Financial Review

China's stable yet rapid economic growth and sustained vigorous telecom demand continued to create a favorable operating environment for us. In 2007, we succeeded in achieving another ***record-breaking performance*** for growth in our subscribers, revenue and profits that were attributable from our high quality network, powerful brand, economies of scale and highly effective refined management. Our results continued to be impressive. With the further enhancement of financial strength and capability, we successfully solidified our leading position in China mobile communications market.

Operating revenue for the Group up 20.9 per cent. year-on-year to RMB356,959 million. Earnings continued to enhance. Profit attributable to shareholders increased 31.9 per cent. to RMB87,062 million. Margin of profit attributable to shareholders rose to a high level of 24.4 per cent.. EBITDA reached RMB194,003 million, up 21.6 per cent.. Basic EPS grew 31.0 per cent. to RMB4.35.

Key data of income statement

	2007 RMB million	2006 RMB million	Change %
Operating revenue (Turnover)	**356,959**	295,358	20.9
Usage fees and monthly fees	**247,344**	211,339	17.0
Value-added services fees	**91,609**	69,309	32.2
Other operating revenue	**18,006**	14,710	22.4
Operating expenses	**232,891**	203,433	14.5
Leased lines	**2,330**	2,451	(4.9)
Interconnection	**21,500**	18,783	14.5
Depreciation	**67,354**	64,574	4.3
Personnel	**18,277**	16,853	8.4
Other operating expenses	**123,430**	100,772	22.5
Profit from operations	**124,068**	91,925	35.0
Other net income	**2,323**	2,872	(19.1)
Profit attributable to shareholders	**87,062**	66,026	31.9
EBITDA[1]	**194,003**	159,574	21.6
Basic EPS (RMB)	**4.35**	3.32	31.0

[1] *China Mobile defines EBITDA as profit for the year before taxation, finance costs, interest income, non-operating net income, depreciation and amortization of other intangible assets.*

Key data of balance sheet

	2007 RMB million	2006 RMB million	Change %
Current assets	**207,635**	171,507	21.1
Non-current assets	**355,858**	323,169	10.1
Total assets	**563,493**	494,676	13.9
Current liabilities	**154,953**	140,607	10.2
Non-current liabilities	**34,301**	34,696	(1.1)
Total liabilities	**189,254**	175,303	8.0
Minority interests	**488**	371	31.5
Shareholders' equity	**373,751**	319,002	17.2

Key data of cash flow

	2007 RMB million	2006 RMB million	Change %
Net cash generated from operating activities	**168,612**	149,346	12.9
Net cash used in investing activities	**(123,039)**	(118,841)	3.5
Net cash used in financing activities	**(37,276)**	(23,587)	58.0
Free cash flow[2]	**63,473**	62,358	1.8
Total cash and bank balances[3]	**188,544**	153,461	22.9

[2] *China Mobile defines free cash flow as net cash generated from operating activities less investments incurred in capital expenditure. Free cash flow is a measure we use internally to evaluate our cash flow performance, but is not a measure of financial performance in accordance with generally accepted accounting principles. "Free cash flow" should not be used to determine the financial position of the Group. There is only limited comparability between China Mobile's definition of free cash flow and methods of calculating this measure and similarly designated measures and disclosures of other companies.*

[3] *Total cash and bank balances represent cash and cash equivalents and bank deposits.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary of Financial Results

For China Mobile, the year 2007 continued to benefit from China's rapid economic growth and continuous vigorous telecommunications demand. The Group's financial performance again marked an impressive results that was supported by our high quality network, powerful brand advantages, increasingly apparent economies of scale and highly effective refined management.

Our three forces of growth, namely new customers, new business and new voice usage, continued to drive the Group's financial performance. Total operating revenue of the Group for 2007 reached RMB356,959 million (all monetary amounts below are expressed in RMB, unless otherwise specified), up 20.9 per cent.. Among these, value-added business continued to demonstrate its strong growth momentum and generated 91,609 million of revenue, an increase of 32.2 per cent. as compared to the previous year. The contribution to total operating revenue reached 25.7 per cent..

In order to support the positive development of subscribers, voice usage and new business, as well as to maintain the Company's competitiveness and capabilities to sustain healthy development, we focused on boosting our future competitiveness and strengthening resource allocation. We increased our investments in sales channels, customer service, network optimization, support system and R&D. Accordingly, operating expenses reached 232,891 million, up 14.5 per cent.. Such percentage of increase, however, was lower than the percentage increase of operating revenue. In addition, average operating expenses per user per month and per minute continued to decline. This further demonstrated the effectiveness of the Group's refined cost management and economies of scale.

