

China Mobile Limited
Stock Code: 941



Visionary
擇高處立 · 向寬處行
Inclusive

Annual Report 2016 ●





20 years of excellence

1997

3 SEPTEMBER

China Telecom (Hong Kong) Limited was incorporated in Hong Kong and later changed its name to China Mobile (Hong Kong) Limited and its name was subsequently changed to China Mobile Limited (the "Company").

22 & 23 OCTOBER

The Company raised US\$4.2 billion in its initial public offering, with its shares listed on the NYSE and HKEX, respectively.

1997

1998

4 JUNE

The Company completed the acquisition of Jiangsu Mobile.

1999

12 NOVEMBER

The Company completed the acquisition of Fujian Mobile, Henan Mobile and Hainan Mobile.

2000

2000

28 JUNE

The Company changed its name to China Mobile (Hong Kong) Limited.

13 NOVEMBER

The Company completed the acquisition of 7 provincial mobile companies including Beijing and Shanghai.

2002

1 JULY

The Company completed the acquisition of 8 provincial mobile companies including Anhui and Jiangxi.

2004

2004

1 JULY

The Company completed the acquisition of 10 provincial mobile companies including Neimenggu and Jilin, China Mobile Communication Co., Ltd ("CMC") and Beijing P&T Consulting & Design Institute Company Limited. The Company became the first overseas-listed PRC telecommunications company operating in all 31 provinces, autonomous regions and directly-administered municipalities in Mainland China.

Theme:

Striving to achieve a higher position in our journey towards Internet of Everything, we bolster our competitive advantages and consolidate around our core strengths in this wave of information technology progress. We address stakeholder needs and strike a balance between short-term interests and long-term development, cultivating a healthy ecosystem with the ultimate goal of achieving sustainable growth.

2006

28 MARCH

The Company completed the acquisition and privatization of former China Resources Peoples Telephone Company Limited and became a wholly-owned subsidiary which later changed its name to China Mobile Hong Kong Company Limited.

29 MAY

The Company changed its name to China Mobile Limited.

2012

23 AUGUST

The Company's wholly-owned subsidiary, CMC, entered into a share subscription agreement with IFLYTEK Co., Ltd. ("IFLYTEK") to acquire 70,273,935 ordinary shares of IFLYTEK, representing 15% of its enlarged issued share capital, in an effort to speed up our mobile Internet deployment.

2014

9 JUNE

The Company agreed to, through its wholly-owned subsidiary, subscribe for shares in True Corporation Public Company Limited ("True Corporation") in Thailand through a private placement for a total consideration of approximately RMB5.5 billion. Upon completion of the transaction, the Company indirectly holds 18% equity interest in True Corporation.

2010

2010

10 MARCH

The Company's wholly-owned subsidiary, Guangdong Mobile and Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank"), entered into a share subscription agreement to acquire 20% interest in SPD Bank at a consideration of RMB39.5 billion. Completion of the subscription took place in October.

On 25 November, China Mobile Limited and SPD Bank entered into a strategic cooperation agreement, thereby officially commenced their cooperation in areas of mobile finance and mobile e-Commerce businesses.

2012

2013

4 DECEMBER

China Mobile Communications Corporation ("CMCC") (the Company's parent company) was granted a 4G (TD-LTE) license. The Company has thus taken the lead in launching its 4G services.

18 DECEMBER

The Company launched the new commercial brand "and!".

2014

11 JULY

The Company together with China Telecom and China Unicom jointly established China Communications Facilities Services Corporation Limited (subsequently renamed as China Tower Corporation Limited) ("China Tower").



2015

OCTOBER

The Company completed its transfer of existing telecommunications towers and related assets to China Tower. After China Tower's issue of new shares to the Company pursuant to the transaction agreement, the Company, through its subsidiary, holds a 38.0% shareholding interest in China Tower.

2016

The Company's growth rate of revenue from telecommunications services achieved a five-year high and ranked the first in the industry.

Wireless data traffic revenue became the biggest revenue source for the first time in the Company's history, surpassing the combined revenue of voice, SMS (Short Message Service) and MMS (Multimedia Messaging Service).

2015

2017

27 NOVEMBER

The Company, through its wholly-owned subsidiary, China Mobile TieTong Company Limited, entered into an acquisition agreement with China TieTong Telecommunications Corporation ("TieTong") (a wholly-owned subsidiary of CMCC) to acquire TieTong's assets and businesses at a final consideration of RMB31.967 billion. This acquisition enables the Company to obtain a wireline broadband license and resources.

2017

Reaching its 20th anniversary of listing, the Company has become a world-class telecommunications operator with the world's largest network and customer base, industry-leading profitability and market capitalization.

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Company Profile

China Mobile Limited (the “Company”, and together with its subsidiaries, the “Group”) was incorporated in Hong Kong on 3 September 1997. The Company was listed on the New York Stock Exchange (“NYSE”) and The Stock Exchange of Hong Kong Limited (“HKEX” or the “Stock Exchange”) on 22 October 1997 and 23 October 1997, respectively. The Company was admitted as a constituent stock of the Hang Seng Index in Hong Kong on 27 January 1998.

As the leading telecommunications services provider in Mainland China, the Group provides full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout Mainland China and in Hong Kong Special Administrative Region, and boasts the world’s largest mobile network and the world’s largest mobile customer base. Its businesses primarily consist of mobile voice and data business, wireline broadband and other information and communications services. As of 31 December 2016, the Group had a total of 460,647 employees, 849 million mobile customers and 77.62 million wireline broadband customers with its annual revenue exceeding RMB700 billion.

The Company’s ultimate controlling shareholder is CMCC, which, as of 31 December 2016, indirectly held approximately 72.72% of the total number of issued shares of the Company. The remaining approximately 27.28% was held by public investors.

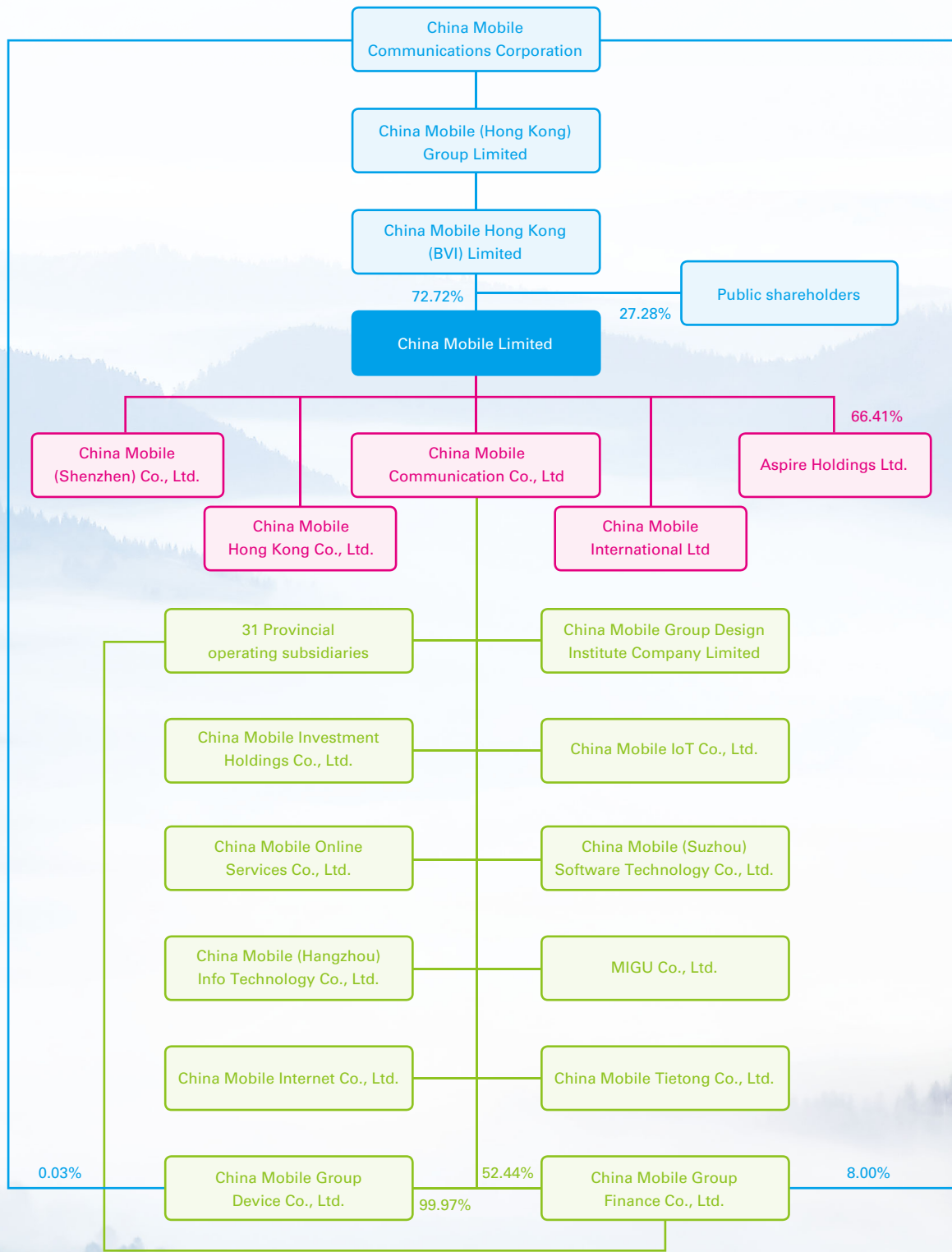
In 2016, the Company was once again selected as one of “The World’s 2,000 Biggest Public Companies” by Forbes magazine, and recognized again on the Dow Jones Sustainability Emerging Markets Index. Currently, the Company’s corporate credit ratings are equivalent to China’s sovereign credit ratings, namely, AA-/Outlook Negative from Standard & Poor’s and Aa3/Outlook Negative from Moody’s.



COMPANY PROFILE

China Mobile Organizational Structure and Majority Shareholding

- * As of 31 December 2016
- * Except those indicated, the rest are wholly-owned.



China Mobile Group Beijing Co., Ltd holds 39.56%

Corporate Recognitions

"Asiamoney"
Best Managed Large Cap in China

"The Asset"
The Asset Platinum Award



“Corporate Governance Asia”
Asia’s Outstanding Company on
Corporate Governance

“Corporate Governance Asia”
Asian Corporate Director Recognition
Award

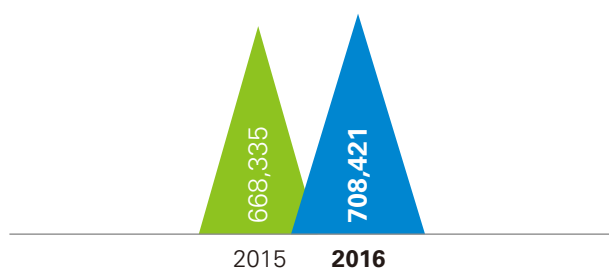


Financial Highlights

	2015	2016
Operating revenue (RMB million)	668,335	708,421
Of which: Revenue from telecommunications services (RMB million)	584,089	623,422
EBITDA ¹ (RMB million)	240,028	256,677
EBITDA margin ²	35.9%	36.2%
EBITDA as % of revenue from telecommunications services	41.1%	41.2%
Profit attributable to equity shareholders (RMB million)	108,539	108,741
Margin of profit attributable to equity shareholders ³	16.2%	15.3%
Basic earnings per share (RMB)	5.30	5.31
Dividend per share – Interim (HK\$)	1.525	1.489
– Final (HK\$)	1.196	1.243
– Full year (HK\$)	2.721	2.732

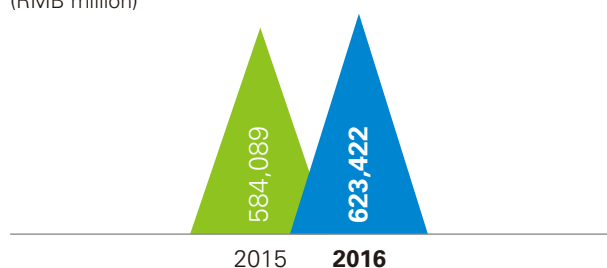
Operating Revenue

(RMB million)



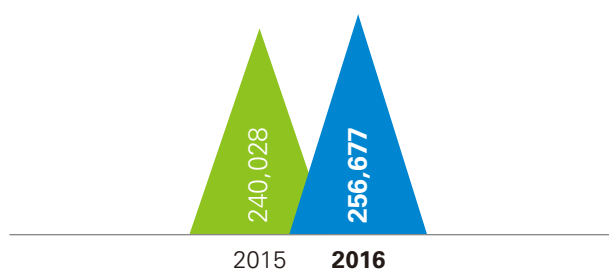
Revenue from Telecommunications Services

(RMB million)



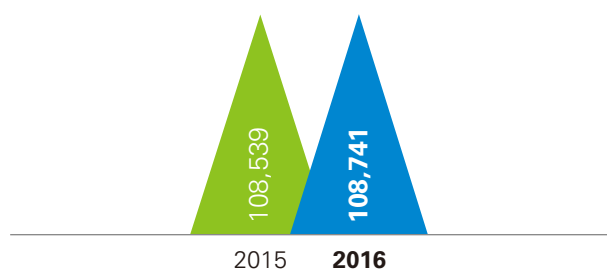
EBITDA

(RMB million)



Profit Attributable to Equity Shareholders

(RMB million)



¹ The Company defines EBITDA as profit for the year before taxation, share of profit of investments accounted for using the equity method, finance costs, interest income, other gains, depreciation, amortization of other intangible assets and gain on the transfer of Tower Assets.

