of China Tietong Telecommunications Corporation, or China Tietong, into CMCC in July 2008.

On January 7, 2009, the MIIT issued a CDMA 2000 3G license to China Telecom, a WCDMA 3G license to China Unicom and a TD-SCDMA 3G license to CMCC, our parent company.

As a result of the industry restructuring in 2008 and early 2009, principal participants in the telecommunications industry in Mainland China, other than China Tietong and us, currently also include China Telecom and China Unicom. China Telecom and China Unicom currently operate both mobile and fixed-line telecommunications services. On December 4, 2013, the MIIT granted CMCC permission to authorize us to operate fixed-line telecommunications services.

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Organizational Structure

As of March 31, 2014, CMCC owned 73.66% equity interest in us through intermediate holding companies. We operate in all 31 provinces, autonomous regions and directly-administered municipalities throughout Mainland China and in Hong Kong. As of March 31, 2014, we owned, directly or through intermediate holding companies, 100% equity interests in the following companies:

China Mobile Communication Co., Ltd.	China Mobile Group Hubei Co., Ltd.
China Mobile Group Guangdong Co., Ltd.	China Mobile Group Hunan Co., Ltd.
China Mobile Group Zhejiang Co., Ltd.	China Mobile Group Shaanxi Co., Ltd.
China Mobile Group Jiangsu Co., Ltd.	China Mobile Group Shanxi Co., Ltd.
China Mobile Group Fujian Co., Ltd.	China Mobile Group Neimenggu Co., Ltd.
China Mobile Group Henan Co., Ltd.	China Mobile Group Jilin Co., Ltd.
China Mobile Group Hainan Co., Ltd.	China Mobile Group Heilongjiang Co., Ltd.
China Mobile Group Beijing Co., Ltd.	China Mobile Group Guizhou Co., Ltd.
China Mobile Group Shanghai Co., Ltd.	China Mobile Group Yunnan Co., Ltd.
China Mobile Group Tianjin Co., Ltd.	China Mobile Group Xizang Co., Ltd.
China Mobile Group Hebei Co., Ltd.	China Mobile Group Gansu Co., Ltd.
China Mobile Group Liaoning Co., Ltd.	China Mobile Group Qinghai Co., Ltd.
China Mobile Group Shandong Co., Ltd.	China Mobile Group Ningxia Co., Ltd.
China Mobile Group Guangxi Co., Ltd.	China Mobile Group Xinjiang Co., Ltd.
China Mobile Group Anhui Co., Ltd.	China Mobile Group Design Institute Co., Ltd.
China Mobile Group Jiangxi Co., Ltd.	China Mobile Hong Kong Company Limited
China Mobile Group Chongqing Co., Ltd.	China Mobile International Limited
China Mobile Group Sichuan Co., Ltd.	

In addition, we indirectly own a 99.97% equity interest in China Mobile Device through CMC and a 92% equity interest in China Mobile Finance through China Mobile Group Beijing Co., Ltd., or Beijing Mobile, and directly own a 66.41% equity interest in Aspire Holdings Limited, or Aspire, a company incorporated in the Cayman Islands.

General Information