Profit attributable to shareholders was 87,062 million, up 31.9 per cent. year-on-year. Margin of profit attributable to shareholders reached a relatively high level of 24.4 per cent.. EBITDA was 194,003 million, up 21.6 per cent. year-on-year, giving a margin of 54.3 per cent.. Basic EPS was 4.35, rose 31.0 per cent. year-on-year. This reflected a relatively high level of profitability growth and earnings capability.

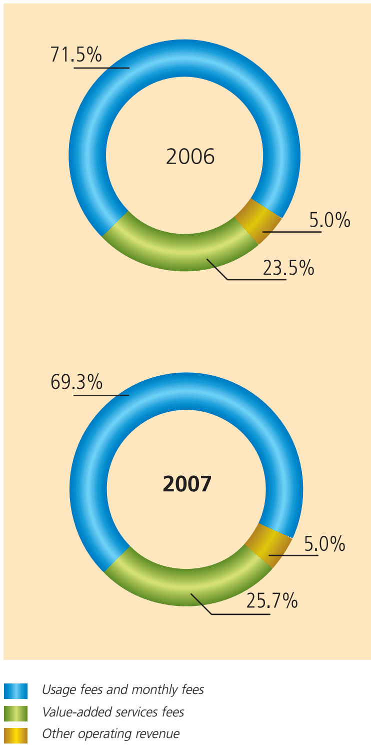
The Group sustained its robust cash flow as a result of favorable business growth, effective cost control measures, efficient capital expenditure and economies of scale. Net cash generated from operating activities and free cash flow reached 168,612 million and 63,473 million, respectively. Total debt to total book capitalization ratio and interest coverage multiple remained at a sound level. Each of Moody's and Standard & Poor's further upgraded the Company's corporate credit rating in 2007. This reflected China Mobile's commitment to consistently practise its prudent management discipline has earned good market recognition.

Operating Revenue (Turnover)

Operating revenue for 2007 reached 356,959 million, up 20.9 per cent.. The Group continued to advocate and actively pursue rational competition. Various ongoing efforts focused on enhancing innovative capabilities and expanding rural market were on the agenda. Subscriber base continued growing at a high-speed momentum. Average net increase in number of subscribers exceeded 5.67 million per month. In responding to regulatory requirement and market demand, tariff adjustment was introduced. Customer demands were satisfied and at the same time, voice usage volume was further stimulated. Total minutes of usage rose to 1,818.89 billion minutes, up 45.3 per cent. year-on-year. The rapid growth of subscriber base, voice usage volume and value-added business provided a strong support for the positive growth for operating revenue and ARPU stability.

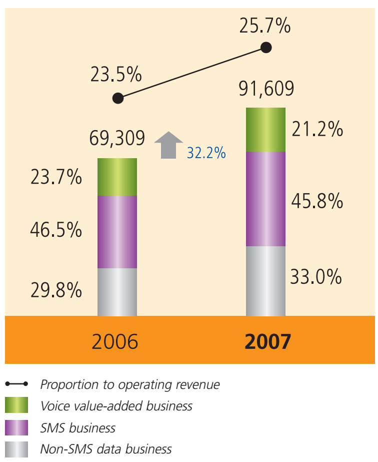
Active value-added product innovation and business promotion also drove forward growth in value-added business. The contribution to revenue growth was increasingly notable. In 2007, revenue from value-added business reached 91,609 million, accounting for 25.7 per cent. of the Group's total operating revenue. Revenue from Short Message Services (SMS) and non-SMS data businesses reached 41,935 million and 30,256 million, respectively and contributed a total of 78.8 per cent. to the Group's value-added business revenue. While the SMS business continued to maintain at a relatively high growth momentum, the contribution of other value-added businesses such as "Color Ring", WAP and Multimedia Messaging Services (MMS) to revenue increased notably. Businesses such as "Wireless Music Club", "Fetion" and Mobile Paper also demonstrated a rapid growth. Overall revenue structure for value-added business was further optimized.