² EBITDA margin = EBITDA/Operating revenue

³ Margin of profit attributable to equity shareholders = Profit attributable to equity shareholders/Operating revenue

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS



MR. SHANG BING

Age 61, Executive Director and Chairman of the Company, in charge of the overall management of the Company, joined the Board of Directors of the Company in September 2015. He is currently the Chairman of CMCC and a director and the Chairman of CMC. Mr. Shang formerly served as a Director of Industrial Technology Development Centre in Liaoning Province, a General Manager of Economic and Technological Development Company in Liaoning Province, a General Manager of China United Telecommunications Corporation Liaoning Branch, a Director and President of China United Telecommunications Corporation, an Executive Director and President of China United Telecommunications Corporation Limited and China Unicom Limited, a Vice President of China Telecommunications Corporation, an Executive Director, President and Chief Operating Officer of China Telecom Corporation Limited and the Vice Minister of the Ministry of Industry and Information Technology of China (the "MIIT"). Mr. Shang graduated from Shenyang Chemical Industry Institution with a Bachelor's degree in 1982. He received a Master's degree in business administration from the State University of New York in 2002 and a Doctor's degree in business administration from the Hong Kong Polytechnic University in 2005. Mr. Shang is a senior economist and has spent many years working in basic telecommunications enterprises, with extensive experience in enterprise management and telecommunications industry.



MR. LI YUE

Age 57, Executive Director and Chief Executive Officer of the Company, in charge of the operation and strategic development of the Company, joined the Board of Directors of the Company in March 2003. He is also the President and Director of CMCC and CMC. Mr. Li started his career in 1976 and previously served as Deputy Director General and Chief Engineer of Tianjin Long-Distance Telecommunications Bureau, Deputy Director General of Tianjin Posts and Telecommunications Administration, President of Tianjin Mobile Communications Company, Deputy Head of the preparatory team and Vice President of CMCC, Chairman of Aspire, non-executive director of Phoenix Satellite Television Holdings Limited and Chairman of Union Mobile Pay Limited. Mr. Li holds a Bachelor's degree in telephone exchange from the Correspondence College of Beijing University of Posts and Telecommunications, a Master's degree in business administration from Tianjin University and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer and had won many national, provincial and ministerial level scientific and technological progress awards. Mr. Li has been engaging in telecommunications network operations and maintenance, planning and construction, operational management, development strategies and has many years of experience in the telecommunications industry.

BIOGRAPHIES OF DIRECTORS AND
SENIOR MANAGEMENT



MR. LIU AILI

Age 53, Executive Director and Vice President of the Company, principally in charge of planning and construction, human resources of the Company, joined the Board of Directors of the Company in March 2006. He is also a Vice President of CMCC, a Director and Vice President of CMC, a Vice President of China Internet Infrastructure Resources Association, and Chairman of China Tower Corporation Limited (formerly known as China Communications Facilities Services Corporation Limited). He previously served as Deputy Director General of Shandong Mobile Telecommunications Administration, Director General of Shandong Mobile Telecommunications Administration and General Manager of Shandong Mobile Communications Enterprises, Vice President of Shandong Mobile Communications Company, Director-General of Network Department of CMCC, Chairman and President of China Mobile Group Shandong Company Limited and China Mobile Group Zhejiang Company Limited, Chairman of CMPak Limited, and a non-executive director of China Communications Services Corporation Limited. Mr. Liu graduated from Heilongjiang Posts and Telecommunications School with an associate degree. Mr. Liu also received a Master of Management degree from Norwegian School of Management BI and a Doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.



MR. SHA YUEJIA

Age 58, Executive Director and Vice President of the Company, principally in charge of marketing, corporate customer and international businesses of the Company, joined the Board of Directors of the Company in March 2006. He is also a Vice President of CMCC, a Director and Vice President of CMC, non-executive director of Phoenix Satellite Television Holdings Limited and Shanghai Pudong Development Bank Co., Ltd.. He previously served as Director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, President of Beijing Telecommunications Planning Design Institute, Deputy Director General of Beijing Telecommunications Administration, Vice President of Beijing Mobile Communications Company, and Chairman and President of China Mobile Group Beijing Company Limited. Mr. Sha graduated from Beijing University of Posts and Telecommunications, and received a master's degree from the Academy of Posts and Telecommunications of the Ministry of Posts and Telecommunications and a Doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.

BIOGRAPHIES OF DIRECTORS AND
SENIOR MANAGEMENT

MR. DONG XIN

Age 50, Executive Director, Vice President and Chief Financial Officer of the Company, principally in charge of corporate affairs, finance, internal audit, legal matters and investor relations of the Company, joined the Board of Directors of the Company in March 2017. He is also a Vice President and General Counsel of CMCC. Mr. Dong formerly served as a Deputy Director of Corporate Finance Division of Finance Department of the former Ministry of Posts and Telecommunications, a Director of Economic Adjustment Division of the Department of Economic Adjustment and Communication Clearing of the former Ministry of Information Industry of China, Director General of the Finance Department of CMCC, Chairman and President of China Mobile Group Hainan Company Limited, Director General of the Planning and Construction Department of CMCC, Chairman and President of China Mobile Group Henan Company Limited and China Mobile Group Beijing Company Limited. Mr. Dong received a Bachelor's degree from Beijing University of Posts and Telecommunications in 1989, a Master's degree in financial and accounting management from Australian National University, and a Doctoral degree in business administration jointly issued by Shanghai Jiao Tong University and ESC Rennes School of Business, France. Mr. Dong is a senior engineer and senior accountant with many years of experience in the telecommunications industry and financial management.

INDEPENDENT NON-EXECUTIVE
DIRECTORS

MR. FRANK WONG KWONG SHING

Age 69, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in August 2002. He was appointed Chairman of the Audit Committee in May 2013. He currently also serves as the Non-Executive Director of PSA International Pte Ltd and PSA Corporation Limited in Singapore. He previously served as Vice Chairman of DBS Bank in Singapore, Chairman of DBS Bank (Hong Kong) in Hong Kong and DBS Bank (China) in China and was a member of the Boards of DBS Bank and DBS Group Holdings. Early on in his professional career, Mr. Wong held a series of progressively senior positions at Citibank, JP Morgan and NatWest. More recently, Mr. Wong was the Chairman and Independent Non-Executive Director of Mapletree Greater China Commercial Trust Management Ltd, an Independent Non-Executive Director of Industrial and Commercial Bank of China Limited (China), Mapletree Investments Pte Ltd and National Healthcare Group Pte Ltd in Singapore. Committed to public service, he had held various positions with Hong Kong government bodies including Chairman of the Hong Kong Futures Exchange between 1993 and 1998 and member of HKSAR's Financial Services Development Council between 2013 and 2015.

BIOGRAPHIES OF DIRECTORS AND
SENIOR MANAGEMENT



DR. MOSES CHENG MO CHI, GBS, OBE, JP

Age 67, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in March 2003. He was appointed as the Chairman of the Remuneration Committee in May 2016. Dr. Cheng is a practising solicitor and a consultant of Messrs. P.C. Woo & Co. after serving as its Senior Partner from 1994-2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng currently holds directorships in Liu Chong Hing Investment Limited, China Resources Beer (Holdings) Company Limited, Towngas China Company Limited, Kader Holdings Company Limited, K. Wah International Holdings Limited, Guangdong Investment Limited and Tian An China Investments Company Limited, all of which are public listed companies in Hong Kong. He is also an independent non-executive director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited. His other directorships in public listed companies in the last 3 years includes Hong Kong Television Network Limited (formerly known as City Telecom (H.K.) Limited).



MR. PAUL CHOW MAN YIU, GBS, SBS, JP

Age 70, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in May 2013. He was appointed as the Chairman of the Nomination Committee in May 2016. He was an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010, the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003, the Chairman of Hong Kong Cyberport Management Company Limited from June 2010 to May 2016 and an independent non-executive director of Bank of China Limited from October 2010 to August 2016. Mr. Chow currently serves as a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region, an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd, and CITIC Limited.

BIOGRAPHIES OF DIRECTORS AND
SENIOR MANAGEMENT**MR. STEPHEN YIU KIN WAH**

Age 56, an Independent Non-Executive Director of the Company, joined the Board of Directors and the Audit Committee of the Company in March 2017. Mr. Yiu is currently a Non-Executive Director of the Insurance Authority and a Council member of The Hong Kong University of Science and Technology. Mr. Yiu has also been appointed as an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited, with effect from the conclusion of its annual general meeting to be held on 26 April 2017. Mr. Yiu joined the global accounting firm KPMG ("KPMG") in Hong Kong in 1983 and was seconded to KPMG in London, the United Kingdom from 1987 to 1989. Mr. Yiu became a partner of KPMG in 1994, served as the Partner in Charge of Audit of KPMG from 2007 to 2010, and served as the Chairman and Chief Executive Officer of KPMG China and Hong Kong as well as a member of the Executive Committee and the Board of KPMG International and KPMG Asia Pacific from April 2011 to March 2015. Mr. Yiu formerly also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants. Mr. Yiu is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of England and Wales. Mr. Yiu received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a master's degree in business administration from the University of Warwick in the United Kingdom.





Aiming high,
our journey
begins with
a firm step.



Chairman's Statement

Being at the helm of China Mobile makes me reflect on my own beliefs in life — in particular that a true leader is not only measured by accomplishments he achieved and the heights he aspires to attain, but also by his all-embracing magnanimity. Only by doing this can we broaden our perspective and sustain our development. This wave of information technology progress brings ample opportunities, as well as challenges, for the industry. It will test our ability to adapt and generate new momentum, without losing sight of the unique aspects of China Mobile. I feel privileged to have the mission of steering this large ship at this point, positioning ourselves as the visionary industry leader and travelling forward to a period of inclusive growth for the Company.

“Big Connectivity” is our response to this vision. In 2016, China Mobile set out this overarching strategy, together with the “four growth engines”, that will guide us toward balanced development. This was a result of a comprehensive process of thorough research, brainstorming and deliberation. We have created a development blueprint for the next five years that commits China Mobile to expanding our network connectivity, optimising our services and strengthening applications within our network to lay the foundations for the Internet of Everything and developing innovative digital services.

Looking back at 2016, I am very pleased with the outstanding results that China Mobile has achieved in the period. And now turning to the future, my team and I will continue to work together, remaining committed to creating a brighter future for China Mobile and more value for our investors.



CHAIRMAN'S STATEMENT

Dear Shareholders,

China Mobile achieved outstanding results on all fronts in 2016, maintaining our market leading profitability among all global telecommunications operators and laying a solid foundation for future growth. These hard-earned results were particularly encouraging against a backdrop of rapidly advancing information network and technology, an evolving business landscape and accelerating convergence in the information and communications technology industry, coupled with ever-changing external and internal operating environments. The results demonstrated our ability to harness new trends as well as our focus on innovation and delivering ever-greater value. The timely implementation of the "Big Connectivity" strategy helped us to not only speed up our business transformation but also to consolidate our position as the market leader.

2016 PERFORMANCE

China Mobile's operating revenue reached RMB708.4 billion in 2016, representing an increase of 6.0% from the previous year. The growth rate of revenue from telecommunications services stood at 6.7%, achieving a five-year high and ranking the first in the industry. Our revenue structure improved further with wireless data traffic revenue increasing by 43.5% from the previous year, accounting for 46.2% of revenue from telecommunications services. Wireless data traffic became the biggest revenue source in 2016 for the first time in the Company's history, surpassing the combined revenue of voice, SMS (Short Message Service) and MMS (Multimedia Messaging Service).

Profit attributable to equity shareholders reached RMB108.7 billion in 2016, or basic earnings per share of RMB5.31. Excluding the one-off gain in 2015 on the transfer of Tower Assets, profit attributable to equity shareholders increased by 10.5% in 2016.

Exceeding investors' expectations is our overriding priority. We hope to create better returns for our shareholders and share with them the fruits of our success, while also securing the Company's development and maintaining shareholder value in the longer term.

To this end, the Board recommends the dividend payout ratio of 46% for the full financial year of 2016. The Board recommends payment of a final dividend of HK\$1.243 per share, together with the interim dividend of HK\$1.489 per share paid earlier, this amounts to an aggregate dividend payment of HK\$2.732 per share for the full 2016 financial year. Taking into account the Company's financial position, its ability to generate cash flow and its capital demands for future development, the Company will maintain a stable dividend payout ratio for the full financial year of 2017, striving to attain a stable-to-rising dividend payout ratio to create higher shareholder value.