Operating Revenue Distribution

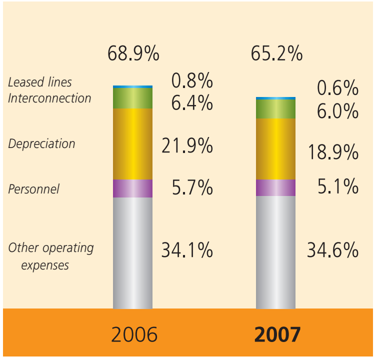


Value-added Services Fees

(RMB million)



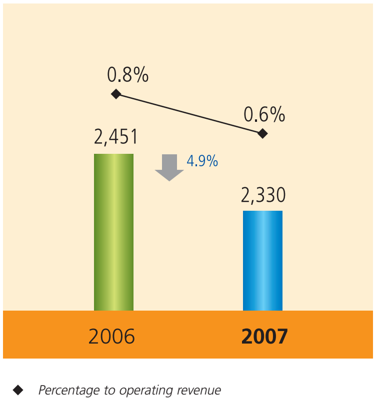
Cost Structure



Note: *Each of above percentage represents the proportion of the operating expense to operating revenue.*

Leased Lines

(RMB million)



Operating Expenses

With an effort focusing on boosting China Mobile's future competitiveness, the Company consistently upholds its doctrines of rational investment, effective resource allocation, forward-looking planning and effective refined management in cost allocations. In 2007, the percentage increase in operating expenses was lower than the percentage increase in operating revenue, giving a more rationalized cost structure and apparent economies of scale. Operating expenses were 232,891 million, increased 14.5 per cent. year-on-year and amounted to 65.2 per cent. of the total operating revenue, representing a decline of 3.7 percentage points from the previous year. Average operating expenses per user per month were 58.2, falling by 5.9 per cent.. Average operating expenses per minute of usage were 0.128, falling by 21.2 per cent.. China Mobile commits to continuously pursue effective refined management on cost effectiveness and optimize the cost structure to achieve the best returns at least costs.

Leased Lines

Self-constructed and jointly-constructed lines reached a sizeable scale through the continuous network structure optimization. The Group's leased line expenses reflected a declining trend. While various businesses were growing at a high pace, the leased line expenses decreased by 121 million.

Interconnection

Interconnection expenses increased by 2,717 million in 2007 as a result of the sustained growth in subscriber base and voice usage volume.

The Group increased its efforts to optimize network structure, carefully reorganized and re-routed traffic volume through effective marketing strategies. The proportion of voice usage volume within the network continued to increase. Interconnection expenses to total operating revenue reflected a declining trend.

Depreciation

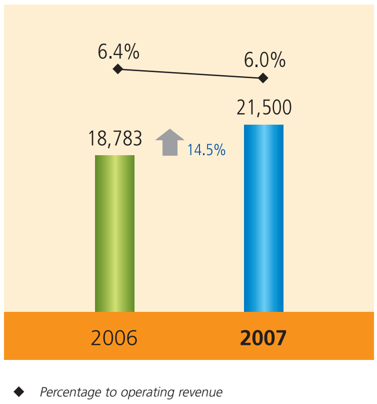
With the continuous evolution of telecommunications technology and in order to cope with the increasing business, the Group commenced a full scale investment in soft switching center equipment in 2007. Following on the Group's assessment and evaluation on existing network equipment, the Group revised the estimated useful lives of its switching center equipment (excluding soft switching center equipment) from seven years to five years in the first half of 2007. This revision fairly reflected the actual utilization of the assets and also demonstrated the consistency in the Company's prudent financial discipline. The additional depreciation expense as a result of the revision in estimated useful lives was 6,516 million.

Personnel

The Group continued to strengthen the efficiency of its human capital management and incentive mechanism to enhance its human resources development. By considerably enriching competitiveness of human capital, personnel expenses rose by 1,424 million (partly offset by the reduction in share-based payment). The percentage increase in personnel expenses and the ratio of personnel expenses to operating revenue declined considerably comparing to previous year. As of 31 December 2007, the Group had a total of 127,959 employees.

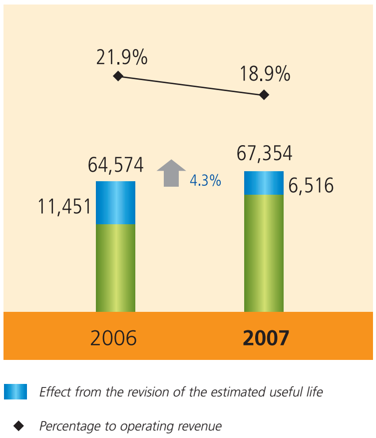
Interconnection

(RMB million)



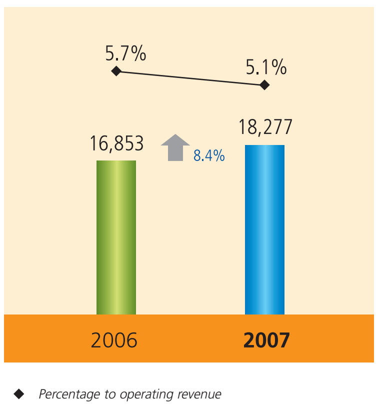
Depreciation

(RMB million)