For a more detailed analysis of operating and financial performance in 2016, please refer to the "Business Review" and "Financial Review" sections.

OUTSTANDING ACHIEVEMENTS IN BUSINESS TRANSFORMATION

Harnessing the rapid developments in technology and business trends and aligning with our goal for inclusive development, our initiatives in accelerating business transformation driven by the "four growth engines" have yielded encouraging results in 2016.

Telecommunications Services Revenue +6.7%
Reached 5-year High
Ranked 1st in Industry



CHAIRMAN'S STATEMENT

We maintained our market leading position in terms of the overall development of 4G business, particularly in the areas of coverage and network quality. In 2016, we had a net addition of 223 million 4G customers, bringing the total number of 4G customers to 535 million. The 4G penetration rate of our mobile customers reached 63.0% and we have acquired the largest customer base. We have the world's largest 4G network and added a further 0.4 million 4G base stations to our network in 2016, increasing the total number of stations to 1.51 million and covering a population of more than 1.3 billion. Our average download speed on urban roads reached 40Mbps. We launched high quality commercial VoLTE (Voice over LTE) services in more than 300 cities. These were all part of our continued efforts to enhance our industry-leading 4G customer experience and business application. The TD-LTE key technology and application for 4G, which China Mobile took pride in and contributed significantly to developing, won the Outstanding Prize in the 2016 National Science and Technology Progress Awards. The broader application of the TD-LTE standard around the world is a breakthrough for the industry.

China Mobile adopted a high-end approach to the development of the flourishing household market. In 2016, we had a net addition of 22.59 million wireline broadband customers, driving the total number of customers for this service up to 77.62 million, 76.9% of which subscribed to services with a bandwidth of 20Mbps or above. The number of customers of our home digital product "Mobaihe", the set-top box that provides high-definition video-on-demand service, has exceeded 22.80 million. Customer value for our broadband service has also increased steadily.

Our corporate customer market has also been expanding. We have focused our resources on developing corporate services in key industry sectors such as public administration, finance, transportation, education, healthcare and energy, while at the same time broadening our product portfolio of dedicated lines, IDC

(Internet Data Centres) and converged communications such as IMS (IP Multimedia Subsystem). In 2016, we served 5.45 million corporate customers and generated an increased proportion of product-related revenue. Our corporate telecommunications and informatisation services revenue continued to grow and accounted for approximately one-third of the total market.

We continued to grow our digital services in 2016 and built the world's largest dedicated core network for the Internet of Things, with the total number of connections exceeding 100 million. We enhanced the user experience for our Internet service customers by further increasing the website access success rate and shortening front-page loading latency for the top 100 most-visited websites. We applied the innovative distributed caching technology in our video services, increasing the download speed by 3 times. Our mobile payment service "and-Wallet" enjoyed stable growth and recorded a total transaction amount exceeding RMB1 trillion.

To provide impetus to collaboration with external parties, we introduced a number of new service systems in 2016 including launching external services for OneNET platform and the smart home gateway platform, as well as further developing the telecommunications capability open platform and the unified authentication platform. We are progressing the application of big data technology to support our precision marketing. Our data analytics are now augmented with external service capabilities such as improved public security and credit scoring, further unleashing creativity within our services.

REGULATION AND COMPETITION

It has been the management's resolute belief that China Mobile needs to be proactive in adapting to regulatory changes in order to capture opportunities amid intense competition. Such an approach would maintain the initiative of increasing the company's value, as well as meeting shareholders' expectations in a responsible way.

Wireless Data Traffic Revenue Took up 46.2%



The Biggest Revenue Source

CHAIRMAN'S STATEMENT

The focus for regulators in 2016 continued to be “speed upgrade and tariff reduction”. We were fully dedicated to complying with regulatory requirements by lowering the service cost and increasing efficiency, so that our customers can continue to benefit from our business success. In 2016, data traffic tariff was lowered by 36% compared with the previous year. At the same time, based on our strategic visioning on the regulatory direction, we have taken an orderly and balanced approach to mitigate the risks associated with the cancellation of domestic long-distance and roaming tariffs by proactively removing standalone non-flat rate domestic long-distance and roaming packages from our current product portfolio and focusing our promotional efforts on the sales of flat-rate packages. The results of this initiative have so far been satisfactory.

The State has announced that a new round of “speed upgrade and tariff reduction” policies will be launched this year in order to promote the development of “Internet+” and growth of the digital economy. The policies will require operators to further enhance network infrastructure and increase Internet bandwidth while cancelling handset domestic long-distance and roaming tariffs from October 2017. In addition, the policies also require operators to reduce substantially the dedicated Internet access tariffs for small and medium enterprises (SMEs) and lower international long-distance call tariffs in the year. We expect that the new policies will have certain impact on our 2017 operating results¹. However, we believe these initiatives will, in the long run, accelerate our transformation towards predominantly data traffic and digital services. We will maintain close communication with regulators to make the best operating decisions and find the sweet spot between “speed upgrade and tariff reduction” and the need for our stable and long-term development.

The focus of industry competition has been shifting from network, products and services to a new and higher plane that is more concerned with the platform and the ecosystem.

On the one hand, cross-disciplinary convergence has intensified competition in the industry. Telecommunications operators, Internet companies as well as device and terminal manufacturers have all been strengthening their digital capabilities, in order to occupy a position further up the value chain and extend their core competence. On the other hand, a new competition landscape in basic telecommunications services has emerged, whereby our competitors are seeking multi-layered cooperation to provide 4G business. Our competitors have been granted permission to reform a valuable spectrum to develop the 4G network, offering them complementary advantages when they cooperate with Internet companies to grow their data traffic operations.

Against this backdrop, we see a clear need to establish our own competitive advantages and, in the meantime, take bold and innovative steps to provide new momentum for growth by entering new business areas such as the broader digital services industry. This emerging competitive landscape will challenge us to consolidate around our core strengths while also deepening our relationships with other participants on the open platform, as we work to create a harmonious ecosystem.

CORPORATE GOVERNANCE

We have always upheld the principles of integrity, transparency, openness and efficiency to ensure good corporate governance and strict compliance with the rules and regulations on listed companies. With an emphasis on risk management, we continue to enhance our risk and internal control mechanisms to ensure effective risk detection and management, strengthen our supervision of key issues, prevent business risk in critical areas, and finally to close any gaps in business management process to ensure sound and quality operations.

For a more detailed analysis of our corporate governance, please refer to the “Corporate Governance Report”.

¹ According to the estimates obtained from the static calculation based on the Company's current business structure, the three “tariff reduction” measures are expected to result in a decrease of each of the operating revenue and the operating profit in 2017 (i) by around RMB4.0 billion for one quarter due to cancellation of domestic long-distance and roaming tariffs; and (ii) by around RMB3.0 billion for the whole year due to reductions of the dedicated Internet access tariffs for SMEs and international long-distance call tariffs. The Company will strive to reduce the impact by stepping up efforts to business development, achieving a higher turnover despite a lower profit margin.

CHAIRMAN'S STATEMENT

CORPORATE SOCIAL RESPONSIBILITY AND ACCOLADES

We wish to excel as a corporate citizen and become a leading industry player in fulfilling our social responsibilities.

We have endeavoured to narrow the digital divide and continuously improve mobile communications and broadband Internet services in villages and remote areas of China. As of the end of 2016, we have, by fulfilling universal service obligations, introduced wireline broadband access to 4,909 administrative villages cumulatively, and our wireline broadband services have achieved an increasing rural coverage ratio. We have also launched innovative applications in areas such as rural healthcare and smart grazing to offer more inclusive information services.

We have invested dedicated resources to protect our customers' interests by ensuring privacy and information security, with the help of cutting-edge technology and effective management. In 2016, we suspended and blacklisted 1.96 million nuisance call numbers and intercepted more than 100 million fraudulent calls from overseas.

China Mobile has been taking proactive actions to alleviate its impact on climate change. We have implemented a "Green Action Plan" over the last 10 years, with the aim of reducing energy consumption and carbon emissions in the course of corporate development. In 2016, overall energy consumption per unit of information flow decreased by 36% from the previous year.

Through our China Mobile Charity Foundation, we have sponsored professional training for more than 90,000 primary and secondary school principals in villages in Central and Western China cumulatively. We have also funded surgeries for 3,633 children with congenital heart disease cumulatively.

Our continued efforts in governance and corporate social responsibility have gained us widespread recognition in the community. In 2016, China Mobile received the "Best Managed Large Cap in China" award from financial magazine Asiamoney and "The Asset Platinum Award" from The Asset. Most recently, Corporate Governance Asia presented the Company with the "Asia's Outstanding Company on Corporate Governance" award and the "Asian Corporate Director Recognition Award". We have been included in the Dow Jones Sustainability Indices for the ninth year in a row. In addition, China Mobile was the first and only company from Mainland China to be awarded a position on CDP's 2016 Climate A List.

In 2016, Moody's and Standard & Poor's continued to maintain our corporate credit ratings at the same level as that awarded to China's sovereign ratings.

FUTURE OUTLOOK

Looking ahead, China's ambition to become a "Cyberpower" and the implementation of the "Internet+" initiative will boost data usage and create new growth opportunities for the information and telecommunications industry. As well as being a driving force for infrastructure and strategic progress, this initiative will also raise the bar for industry players when it comes to innovation and quality. We will proactively align our business objectives with these developments, seizing opportunities as they emerge, rising to new challenges and making headway alongside our "Big Connectivity" strategy.

First, we will take a more macro and comprehensive view of the entire market. We will explore business opportunities, attract new customers, broaden our revenue base, optimise our business structure and continue to innovate. We will establish operations that capitalise on the potential of fast-growing areas to facilitate our business transformation from mobile communications between people to a business model that is driven by the "four growth engines". Such



CHAIRMAN'S STATEMENT

a model will extend all of our connections to join people and things, and also connect things with each other. This will lead our evolution from a domestic telecommunications operator to a global service provider with a strong international network.

Second, we will build a strong foundation that will enable the growth of our comprehensive network. We will leverage our advantages in 4G to reinforce our transmission network and upgrade it in a coordinated manner that supports our business transformation. While we accelerate the transition to a cloud-based NFV/SDN network, we will step up our efforts to conduct research and tests on 5G technology. We will also construct our application infrastructure to encompass areas such as cloud computing, big data, the Internet of Things, industrial Internet and content delivery networks.

Third, we will strengthen our capability. We will expedite the top-down design and secure resources to strengthen our own core competence for business expansion in IT, big data and universal platforms. We will continue to innovate within our digital services product range, develop specialised competencies along the vertical value chain, bolster our research and development capability to support the growth of a world-class innovative company while establishing an open, integrated platform and service system.

Finally, we will create a mechanism that will generate greater synergies. Through this mechanism, our operating procedures will become flatter and more customer-oriented. By looking for more effective ways of cooperating externally, we hope to pursue a more balanced approach to development and increasing synergies on the open platform.

2017 is the year of China deepening supply-side structural reform, and is also a milestone year for the implementation of our "Big Connectivity" strategy. We will spare no effort, maintain the high standards investors expect of us and deliver more favourable results and returns to our shareholders. In the event that the policy environment matches our expectations, in 2017 China Mobile will strive to maintain revenue growth from telecommunications services above the industry average, while also delivering industry-leading profitability.

ACKNOWLEDGEMENT ON THE 20TH ANNIVERSARY OF LISTING

This year marks the 20th anniversary of China Mobile's public listing. From the 1987 launch of the first generation analogue mobile network in Mainland China, to the extensive use of the 4G network and our pioneering research and planning for 5G technology today, China Mobile has always been able to anticipate and capture developing industry trends, address customer needs and forge ahead on this miraculous journey. In just two decades, our revenue has grown by 68 times, profit increased by 24 times and our market capitalization expanded by 13.5 times. As I write to you now, China Mobile boasts the world's largest network and customer base, industry-leading profitability and market capitalization. I am proud to say that all of these factors combine to make China Mobile a world-class telecommunications operator.

I would like to take this opportunity to express my heartfelt gratitude to our shareholders for their continued endorsement and loyalty, to our customers for their unwavering support and trust, to our staff for their relentless efforts and selfless dedication, to the wider community for their support and to our various partners for their valuable collaboration. Without our strong relationships with all of these groups, it would not have been possible for China Mobile to scale the ever-extending heights on this wonderful journey.

On behalf of the Board of Directors, I would also like to extend my most sincere gratitude to Mr. Xue Taohai, who has retired from his positions as Executive Director, Vice President and Chief Financial Officer of the Company. Mr. Xue has served important roles in China Mobile and made a tremendous contribution to the development of our Company over the years.

As we develop, China Mobile remains committed to realising our vision of becoming the global leader in digital innovation and successfully implementing our "Big Connectivity" strategy. All of us here at China Mobile will continue to strive for a better digital future and, in doing so, look forward to delivering greater value and returns for our shareholders, customers, staff and other stakeholders.

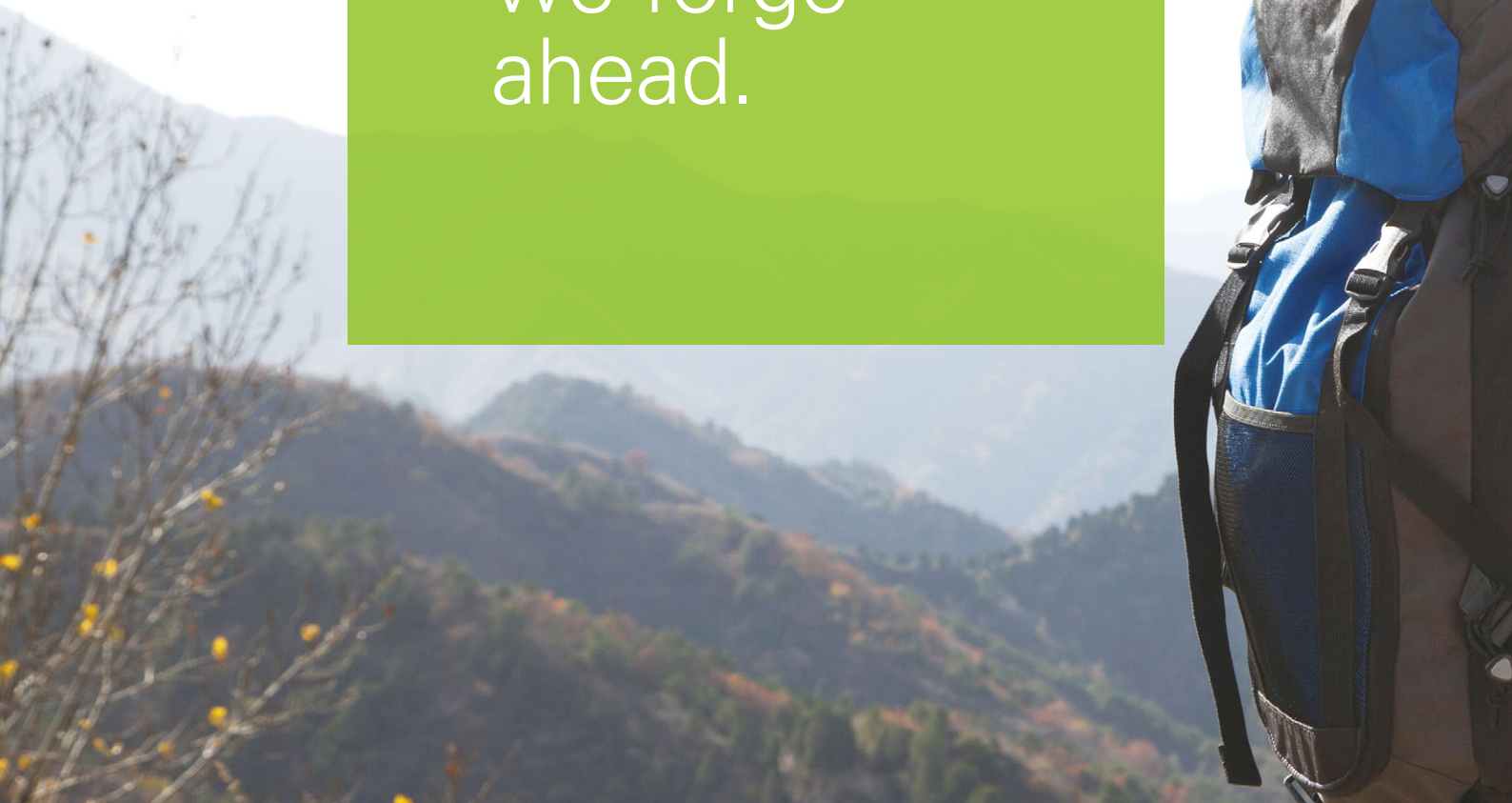


Shang Bing
Chairman

23 March 2017, Hong Kong



Seizing
opportunities,
we forge
ahead.





Business Review

2016 was a robust year marked by accelerated strategic transformation for the Group. With ardent dedication, the Group continued to promote entrepreneurship and innovative development amid a complicated competitive environment, making most earnest endeavours to bolster its core competences and innovative calibre. Coupled with its redoubled efforts to further the integrated development of the “four growth engines”, the Group managed to maintain relatively rapid and sound growth momentum and achieve encouraging overall results.

KEY OPERATING DATA

	2015	2016	Change %
Mobile Business			
Customer Base (million)	826.24	848.90	2.7
Of Which: 4G Customer Base (million)	312.28	535.04	71.3
Net Additional Customers (million)	19.61	22.66	15.6
Of Which: Net Additional 4G Customers (million)	222.22	222.75	0.2
Average Minutes of Usage per User per Month (MOU) (minutes/user/month)	430	408	-5.2
Average Handset Data Traffic per User per Month (DOU) (MB/user/month)	339	697	105.7
Average Handset Data Traffic per 4G User per Month (DOU) (MB/user/month)	748	1,027	37.4
Average Revenue per User per Month (ARPU) (RMB/user/month)	56.3	57.5	2.2
Wireline Broadband Business			
Customer Base (million)	55.03	77.62	41.1
Net Additional Customers (million)	-	22.59	-
Average Revenue per User per Month (ARPU) (RMB/user/month)	31.9	32.1	0.5
Average Revenue per User per Month (ARPU) (Including Home Digital Services) (RMB/user/month)	31.9	33.8	5.8
Internet of Things (“IoT”) Business			
Connections (million)	65	103	57.0

BUSINESS REVIEW

OPERATING PERFORMANCE

The Group ended 2016 with continuing market leadership. The total number of mobile customers reached 849 million, with a net addition of 22.66 million in 2016. Mobile ARPU reached RMB57.5, representing an increase of 2.2% from the previous year. The Group demonstrated comprehensive leadership in the 4G market, with its 4G customer base recording a net addition of 223 million from 2015 to reach 535 million. Riding on the burgeoning growth of data traffic business, wireless data traffic became the largest contributor to the Group's telecommunications services revenue with its 46.2% contribution. In 2016, the Group has initiated the cancellation of domestic long distance and roaming tariffs in its efforts to mitigate the associated risks and this measure, together with the substitution by Internet business, has cast a pall over the Group's voice and SMS/MMS businesses characterised by declining revenues from these lines. The Group's wireline broadband business achieved significant progress with its customer base leaping to 77.62 million as at the end of 2016 and wireline broadband ARPU (including home digital services) growing by 5.8% from the previous year. The IoT business also witnessed notable growth with the number of connections exceeding 100 million.

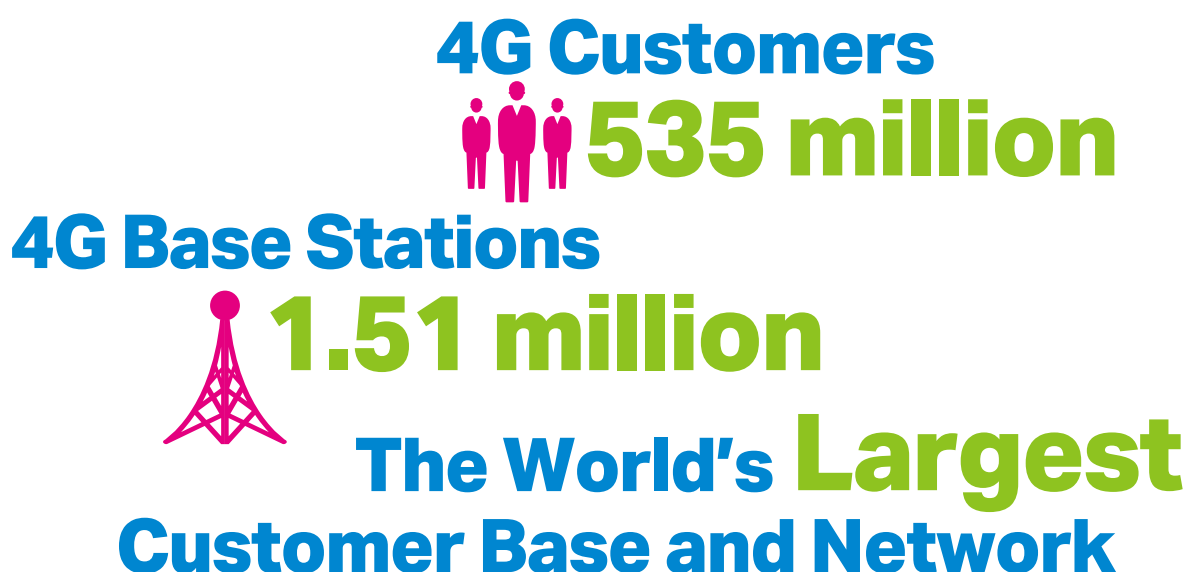
ACTUATING THE FOUR GROWTH ENGINES

Over the past year, the Group has accelerated business transformation and striven to explore room for future development, with a shifted focus from the traditional operating model to the integrated development of the "four growth engines".

The Mobile Market

The Group is well aware that maintaining a leading position in the mobile business is vital to its success as a whole. To firmly and timely grasp the divergent growth opportunities arising from the current market, the Group has devoted great efforts to ramp up its 4G business, leading to a continuing enhancement to network quality and an expansion of customer base. Harnessing these positive results, the Group has comprehensively established its 4G competitive edges.

The Group added 0.4 million 4G base stations in 2016, bringing the total number to 1.51 million. As an operator boasting the world's largest 4G network, the Group provides coverage for a population of over 1.3 billion. Meanwhile, the average download speed on urban roads has improved to 40Mbps, resulting in enhanced customer experience.



BUSINESS REVIEW

Thanks to the Group's considerable efforts to promote the migration of 2G/3G customers to the 4G network, the 4G penetration rate of its mobile customers has reached 63% and its market share for net additional 4G customers has exceeded 64% as at the end of 2016, enabling it to be the largest operator in the world in terms of 4G customer base. The rapid development of the 4G business also led to a marked uplift in the Group's overall customer value, with 4G customer DOU maintaining its upward trajectory to reach an annual average of 1,027MB, which was 7.5 times as high as 2G/3G customer DOU. These results have together provided a strong testament to the value of the Group's 4G network.

In addition to network upgrade, the Group also proactively developed signature 4G products. The Group has built the world's largest VoLTE (Voice over LTE) network, providing high quality VoLTE for commercial use in 313 cities and progressively enabling implicit, automatic connection within the entire network. To tally with this development, the Group took measures to bolster the growth of the terminal industry which drives the development of VoLTE. As at the end of 2016, there were a total of 1,090 4G terminal models in stock, of which 927 models supported VoLTE. The Group has proactively rolled out a number of measures to continuously expand its data traffic operations in response to the "speed upgrade and tariff reduction" regulatory initiative. Reaping the benefits of the buoyant growth of 4G, the Group offered a rich range of data products and launched a series of actions to enhance data value. The Group's efforts bore fruit and its data traffic business scaled new heights. Handset data traffic increased by 127.7%, with DOU recording a 105.7% increase year-on-year to reach 697MB. Revenue from the wireless data traffic business has surpassed that of the traditional business to become the largest source of revenue of the Group.

Building on its exceptional strategic visioning competence, the Group has made a tactical move by taking the initiative to cancel domestic long distance and roaming tariffs in 2016. By completely ceasing the sales of non-flat rate packages, the Group managed to migrate customers to flat rate packages in a balanced and orderly manner, leading to mitigation of operating risks. In 2016, the number of flat rate packages took up 63.6% of the total.

The Household Market

The Group's overarching strategy for its wireline broadband business is to expedite a boost to business quality and market competitiveness by consistently adopting a high-end marketing approach which aims at delivering products and services with enhanced network speed and quality and targeting at specific customer groups. The total number of wireline broadband customers grew to exceed 77.62 million in 2016, of which, net additional customers amounted to 22.59 million and accounted for over 63% of the total net additions in the market. Buoyed by the Group's focused efforts to promote mid to high-bandwidth products, the proportion of customers subscribing to products with bandwidth of 20Mbps or above has reached 76.9%. An emphasis has been placed on raising returns on investment, and APRU has risen to RMB32.1. In the meantime, the Group has devised plans to proactively tap into the household market and endeavored to establish its presence in homes with an expanding range of home broadband products. It has recorded an encouraging result for its home digital product "Mobaihe", a set-top box that provides high-definition video-on-demand service, with the number of customers surpassing 22.80 million. The wireline broadband ARPU that included home digital services reached RMB33.8.

Handset Data Traffic 
+128%
4G Customer DOU > 1GB

BUSINESS REVIEW

The Corporate Customer Market

The Group is devoted to enlarging its market share in the corporate customer market, forging ahead with keen determination to upsize its revenue market share and to refine its product portfolio, at the same time continuously strengthening its initiatives to promote business expansion in this sector. The Group continued to expend efforts to structure its service offerings for six key industry sectors including public administration, finance, transportation, education, healthcare and energy, placing a special focus on providing information solutions to major sectors. Buoyed by these initiatives, revenues from the Group's data dedicated line services and IDC (Internet Data Centres) recorded respective increases of 32.1% and 76.3% from the previous year, and the Group basically achieved its target to obtain one-third revenue market share in the corporate telecommunications and informatisation service market.