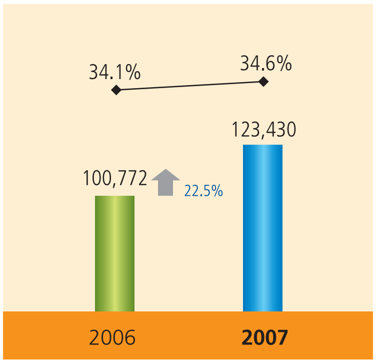
Personnel

(RMB million)



Other Operating Expenses

(RMB million)



◆ Percentage to operating revenue

Other Operating Expenses

Other operating expenses (consisting primarily of expenses for selling and promotion, network maintenance, operating lease, labor service expenses, bad debts, asset write-offs, administration and others) increased by 22,658 million in 2007. In order to boost its future competitiveness, the Group increased its investments in sales channels, customer service, network optimization, support system and R&D to support the Group's rapid and robust business growth. As a result, other operating expenses such as selling and promotion expenses, network maintenance expenses and operating lease expenses increased accordingly. In addition, other operating expenses also included expenses of 7,535 million for 258,123 labor sourced by third parties. In view of the Group's continuous efforts in monitoring customer credit and stringent control over defaults in payment by customers, the Group successfully restrained its bad debt ratio to a relatively low level of 1.08 per cent.. Furthermore, in order to meet the demand of new technology and development of new business, the Group continued to upgrade certain outdated equipment by writing off and disposing of a total of 2,777 million in 2007. This further improved the assets quality and better preparing itself for the network transition to next generation as well as the development of new business in the future.

EBITDA, Profit from Operations and Profit Attributable to Shareholders

The Group consistently endeavored to drive long-term, sustainable and favorable profitability growth. Margin of profit attributable to shareholders and EBITDA margin in 2007 remained relatively high at 24.4 per cent. and 54.3 per cent., respectively. Profit from operations was 124,068 million and maintained a rapid and steady growth. EBITDA, profit attributable to shareholders and basic EPS were 194,003 million, 87,062 million and 4.35, respectively.

These commendable earnings performance and the continuous improvement on earnings level once again reflected the Group's ceaseless efforts in generating greater returns and creating value for its shareholders. At the same time, along with the favorable revenue growth, these results also reflected the Group's efforts in optimizing resource allocation and management efficiencies on operating expenses and economies of scale. Operational efficiency of the Group was further enhanced.

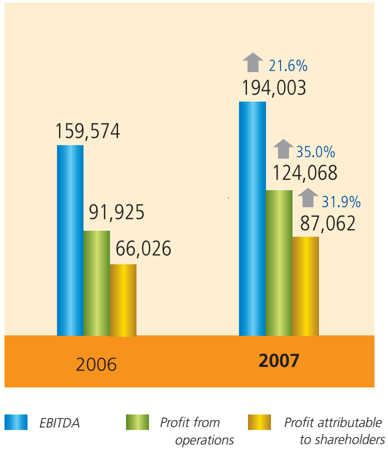
Cash Flow, Capital Structure and Credit Rating

Cash Flow and Cash Management

In 2007, the Group continued generating strong cash flow. The Group's net cash generated from operating activities was 168,612 million and free cash flow was 63,473 million. At the end of 2007, the Group's total cash and bank balances were 188,544 million, of which 95.7 per cent., 0.4 per cent. and 3.9 per cent. were denominated in RMB, U.S. dollars and Hong Kong dollars, respectively.

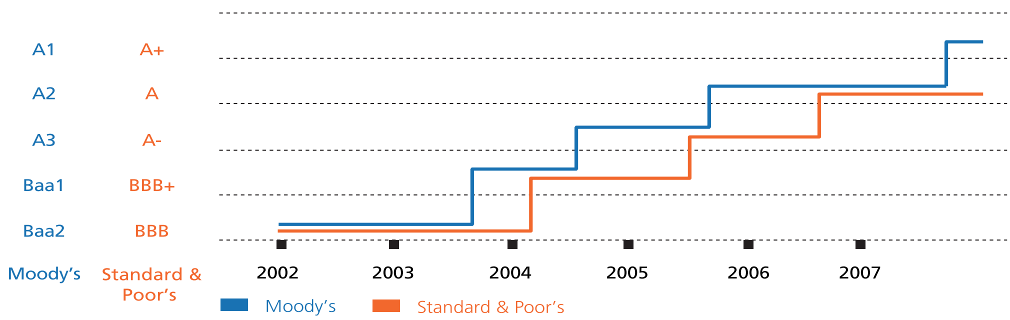
In order to strengthen the safe custody of cash and reduce cost of capital, the Group continued to reinforce its centralized fund management function and make appropriate allocations of overall capital, thereby enhancing the Group's ability to effectively deploy internal funds with maximum utility. The robust cash flow and strong capital management further provided a solid foundation for the long-term development of the Group.