The Emerging Business

As a consistent effort to optimise customer experience, the Group has expedited the launch of competitive digital service products, proactively conceived and developed new ideas for applications and content businesses, and continuously performed industry benchmarking. Spurred by these initiatives, the Group managed to obtain various achievements in 2016, among which, the "One Hundred Schools Project" under the NFC (Near-field communication) business was successfully concluded, and "and-Wallet", the Group's mobile payment service, recorded a total annual transaction amount of more than RMB1 trillion. The Group has also established the world's largest dedicated core network for IoT with more than 100 million connections as at the end of 2016. At the same time, the Group launched the market-leading OneNET platform, an open IoT platform aiming to nurture and accelerate the growth of the overall IoT industry ecology. The OneNET platform currently connects more than 7 million devices, serving around 30,000 developers and more than 3,000 companies.

UPGRADING CORE COMPETENCES WITH VIGOUR

In 2016, the Group continued to strengthen its core competences and operational management by promoting best practices and taking a number of measures with a special focus on spreading the tenets of "centralised management, operational specialisation, market-oriented mechanism, lean organisation structure and process standardisation".

**Wireline Broadband
Customer Net Adds** 

22.59 million

Net Add Market Share

>63%

BUSINESS REVIEW

Network Capability Scaling New Heights

“Network quality is the lifeline for any telecommunications company”. With a clear determination, the Group sets its sights on crafting a premium network and continuously taking initiatives in its quest to reinforce its network infrastructure. In respect of the wireless network, the Group has placed a special focus on enhancing network blind spots and business hotspots. Together with the 58% increase in indoor coverage area, the Group managed to realize full 4G coverage of major areas including high speed railways, subways and scenic spots, resulting in a further increase in the 4G retain ability rate. In respect of the wireline network, the Group has constructed an efficient and precise network with a FTTH (Fibre-to-the-home) coverage ratio of over 80%. Concurrently, the Group has taken prompt actions to upgrade its service support for the household market, leading to a drastic reduction in the processing time for device installation and complaint handling. In respect of transmission, the Group has directed efforts to establish high speed, high efficiency and intelligent backbone transmission networks, quickly establishing its leading position in the industry. The Group saw relatively visible improvements in its international internet bandwidth and international transmission capabilities. Backbone network capability was also enhanced with interprovincial transmission network bandwidth increasing by 204T to reach 285.7T. In respect of contents, the Group has endeavoured to promote distributed caching technology with efforts also devoted to accelerating the construction of a cache-enabled CDN (content delivery network) that resulted in a significant reduction in front-page loading latency and video jam frequency. In respect of maintenance, the Group saw a significant advancement of centralised network failure management, and by possessing fundamental abilities in managing big data’s network quality, the Group managed to bring its maintenance efficiency initiatives into full play.

An Unflagging Pursuit of Customer Service Excellence

At the heart of its operations is the Group’s unflagging pursuit of customer service excellence: its unwavering devotion to providing exceptional customer services and a relentless focus on its valued customers. Honoring this commitment, the Group strives to continuously upgrade its service quality management and create a transparent and secure communication platform. The Group has started the full centralization of its 10086 customer service hotline operation in 2016, pooling resources effectively that resulted in increased service efficiency and a further improvement in the overall hotline connection rate. Furthermore, the Group continuously upgraded its service capacity in electronic channels, with the number of customers visiting its virtual outlets approaching 200 million. Regarding communication security, the Group has taken steps to further enhance its performance in terms of safeguarding communication networks and upholding information security. The Group suspended and blacklisted over 1.96 million nuisance call numbers and intercepted more than 100 million fraudulent calls from overseas, successfully curbing new types of unlawful behaviours and crimes taken place in the telecommunications networks. As a result of the further refinement of its close-loop management mechanism of service quality, the Group achieved a market-leading customer satisfaction rate and a Net Promoter Score according to independent survey results.

IoT Connections 
> 100 million

BUSINESS REVIEW

An Immense Boost to IT Support Capability

Buoyed by its promotion efforts, the Group recorded a rising proportion of the Third-generation Business Operating Support System that transformed to the “All Cloud” network. The Group has also forged ahead with plans to expand its big data capacity, and following the completion of phase one of the centralised big data platform, the number of invocation services provided by the Group has exceeded 10 billion times. Meanwhile, every effort has been stepped up to reinforce business support and unlock synergy across operations, and the Group was empowered with “single-source billing” ability as a result of the completion of the centralised billing system for international roaming.

An Accelerating Uplift in Professional Operational Competences

The Group’s professional companies including the International Company, China Mobile Device and the Research Institute continued to witness prosperous growth. By taking measures such as continuously optimising the international roaming tariff model and rolling out the “Hand-in-Hand Program” in harness with international counterparts, the Group managed to propel a 229% increase in international data roaming business. Total sales volumes of the Group’s self-branded handsets and set-top box “Mobaihe” terminals reached 3.62 million and 2.25 million respectively in 2016. In pursuit of its 5G aspirations, the Group has made active participation in relevant research and development activities, including overseeing 5G overall frameworks in 3GPP (the third Generation Partnership Project) and establishing the 5G Joint Innovation Centre.

CAPITAL EXPENDITURE

Taking a critical step on the road to transformation, the Group has evolved a two-pronged strategy to address the rising demands for high data traffic and high bandwidth buoyed by the implementation of the “four growth engines” initiative. While the Group will place an emphasis on establishing premium networks to upscale its core business and lay a solid foundation for upcoming market competition, it will, at the same time, strive to lower construction costs and raise capital expenditure efficiency through sophisticated planning and sensible deployment of resources.

Capital expenditure amounted to RMB187.3 billion in 2016, slightly higher than the RMB186.2 billion budgeted at the beginning of the year. The variance was mainly attributable to respective investments of RMB83.0 billion and RMB25.5 billion in the 4G and wireline broadband networks, as the Group stepped up efforts to strengthen these capacities particularly in response to the rapid growth of data traffic business in certain hotspot areas.

The Group will, at a reasonable pace, continue to prioritize investment choices with a refined direction to ensure investment efficiency in 2017. Capital expenditure is expected to record a reduction of RMB11.3 billion from the previous year to RMB176.0 billion in 2017, with resources mainly invested in areas that, amongst others, align with the Group’s endeavours to strengthen its competitive edge in the 4G network, establish a high-quality full-fibre broadband network, construct network infrastructure for the advance planning of future development and enhance IT integration capabilities, which are all central to the Group’s plan to underpin its market leading position in network capabilities and customer perception.





Keeping up
with the trends,
we foster
inclusive growth.



Financial Review

In 2016, the Group continued to maintain its leading position in 4G business, developed vigorously its wireline broadband business, and achieved an encouraging growth in its revenue. The growth rate of the Group's telecommunications services revenue ranked No.1 in the industry and the Group continued to consolidate its position as a leading operator in the industry.

At the same time, the Group actively promoted its low-cost, high-efficiency operation model, conducted resources utilization evaluation in key areas, and optimized its strategies, budget and performance-based salary management. Operational efficiency increased favorably, with operating expenses as a proportion of operating revenue decreasing for the first time since 2008, thereby maintaining its leading profitability and continuously creating value for shareholders.

Create 
Value For
Shareholders

	2015	2016	Change
Operating revenue (RMB million)	668,335	708,421	6.0%
Revenue from telecommunications services (RMB million)	584,089	623,422	6.7%
Revenue from sales of products and others (RMB million)	84,246	84,999	0.9%
EBITDA (RMB million)	240,028	256,677	6.9%
EBITDA margin	35.9%	36.2%	0.3pp
Profit attributable to equity shareholders (RMB million)	108,539	108,741	0.2%
Margin of profit attributable to equity shareholders	16.2%	15.3%	-0.9pp
Basic earnings per share (RMB)	5.30	5.31	0.2%

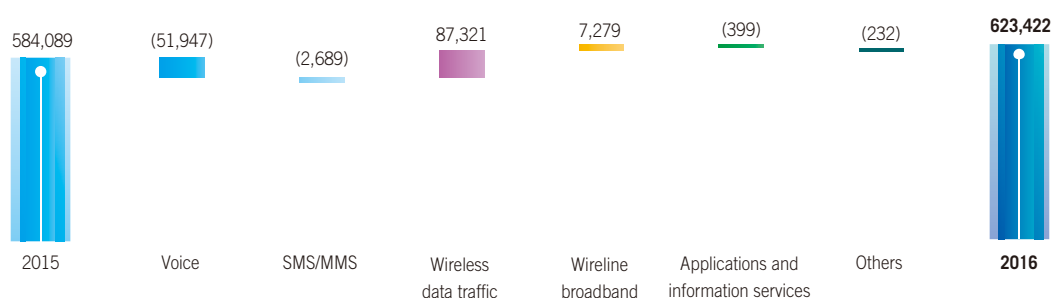
OPERATING REVENUE

In 2016, operating revenue reached RMB708.4 billion, up by 6.0% compared to the previous year, of which revenue from telecommunications services was RMB623.4 billion, up by 6.7% compared to the previous year. The growth rate of revenue from telecommunications services reached a five-year high.

FINANCIAL REVIEW

Revenue from telecommunications services

(RMB million)

**Revenue from voice services**

Due to the substitution effect of mobile Internet and other factors, as well as the Group's anticipation of policy changes in advance which resulted in the proactive promotion of customers' migration to flat rate packages and accelerated the mitigation of risks associated with long-distance roaming tariffs, revenue from voice services continued to decline to RMB209.9 billion, down by an ever-accelerating rate of 19.8% compared to the previous year, representing 33.7% of telecommunications services revenue, down by 11.1 percentage points compared to the previous year.

Revenue from data services

Revenue from data services was RMB394.9 billion, up by 30.2% compared to the previous year, representing 63.3% of revenue from telecommunications services, up by 11.3 percentage points compared to the previous year. The revenue structure further optimized.

As a result of the Group continued to focus on its 4G business, deepened its data traffic operation and enriched its various applications, data traffic business recorded a rapid growth. Revenue from wireless data traffic reached RMB288.2 billion, up by 43.5% compared to the previous year, and was the main engine of revenue growth. Wireless data traffic revenue as a proportion of revenue from telecommunications services rose to 46.2%, which was higher than the total of voice services revenue and SMS/MMS services revenue of the year and became the largest source of revenue of our Group. SMS/MMS services revenue was RMB28.6 billion, down by 8.6% compared to the previous year.

The Group firmly adhered to the "higher speed, better quality and orientation" strategy, steadily promoted the development of its wireline broadband business, perfected its quality service system for broadband products and achieved a satisfactory outcome. Revenue from wireline broadband services reached RMB25.6 billion, up by 39.7% compared to the previous year.

Revenue from applications and information services was RMB52.6 billion, down by a reduced 0.8% compared to the previous year. The Group's digital services business is at a stage of active exploration and will see more room for development in the future.

Revenue from sales of products and others

In order to provide customers with a broader offering of terminals with more diversified functions, the Group actively promoted the sale of handsets through open channels. Revenue from the sales of products and others was RMB85.0 billion, up by a falling 0.9% compared to the previous year.

FINANCIAL REVIEW

OPERATING EXPENSES

The Group continued to adhere to the principles of forward-looking planning, effective resources allocation, rational investment and refined management in cost allocation, further strengthened the cost control and made a concrete progress.

In 2016, the Group's operating expenses were RMB590.3 billion, up by 4.4% compared to the previous year. Operating expenses represented 83.3% of operating revenue, down by 1.3 percentage points compared to the previous year, which was a decrease for the first time since 2008 and continued to be industry-leading. Of all operating expenses, selling expenses declined by 3.9%, maintenance expenses, operating lease charges and utilities expenses totally declined by 1.6%, administrative expenses remained flat, representing a further improved cost management level.

Operating Efficiency Enhanced



	2015 RMB million	2016 RMB million	Change
Operating expenses	565,413	590,333	4.4%
Leased lines and network assets	20,668	39,083	89.1%
Interconnection	21,668	21,779	0.5%
Depreciation	136,832	138,090	0.9%
Employee benefit and related expenses	74,805	79,463	6.2%
Selling expenses	59,850	57,493	-3.9%
Cost of products sold	89,297	87,352	-2.2%
Other operating expenses	162,293	167,073	2.9%

Leased lines and network assets

Leased lines and network assets expenses were RMB39.1 billion, up by 89.1% compared to the previous year and representing 5.5% of operating revenue. The Group paid RMB28.1 billion for charges for use of tower assets in accordance with the price stated in tower leasing agreements and the actual quantity of rented towers, being the main reason for the increased leasing fees. With customers' migration from 3G to 4G, the utilization rate of TD-SCDMA network kept falling and the leasing fees for TD-SCDMA network capacity were RMB2.7 billion, down by 43.3% compared to the previous year. Because of the transfer of tower related assets and the original cost decreased on the scale of leased assets, the leasing fees of "Village Connect" assets were RMB2.7 billion, down by 37.4% compared to the previous year.

FINANCIAL REVIEW

Interconnection

Interconnection expenses were RMB21.8 billion, up by 0.5% compared to the previous year and representing 3.1% of operating revenue.

Depreciation

Depreciation was RMB138.1 billion, up by 0.9% compared to the previous year and representing 19.5% of operating revenue. On one hand, the Group continued to maintain its investments and expanded its assets scale which resulted in an increase in depreciation; on the other hand, due to the change in tower operating model, the transfer of existing towers helped offset the increase in depreciation.

Employee benefit and related expenses

Employee benefit and related expenses were RMB79.5 billion, up by 6.2% compared to the previous year and representing 11.2% of operating revenue. The Group adjusted and optimized its personnel structure, and increased the compensation allocation and motivation in favor of primary frontline employees. Together with the increase in social insurance expense standard, employee benefit and related expenses increased accordingly.

Selling expenses

Selling expenses were RMB57.5 billion, down by 3.9% compared to the previous year and representing 8.1% of operating revenue. The Group actively promoted the transformation of its marketing model and enhanced its precision marketing to customers, resulting in a further improvement in the efficiency of its use of marketing resources.

Cost of products sold

Cost of products sold were RMB87.4 billion, down by 2.2% compared to the previous year, of which subsidies for handset sales were RMB10.1 billion, down by 9.0% compared to the previous year. With the Group's promotion of the sale of handsets through open channels, cost of products sold decreased and subsidies for handset sales were further reduced.

Other operating expenses

Other operating expenses were RMB167.1 billion, up by 2.9% compared to the previous year and representing 23.6% of operating revenue. Maintenance expenses, operating lease charges and utilities expenses constituted the majority of other operating expenses, totaling RMB99.2 billion, down by 1.6% compared to the previous year, mainly due to changes in tower operating model and refined cost management. Administrative expenses such as conference, office, travelling and business entertainment expenses were RMB3.2 billion, remaining flat and representing a further decreased proportion of operating revenue.

FINANCIAL REVIEW

PROFITABILITY

As a result of revenue growth and cost management, the Group's profitability in 2016 continued to be industry-leading. Profit from operations was RMB118.1 billion, up by 14.7% compared to the previous year. EBITDA was RMB256.7 billion and EBITDA margin was 36.2%, up by 0.3 percentage points compared to the previous year. Profit attributable to equity shareholders was RMB108.7 billion and its margin was 15.3%. Excluding the one-off gain on the transfer of Tower Assets in 2015, net profit increased by 10.5%.

	2015	2016	Change
	RMB million	RMB million	
Profit from operations	102,922	118,088	14.7%
Gain on the transfer of Tower Assets	15,525	–	–
Other gains	1,800	1,968	9.3%
Interest income	15,852	16,005	1.0%
Finance costs	455	235	–48.4%
Share of profit of investments accounted for using the equity method	8,090	8,636	6.7%
Taxation	35,079	35,623	1.6%
Profit attributable to equity shareholders	108,539	108,741	0.2%

CAPITAL STRUCTURE

The Group's financial position continued to remain steady. As at the end of 2016, total assets grew from RMB1,427.9 billion as at the end of the previous year to RMB1,521.0 billion. Total liabilities changed from RMB507.5 billion as at the end of the previous year to RMB538.9 billion. Liabilities-to-assets ratio changed from 35.5% at the end of the previous year to 35.4%.

Total borrowings was RMB5.0 billion, representing 0.5% of total book capitalization (being the sum of total debt and total equity attributable to equity shareholders). The borrowings represented the fixed-interest guaranteed RMB bonds issued by Guangdong Mobile, which will mature and be redeemed in October 2017. The Group firmly adhered to its prudent financial risk management policies and maintained sound repayment capabilities. The effective average interest rate of borrowings was 4.70% and its effective interest coverage multiple was 548 times.

	As at	As at	Change
	31 December	31 December	
	2015	2016	
	RMB million	RMB million	
Current assets	488,697	586,645	20.0%
Non-current assets	939,198	934,349	–0.5%
Total assets	1,427,895	1,520,994	6.5%
Current liabilities	501,038	536,389	7.1%
Non-current liabilities	6,489	2,467	–62.0%
Total liabilities	507,527	538,856	6.2%
Non-controlling interests	3,032	3,117	2.8%
Total equity attributable to equity shareholders	917,336	979,021	6.7%
Total equity	920,368	982,138	6.7%

FINANCIAL REVIEW

FUND MANAGEMENT AND CASH FLOW

The Group firmly adhered to its sound and prudent financial policies and stringent fund management systems and strived to maintain a healthy cash flow level, thereby ensuring the safety and integrity of its funds through its highly centralized management of investing and financing activities. Meanwhile, the Group continued to reinforce its centralized fund management efforts and made appropriate allocations of its funds, thereby enhancing the efficiency of funds utilization.

In 2016, the Group's cash flow remained healthy. Net cash inflow from operating activities, net cash outflow from investing activities and net cash outflow from financing activities were RMB253.7 billion, RMB194.5 billion and RMB49.0 billion respectively. Free cash flow was RMB66.4 billion, up by 68.1% compared to the previous year. As at the end of 2016, the Group's cash and bank balances were RMB430.4 billion, of which 98.8%, 0.4% and 0.8% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively. The steady fund management and healthy cash flow provided a solid foundation for the sustainable healthy development of the Group.

	2015 RMB million	2016 RMB million	Change
Net cash inflow from operating activities	235,089	253,701	7.9%
Net cash outflow from investing activities	142,743	194,523	36.3%
Net cash outflow from financing activities	86,510	48,958	-43.4%
Free cash flow	39,512	66,410	68.1%

CREDIT RATINGS

Currently, the Company's corporate credit ratings are equivalent to China's sovereign credit ratings, namely, AA-/Outlook Negative from Standard & Poor's and Aa3/Outlook Negative from Moody's. These ratings reflect that the Group's sound financial strength, favourable business potential and solid financial management are highly recognized by the market.

Corporate Governance Report

Our goal has always been to enhance our corporate value, maintain our sustainable long-term development and generate greater returns for our shareholders. In order to better achieve the above objectives, we have established good corporate governance practices following the principles of integrity, transparency, openness and efficiency, and have implemented sound governance structure and measures. We have established and improved various policies, internal control system and other management mechanisms and procedure for the key participants involved in good corporate governance, including shareholders, board of directors and its committees, management and staff, internal auditors, external auditors and other stakeholders (including our customers, local communities, industry peers, regulatory authorities, etc.).

In addition, as a company listed in both Hong Kong and New York, we also set forth in this report a summary of the significant differences between the corporate governance practices of the Company and the corporate governance practices required to be followed by U.S. companies under the NYSE's listing standards.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

Our Board of Directors (the "Board") is responsible for performing the corporate governance duties and setting out the terms of reference on corporate governance functions. Throughout the financial year ended 31 December 2016, the Company has complied with all other code provisions of the Corporate Governance Code (the "CP") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), except the followings:

The Company and its directors (including independent non-executive directors ("INED")) have not entered into any service contract with a specified term. All directors are subject to retirement by rotation and re-election at our annual general meetings (the "AGM") every three years, and all newly-appointed directors are subject to re-election by shareholders at the first annual general meeting after their appointment.

In accordance with the principles of the CP, we require our Board, the Board committees and other internal organs to strictly comply with their internal procedures. The following are the major respects in which China Mobile meets the CP:

- ✓ More than one-third of the Board (4 out of 9) are INEDs.
- ✓ China Mobile discloses the interests of its directors and senior management in the shares of China Mobile and their confirmation of compliance with the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code").
- ✓ We publish the terms of reference and membership of the board committees on the HKEX's and the Company's websites.
- ✓ All members of our board committees are INEDs, with appropriate professional qualifications and/or expertise in finance, business management, accounting, legal and compliance.
- ✓ China Mobile provides trainings to its directors and management on an annual basis.
- ✓ Each director discloses to the Company at the time of his appointment and then annually for any change of, his position holding in any public companies or organizations and other significant commitments.

CORPORATE GOVERNANCE REPORT

- ✓ China Mobile publishes a Sustainability Report along with its annual report for ten consecutive years, reporting its performance on ESG issues, which, in many respects, exceed the terms of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules.
- ✓ We give more than 20 working days notice for our AGMs.
- ✓ Our CEO and CFO shall make annual written statements to the US SEC, and our management shall make annual back-up certifications to the Company, confirming their personal responsibilities with respect to a series of risk management and internal control systems.
- ✓ Our Audit Committee conducts annual evaluation with respect to the effectiveness of risk management and internal control and procedures, and publishes its results.
- ✓ The Company and its operating subsidiaries have set up internal audit departments, which independently audit the business units of the Company and its operating subsidiaries. The head of the internal audit department of the Company (the "IA Dept.") directly reports to the Audit Committee which, in turn, reports to the Board regularly.

Evolution of China Mobile Corporate Governance in 2016:

- Provided training on directors' duties and obligations to our directors and management;
- Improved China Mobile Internal Control Auditing Management Measures, to review and evaluate the design and effectiveness of our internal control system by means of systematic and standardized approach;
- Redesigned and established the top-level organization of China Mobile with Rule of Law, which are led by our Chairman and participated by various lines. We also improved our general counsel system and furthered our legal progress;
- Officially launched our Compliance + Escort program, specifying its objectives, principles, initiatives and implementation assurance, putting forward 20 specific measures in four major aspects, formulating four compliance guidance in marketing competition, anti-commercial bribery, administrative law enforcement and cooperation, and information security, to provide with the requirements and code of conduct in key areas and promote the on-going compliance management mechanism;
- Formulated the Administrative Measures on China Mobile News Disclosure, the Administrative Measures on China Mobile Public Opinion, and the Management Measures on New Media Operation of China Mobile, to maintain our brand names and strengthen communications with the public and staff;
- Published our Policy for a Responsible Supply Chain of Conflict Minerals and Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, aiming at responsible procurement; and
- Published China Mobile Environmental Management Policy, improved our Corporate Social Responsibility Management Measures, once again recognized on the Dow Jones Sustainability Emerging Markets Index, being on the DJSI family for nine consecutive years. China Mobile was the first and only company from Mainland China to be awarded a position on CDP's Climate A List 2016.

SHAREHOLDERS

The Company is established in Hong Kong and owned by all shareholders. Our ultimate controlling shareholder is CMCC, which, as of 31 December 2016, indirectly held approximately 72.72% of the total number of issued shares of the Company. The remaining approximately 27.28% of the total number of issued shares were held by public investors. During 2016, there is no change in the Articles of Association (the "Articles") of the Company, which are available on our website and the HKEX website.

Shareholder Rights

According to the Articles and the Companies Ordinance (Cap 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"), shareholders holding the requisite voting rights may: (i) move a requisition to move a resolution at the AGM; (ii) requisition to convene an extraordinary general meeting (the "EGM"); and (iii) propose a person other than a retiring director for election as a director at a general meeting. Such details and procedures are available in our website.

Shareholders may make inquiries in writing to the Board. The requisition must be deposited at our registered office at 60/F, The Center, 99 Queen's Road Central, Hong Kong (the "Registered Office"), for the attention of the Company Secretary, providing sufficient contact information so that such inquiries can be properly handled. In addition, shareholders may also raise their concerns and suggestions in the Q&A session at our AGMs.

I. Requisition to move a resolution at an AGM

The Company holds a general meeting as its AGM every year, which is usually held in May. In accordance with section 615 of the Hong Kong Companies Ordinance, a requisition to move a resolution at the AGM may be submitted by:

- (i) any number of shareholders representing not less than one-fortieth (1/40th) of the total voting rights of all shareholders having the right to vote on that resolution at the AGM; or
- (ii) not less than 50 shareholders having the right to vote on that resolution at the AGM.

The requisition must identify the resolution and must be signed by all the requisitionists. The requisition must be deposited at the Registered Office, for the attention of the Company Secretary, not later than:

- (i) 6 weeks before the AGM to which the request relates; or
- (ii) if later, when the Notice of AGM is dispatched.

II. Requisition to convene an EGM

Shareholders holding not less than one-twentieth (1/20th) of the total voting rights of all the members having a right to vote at general meetings of the Company can deposit a requisition to convene an EGM pursuant to sections 566 to 568 of the Hong Kong Companies Ordinance. The requisition must state the general nature of the business to be dealt with at the meeting, and must be signed by the requisitionists. The requisition must be deposited at our Registered Office for the attention of the Company Secretary.