EBITDA, Profit from Operations and Profit Attributable to Shareholders
(RMB million)



Cash Flow
(RMB million)

Credit Rating



Capital Structure

At the end of 2007, the sum of the Group's long-term and short-term debts were 35,503 million in aggregate, and its total debt to total book capitalization ratio (with total book capitalization representing the sum of total debt and shareholders' equity) was 8.7 per cent., reflecting the Group's financial position continued to remain at a sound level.

Of the total borrowings, 33.4 per cent. were in RMB (consisting principally of RMB bonds), and 66.6 per cent. were in U.S. dollars (consisting principally of the balances of the deferred consideration for the acquisition of the eight and the ten provincial telecommunications operators). Approximately 80.8 per cent. of the Group's borrowings were made at floating interest rates. The effective average interest rate of borrowings of the Group was approximately 5.19 per cent.. The effective interest coverage multiple (ratio of profit before interest and tax to finance costs) was 70 times. This reflected the consistency of the prudent financial risk management principle adopted by the Group, as well as its solid cash flow generation and sound repayment capability.

Credit Rating

In 2007, with the upgrading of China's sovereign credit rating, Standard & Poor's upgraded the Company's corporate credit rating from A/Outlook Stable to A/Positive Outlook. At the same time, Moody's also upgraded the Company's corporate credit rating from A2/Positive Outlook to A1/Outlook Stable. These ratings demonstrated that the Group's sound financial strengths, huge business opportunities and solid financial management have established wide and deep market recognition.

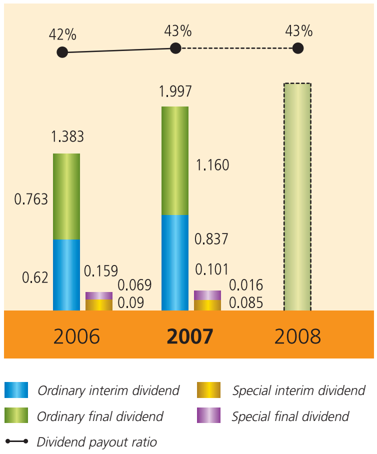
Dividends

China Mobile determines and commits to hold in the highest regard the interests of its shareholders and the returns achieved for them, especially the minority shareholders. In consideration of the Company's remarkable operating results in year 2007 and having taken into account its long-term future development, the Board recommends payment of an ordinary final dividend of HK$1.160 per share for the financial year ended 31 December 2007 in accordance with the dividend payout planned for the full year of 2007. This, together with the ordinary interim dividend of HK$0.837 per share that were paid in 2007, amounts to an aggregate ordinary dividend payment of HK$1.997 per share for the full financial year of 2007, representing an increase of 44.4 per cent. over the annual dividend of HK$1.383 per share for the full year of 2006. Dividend payout ratio for the year 2007 was 43 per cent.. In addition, whilst the profit and dividend per share for the year 2007 continued to maintain favorable growth, the Board, having taken into account the interest of the Company's shareholders, recommends payment of a special final dividend in 2007 of HK$0.016 per share for the effect on the profit attributable to shareholders resulting from the revision of depreciation policy in 2007. This, together with the special interim dividend of HK$0.085 per share that were paid in 2007, amounts to a special dividend payment of HK$0.101 per share for the full financial year of 2007.

Having taken into account various relevant factors such as the overall financial condition, cash flow generating capabilities and future development, the Company plans the dividend payout ratio for the full year of 2008 to be 43 per cent..

Dividend and Dividend Payout Ratio

(HK$)



The Board is of the view that the Company's outstanding operating results and strong cash flow generating capability will provide sufficient support to the future development of the Company, while providing shareholders with a favorable return. The Company will endeavor to achieve a longer term sustainable, steadily increasing dividend, with a view to generating the best possible return for its shareholders.

China Mobile will continuously and consistently pursue its prudent financial discipline and adhere to efficient financial risk management with an aim to strive for stable profitability and robust cash generating capability. In addition, China Mobile will focus on forward-looking optimization of resource allocation and maintain a stable debt level with a view to continuously generating greater returns for its shareholders.