CORPORATE GOVERNANCE REPORT

III. Proposing a person other than a retiring director for election as a director at a general meeting

If a shareholder wishes to propose a person other than a retiring director for election as a director at a general meeting, he/she must lodge a written notice to that effect at our Registered Office for the attention of the Company Secretary. The written notice must state the full name and biographical details of the person proposed for election as a director as required by Rule 13.51(2) of the Hong Kong Listing Rules and signed by such shareholder. A written notice signed by the person proposed for election as a director indicating his/her willingness to be elected must also be lodged with the Company. The above shall be dispatched during a period of not less than seven days commencing no earlier than the dispatch of the notice of the AGM and at least seven days before the date of the AGM.

For requesting the Company to circulate to shareholders a statement with respect to a matter mentioned in a proposed resolution or any other business to be dealt with at a general meeting, shareholders are requested to follow the requirements and procedures as set out in section 580 of the Hong Kong Companies Ordinance.

Shareholder Value and Communication

The Company's established principle is to strive to create value and bring favorable returns for shareholders. Since our first dividend payment for the fiscal year 2002, we have made efforts to achieve a sustained and stable growth in dividend to create better returns for shareholders. In fact, although the Company's profitability in the recent years has been fluctuating, we recommend the dividend payout ratio of 46% for the full financial year of 2016.

Financial Year		Ordinary Dividend Per Share (HKD)	Total Dividend Per Share (HKD)	Dividend Payout Ratio
2016	final ¹	1.243	2.732	46%
	interim	1.489		
2015	final	1.196	2.721	43%
	interim	1.525		
2014	final	1.380	2.920	43%
	interim	1.540		
2013	final	1.615	3.311	43%
	interim	1.696		
2012	final	1.778	3.411	43%
	interim	1.633		

¹ Pending approval at the AGM.

To ensure the effective communications between the Company and its shareholders, we have formulated the communication policies with shareholders. We regularly review the policies to ensure its effectiveness. We have established an investor relations department, dedicated to provide necessary information and services to, and communicate with, shareholders and investors and other participants in the capital market, to maintain an active dialogue with them and make sure they are fully informed of the Company's operation and development.

We use a number of formal channels to report to shareholders on the performance and operations of the Company, particularly through our annual and interim reports. Generally, when announcing interim results, annual results or any major transactions in accordance with the relevant regulatory requirements, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to the shareholders, investors and the general public, listen to their opinions and address any questions that they may have. In addition, the Company adheres to the practice of voluntarily disclosing on a quarterly basis certain key, unaudited operational and financial data, and on a monthly basis the net increase in the number of customers on its website to further increase the Group's transparency and to provide shareholders, investors and the general public with additional information so as to facilitate their understanding of the Group's operations.

CORPORATE GOVERNANCE REPORT

The Company maintains close communication with investors through investment conferences, one-on-one meetings, video-conferencing and other forms of exchange interaction to timely deliver our operating conditions to the capital markets. In 2016, our management attended 13 investor conferences and 222 routine investor meetings, met with 538 investment institutions and 702 investors in total. We will continue our efforts to enhance our investor relations work.

The Company also attaches high importance to the AGMs, and makes substantial efforts to enhance communications between the Board and the shareholders. At the AGMs, the Board always makes efforts to fully address the questions raised by shareholders. In 2016, we held our AGM on one occasion on 26 May 2016 (Thursday) in the Conference Room, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong. The major items discussed and the percentage of votes cast in favor of the resolutions are set out as follows:

1. The approval of the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2015 (99.9984%);
2. The declaration of a final dividend for the year ended 31 December 2015 (99.9992%);
3. The re-election of Mr. SHANG Bing, Mr. LI Yue, Mr. SHA Yuejia, Mr. LIU Aili as executive director (88.8288% to 99.6082%);
4. The re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP (hereinafter collectively as "PwC") as auditors of the Group for Hong Kong financial reporting and US financial reporting purposes, respectively, and authorizing the Board to fix their remuneration (99.9326%);
5. To give a general mandate to the directors of the Company to buy back shares in the Company not exceeding 10% of the number of issued shares (99.9123%);
6. To give a general mandate to the directors of the Company to issue, allot and deal with additional shares in the Company not exceeding 20% of the number of issued shares (84.6627%);
7. To extend the general mandate granted to the directors of the Company to issue, allot and deal with shares by the number of shares bought back (85.2916%).

All resolutions were duly passed at the 2016 AGM. As at the date of the AGM, the number of issued shares of the Company was 20,475,482,897 shares, which was the total number of shares entitling the holders to attend and vote for or against all the resolutions proposed at the AGM. No shareholders were required to abstain from voting on the resolutions proposed at the AGM. Hong Kong Registrars Limited, the share registrar of the Company, acted as scrutineer for vote-taking at the AGM. Poll results were announced at the meeting and on the websites of the Company and the HKEX on the day of the AGM.

CORPORATE GOVERNANCE REPORT

Shareholders' Calendar

The following table sets out the tentative key dates for our shareholders for the financial year ending 31 December 2017. Such dates are subject to change pursuant to actual situations. Shareholders should note our announcements issued from time to time.

FY 2017 Shareholders' Calendar

23 March	Announcement of final results and final dividend for the financial year ended 31 December 2016
12 April	Upload of 2016 annual report on the websites of the Company and the HKEX
13 April	Dispatch of 2016 annual reports to shareholders
25 May	2017 AGM
End of June	Payment of final dividend for the financial year ended 31 December 2016
Mid-August	Announcement of interim results and interim dividend for the six months ending 30 June 2017, if any
End of September	Payment of interim dividend for the six months ending 30 June 2017, if any

THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES**The Board of Directors**

The key responsibilities of the Board include, among others, formulating the Group's overall strategies, setting management targets, monitoring internal controls and financial management, supervising the performance of our management, developing and reviewing the policies and practices of corporate governance (the Terms of Reference of its corporate governance function are available on the websites of our Company and the HKEX), while day-to-day operations and management are delegated by the Board to the executives of the Company. The Board operates in accordance with established practices (including those relating to reporting and supervision).

The Board currently comprises nine directors, namely Mr. SHANG Bing (Chairman), Mr. LI Yue (Chief Executive Officer), Mr. LIU Aili, Mr. SHA Yuejia and Mr. DONG Xin as executive directors, and Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu and Mr. Stephen YIU Kin Wah as INEDs. The list of directors and their role and function is available on the websites of our Company and HKEX. The biographies of our directors are presented on pages 7 to 11 of this annual report and on our website.

As proposed by the Nomination Committee of the Company and after review and approval by the Board, Mr. Stephen YIU Kin Wah has been appointed as an INED and Mr. DONG Xin as an Executive Director, Vice President and CFO of the Company with effect from 23 March 2017. Dr. LO Ka Shui has resigned from his positions as an INED as well as the Chairman and a member of the Nomination Committee and Remuneration Committee of the Company by reason of his desire to focus on his own company's businesses with effect from 26 May 2016. With effect from 23 March 2017, Mr. XUE Taohai resigned from his positions as an Executive Director, Vice President and CFO of the Company by reason of retirement. Both Dr. LO and Mr. Xue have confirmed that there is no disagreement with the Board and that there is no matter relating to their respective resignation that needs to be brought to the attention of the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

Board meetings are held at least once a quarter and as and when necessary. Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. During the financial year ended 31 December 2016, the Board met on four occasions and the directors' attendances at the meetings are as follows:

	Board of directors	Audit committee	Remuneration committee	Nomination committee	AGM
<i>INEDs</i>					
Dr. LO Ka Shui ²	2	–	2	2	1
Mr. Frank WONG Kwong Shing	4	5	2	2	1
Dr. Moses CHENG Mo Chi	4	4	2	2	1
Mr. Paul CHOW Man Yiu	4	5	–	–	1
<i>Executive Directors</i>					
Mr. SHANG Bing (Chairman)	4	–	–	–	0
Mr. LI Yue (CEO)	4	–	–	–	1
Mr. LIU Aili	3	–	–	–	1
Mr. XUE Taohai (CFO) ³	4	–	–	–	1
Mr. SHA Yuejia	4	–	–	–	1

² Dr. Lo resigned from his position as an INED of the Company with effect from 26 May 2016.

³ Mr. Xue resigned from his positions as an Executive Director, Vice President and CFO of the Company with effect from 23 March 2017.

All board meetings and committee meetings were attended by the directors in person. In 2016, the Board has met and discussed the matters relating to the annual results, interim results, dividend, continuing connected transactions, investment company project, adjustment of the Board and its committee members, sustainability report, policy on shareholder communications, the evaluation report on the effectiveness of the Board performance and others.

The Board is responsible for performing the corporate governance duties and setting out the terms of reference on corporate governance functions, which you may review or download on our company website. In 2016, the Board met and discussed matters relating to the corporate governance of the Company.

The Board has adopted a Board Diversity Policy since 2013. In considering the composition of the Board, diversity can be considered from a number of perspectives, including professional experience and qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, knowledge of the laws and regulations applicable to the Group, gender, ethnicity, language skills and length of service etc. Such perspectives shall be taken into account in determining the optimal composition of the Board and be considered on a case-by-case basis in light of the actual circumstances of the Company.

To ensure the timely disclosure of any change of directors' personal information, the Company has set up a specific communication channel with each of our directors. There is no financial, business, family or other material relationships among members of the Board. The Company purchases directors and officers' liabilities insurance on behalf of its directors and officers and reviews the terms of such insurance annually.

CORPORATE GOVERNANCE REPORT

In compliance with the requirement of Hong Kong Listing Rules, the Company has received a confirmation of independence from each of our INEDs, namely Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu and Mr. Stephen YIU Kin Wah, and considers them to be independent. The Board is of the view that they not only are able to completely fulfill their responsibilities as an INED, but will also continue to play a role and contribute to our Board Committees. They being our INEDs will benefit the Company and all shareholders as a whole.

The directors have disclosed to the Company the positions held by them in other listed public companies or organizations or associated companies, and the information regarding their directorships in other listed public companies in the last three years is set out in the biographies of directors and senior management on pages 7 to 11 of this annual report and on the Company's website. The Company has also received acknowledgments from the directors of their responsibility for preparing the financial statements and the representation by the auditors of the Company about their reporting responsibilities.

All our directors confirmed that they have complied with Paragraph A.6.5 of the Corporate Governance Code with respect to directors' training. Throughout the financial year ended 31 December 2016, we have provided a training session with respect to director responsibility and obligation to our directors and management and all our directors attended the training.

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules to regulate the directors' securities transactions. Save and except for the interests disclosed in the report of the directors on page 56 of this annual report, none of the directors had any other interest in the shares of the Company as of 31 December 2016. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2016 and 31 December 2016.

THE BOARD COMMITTEES

The Board currently has three principal board committees, which are the Audit Committee, the Remuneration Committee and the Nomination Committee, and all of which are comprised solely of INEDs. With the appointment and authorization of the Board, each of the board committees operates under its written terms of reference. The terms of reference of the board committees are available on the HKEX's and the Company's websites, and can be obtained from the Company Secretary upon written request.

Audit Committee

Membership

The current members of the Company's Audit Committee are Mr. Frank WONG Kwong Shing (chairman), Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu and Mr. Stephen YIU Kin Wah, who are all INEDs. All members of our Audit Committee have many years of finance and business management experience and expertise and appropriate professional qualifications.

Responsibilities

The duties of our Audit Committee are to be primarily responsible for, among other things, making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, dealing with any questions of resignation or dismissal of such auditors; reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; developing and implementing policies on the engagement of external auditors to provide non-audit services; monitoring the integrity of financial statements of the Company and the annual reports and accounts, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and overseeing the Company's financial reporting system, risk management and internal control procedures.

Work Done in 2016

In 2016, the Audit Committee met on five occasions and the attendance of each member is disclosed on page 42 of this annual report. In addition, the Audit Committee met with the external auditors for three times in 2016 and one of such meeting was held without any executive directors being present.

In 2016, the principal work performed by the Audit Committee includes:

- reviewed and approved the financial statements and results announcement, the report of the directors, financial review and final dividend for the financial year ended 31 December 2015;
- reviewed and approved our 2015 Annual Report on Form 20-F, which was filed with the United States Securities and Exchange Commission ("US SEC");
- reviewed and approved the 2015 conflict mineral report to be filed with the US SEC;
- reviewed and approved the interim report, interim results announcement and interim dividend for the six months ended 30 June 2016;
- reviewed and approved the budgets and remuneration of the external auditors;
- reviewed and approved the assessment report on the disclosure controls and procedures;
- reviewed and approved the 2015 assessment report in relation to effectiveness of compliance with section 404 of the U.S. Sarbanes-Oxley Act of 2002 (the "SOX Act");
- reviewed and approved the 2016 project plan of internal audit department and budget for external engagements;
- approved the 2015 evaluation report on accounting and financial reporting system;
- reviewed and approved the report on compliance with relevant laws and regulations in 2015; and
- reviewed and approved various internal audit reports.

In 2016, our Audit Committee has completed its review on risk management and internal control systems and their enforcement.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

Membership

The current members of the Company's Remuneration Committee are Dr. Moses CHENG Mo Chi (chairman), Mr. Frank WONG Kwong Shing and Mr. Paul CHOW Man Yiu, who are all INEDs.

Responsibilities

The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive directors; to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time; to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment, and compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms; to ensure that no director or any of his associates is involved in deciding his own remuneration; to make recommendations to the Board on the policy and structure for remuneration of all directors, senior management and employees including salaries, incentive schemes and other share option schemes, and on the establishment of formal and transparent procedures for developing remuneration policy; to make recommendations to the Board on disclosure of directors' remuneration in the annual report (if applicable) sent by the Board to the shareholders; to make recommendations to the Board annually on whether the shareholders shall be requested to approve the policies set out in the report on directors' remuneration (if applicable) at the AGM.

Work Done in 2016

In 2016, the Remuneration Committee met twice, during which the committee:

- reviewed and approved the revision of the remuneration package and appraisal method of the senior management; and
- reviewed and approved its member adjustment.

Nomination Committee

Membership

The current members of the Company's Nomination Committee are Mr. Paul CHOW Man Yiu (chairman), Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi, who are all INEDs.

Responsibilities

The duties of the Nomination Committee, among other things, are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the corporate strategy; to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; to assess the independence of independent non-executive directors; to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer.

Work Done in 2016

In 2016, the Nomination Committee met twice, during which the committee approved the evaluation report of the effectiveness of the Board performance, and approved its member adjustment.

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The Remuneration Committee is responsible for determining the remuneration packages of all executive directors and senior management. The remuneration package of our executive directors consists of a basic salary, a performance-linked annual bonus and a term incentive. The remuneration of independent non-executive directors is determined in part by reference to the prevailing market conditions and their workload as independent non-executive directors and members of the board committees of the Company. Please refer to note 10 to the consolidated financial statements on page 96 of this annual report for directors' and senior management's remuneration in 2016.

Currently, executive directors are mainly selected internally within the Group from executives who have considerable years of management experience and expertise in the telecommunications industry, whereas for the identification of non-executive directors, importance is attached to the individual's independence as well as his or her experience and expertise in finance and business management, and taking into consideration the requirements of the jurisdictions where the Company is listed and the structure and composition of the Board. The Nomination Committee identifies, reviews and nominates, with diligence and care, individuals suitably qualified as board members of the Company before making recommendations to the Board for their final appointment.

All newly-appointed directors receive a comprehensive induction of directors' duties to make sure that they have a proper understanding of the operations and business of the Company, and that they are fully aware of their responsibilities as a director, the listing rules of the stock exchanges on which the Company is listed, applicable laws and regulations, and the operation and governance policies of the Company. All newly-appointed directors are subject to re-election by shareholders at the first annual general meeting after their appointment. Every director is subject to retirement by rotation and needs to stand for re-election at least once every three years.

In 2017, the nomination and appointment of Mr. Stephen YIU Kin Wah and Mr. DONG Xin was conducted in accordance with the above standards and procedures. Their respective remuneration and director's fee were determined by the Board with reference to their respective duties, responsibilities, experience and prevailing market conditions.

MANAGEMENT AND EMPLOYEES

The task of the Company's management is to implement the strategy and direction as determined by the Board, and to take care of day-to-day operations and functions of the Company. The division of responsibilities among our Chief Executive Officer and other members of the senior management is set out in the biographies of directors and senior management on pages 7 to 11 of this annual report and on the Company's website.

Our management is required to adhere to certain business principles and ethics while performing management duties. For the purpose of promoting honest and ethical conducts and deterring wrongdoings, the Company, in 2004, adopted a code of ethics, which is applicable to our chief executive officer, chief financial officer, deputy chief financial officer, assistant chief financial officer and other designated senior officers of the Group, in accordance with the requirements of the SOX Act. In the event of a breach of the code of ethics, the Company may take appropriate preventive or disciplinary actions after consultation with the Board. The code of ethics has been filed with the U.S. SEC as an exhibit to our annual report on Form 20-F for the financial year ended 31 December 2003, which may also be viewed and downloaded from our website.

The Company established an on-going disclosure control procedure to formulate potential insider dealings. Our CEO and CFO have a personal obligation to maintain the effectiveness of the disclosure controls and internal controls over financial reporting, and to report to the Audit Committee and the external auditor any significant changes, deficiencies and material weaknesses in, and fraud related to, such controls. Besides, the Company provides directors' monthly reports to board members giving the latest development of the Company to enable them to discharge their duties.

CORPORATE GOVERNANCE REPORT

To prevent and discipline corruption, we further refined our management system and business processes to improve internal control and prevent risks, enhancing anti-corruption education. We have formulated the Anti-Bribery Guidance for employees to learn more about business bribery and how to deal with it. In 2016, we furthered our anti-corruption construction to establish a 4-in-1 anti-corruption system combining education, prevention, penalty and accountability. Meanwhile, we further deepened our auditing rectification and accountability mechanism to make sure all issues found in auditing process shall be raised with rectification requirement. To major violation and loss cases in audit findings, the Company shall hold the relevant personnel accountable.

We revised and improved our decision-making policies and implementation method, refined our major issue catalogue and criteria to prevent risks in decision-making. We strengthened the inspection mechanism, especially on key areas such as procurement biddings to look for loopholes in our management system and resolve them and urge for honest operation, healthy development, good performance and shareholders' interests protection.

For whistle blowing, the Company has set a post office box, an e-mail account (jubao@chinamobile.com), CEO mailbox, a telephone hotline (010-52616186), fax and other channels to encourage employees and the public to raise concerns about misconducts, malpractices or irregularities in any matters related to the Company. The Company will keep the whistleblowers' personal information strictly confidential to protect his/her rights, and carefully verify and investigate issues reported. During 2016, there were 860 cases of whistle-blowing, 70.23% of which were solved and closed.

Indicators	2014	2015	2016
The number of Anti-corruption education activities	3,071	1,986	3,951
The aggregate number of attendees of anti-corruption education	461,137	761,800	696,106
Corruption cases handled	54	96	232
The number of persons dismissed and fined for corruption	87	140	302

INTERNAL AUDIT

IA Dept. conducts independent and objective supervision and assessment and provides consulting services in respect of the appropriateness, compliance and effectiveness of the Company's operational activities and internal controls by applying systematic and standardized auditing procedures and methods. The IA Dept. also assists the Company in improving the effectiveness of corporate governance, risk management and control process, with an aim to increasing its corporate value, improving its operations, promoting its sustainable and healthy development as well as contributing to the achievement of its strategic objectives.

The Company and its operating subsidiaries have set up internal audit departments, which independently audit the business units of the Company and its operating subsidiaries. The head of the IA Dept. directly reports, four times a year, to the Audit Committee which, in turn, reports to the Board regularly. The Board and Audit Committee give instructions with respect to internal auditing. The IA Dept. regularly reports to the senior management for auditing resources and authorization as well as deployment of rectification. The IA Dept. has unrestricted access to the relevant businesses, assets, records and personnel in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

The IA Dept. establishes an internal audit scope and framework and carries out risk investigations on an annual basis. According to the results of the risk investigations, the IA Dept. formulates an internal audit project rolling plan and an annual audit plan and, together with the Audit Committee, reviews and approves the annual audit plan and resources allocation. The annual audit plan of the internal audit department covers various areas, namely financial audit, internal control audit, risk assessment, audit investigation and consultancy services. For financial audit, the IA Dept. audits and assesses the truthfulness, accuracy, compliance and efficiency of the Company's financial activities and financial information as well as the management and utilization of the Company's capital and assets. For internal control audit, the IA Dept. audits and assesses the effectiveness in the design and implementation of the Company's internal control system. According to the requirements under the Corporate Governance Code of Hong Kong Listing Rules, section 404 of the SOX Act and Mainland China laws and regulations, the IA Dept. organizes and performs audit assessment on the internal control over financial and non-financial reporting of the Group covering all material areas of financial, operation and compliance controls, on an annual basis, to provide assurance for the Company's management in its issuance of the internal control assessment report. The IA Dept. shall report to the senior management and the Board on an interim and annual basis. At the same time, the IA Dept. carries on special projects and investigations in response to requests from the Company's management or the Audit Committee or if otherwise required. In addition, without prejudice to its independence, if requested by the Company's management and as required by business needs, the IA Dept. provides management advice or consultancy services by making use of audit resources and audit information to facilitate the Company's decision-making and operational management.

The IA Dept. makes improvement recommendations in respect of its findings in the course of the audits and requests the management to undertake and to confirm the implementation plan, the methods and the timing. It regularly monitors the status of the implementation of the recommendations to ensure their completion.

In 2016, the IA Dept., focusing on high-risk areas of the operation, further strengthened auditing on data products, important information system, procurement tender, cooperation businesses and newly-established subsidiaries, to prevent major risks and identify new risks. We expanded the application of remote real-time audit technology and further rectified the mechanism with respect to some common issues to plug loopholes. With the expansion of our business, more and more subsidiaries have been set up in recent years. In 2016, we actively improved the internal audit organization and set up internal audit branches in three cities, which greatly strengthened our audit capacity and centralization, and further strengthened the audit function and independency.

We report regularly to the Board and Audit Committee with respect to the building up of our internal audit organization, its human resources and qualifications, staff training, annual audit plan and budget, and the audit results. In 2016, we focused our audit on the establishment plan of our internal audit branches, the main findings of each audit projects and their rectification. We provide specific guidance on audit focus, rectification advice, team building and others to ensure the effectiveness of internal audit functions.

In 2017, the IA Dept. will continue focusing on new tasks of strategy transformation to find in-depth risk and plug management loopholes, and promoting process control and mechanism optimization to further enhance the effectiveness of internal audit.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

In 2016, the Group engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as statutory auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively. The principal services provided by PwC included:

- review of interim consolidated financial information of the Group;
- audit of annual consolidated financial statements of the Group and annual financial statements of its subsidiaries; and
- audit of the effectiveness of the Group's internal control over financial reporting as of 31 December 2016.

Apart from providing the above-mentioned audit services to the Group, the external auditors also provided other non-audit services to the Group, which were permitted under section 404 of the SOX Act and pre-approved by the Audit Committee.

The following table sets forth the types of, and fees for, the principal audit services and non-audit services provided by the external auditors (please refer to note 6 to the consolidated financial statements for details):

	2015	2016
	RMB million	RMB million
Audit fees ⁴	97	103
Non-audit services fees ⁵	5	10

⁴ Including the fees rendered for the audit of internal control over financial reporting as required by section 404 of the SOX Act.

⁵ Including the fees for tax compliance and advisory services, risk assessment and compliance advisory services and performance improvement and business process optimization advisory services.

OTHER STAKEHOLDERS

Good corporate governance practices require due attention to the impact of our business decisions on our shareholders as well as other relevant stakeholders such as customers, local communities, industry peers and regulatory authorities. Our sustainability report for the year of 2016 (the "Sustainability Report"), which is issued together with this annual report, highlights our philosophy of corporate social responsibility and our performance in the areas of social and environmental management in 2016. This annual report and the Sustainability Report illustrate our efforts and development in the areas of industry development, community advancement and environmental protection and also explain how we have fulfilled our obligations to our employees, customers, environment, local communities and other stakeholders.

In 2016, we were recognized on the Dow Jones Sustainability Emerging Markets Index, and had been on the DJSI family for nine consecutive years. China Mobile was the first and only company from Mainland China to be awarded a position on CDP's Climate A List 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our Audit Committee under the Board is responsible for conducting regular reviews of the effectiveness of the Group's risk management and internal control systems to reasonably ensure that the Company is operating legally and the assets are safeguarded and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The said systems are designed to manage rather than eliminate the risk of failure to meet business targets and to make reasonable but not absolute assurances with respect to material misrepresentations or losses. As of 31 December 2016, our Audit Committee has evaluated the effectiveness of the Group's risk management and internal control systems, covering all important aspects including financial, operational and compliance internal controls, to ensure we provide sufficient resources, staff qualification and experience, training courses and budget in accounting, internal audit and financial reporting. Based on such review, we consider the Group's risk management and internal control systems to be effective. Our Audit Committee under the Board is responsible for, among other things, monitoring the Company's financial reporting procedures, internal controls and risk management.

The management of the Company reports to Audit Committee annually about the building-up and performance of its risk management and internal control systems, including interim and annual evaluation reports, and receives guidance and supervision from Audit Committee. In 2016, the Company has received the management affirmation with respect to the effectiveness of the risk management and internal control systems.

Our management is responsible for establishing and maintaining internal control over financial reporting. We adopted the control criteria framework set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013). In compliance with the provisions and requirements under section 404 of the SOX Act and the CP issued by HKEX, we refined our routine management mechanism of internal controls, in establishing a stringent internal control system over financial reporting.

We established a hierarchical top-down risk assessment mechanism, relying on the strategic level risk assessment (material risk assessment), the management level risk assessment (major projects risk assessment) and the operational level risk assessment (procedure risk assessment), to assist the management to acknowledge risk information in a timely manner in order to make a reasonable decision. Based on risk assessment, we established a three-tier internal controls of "the top level internal control system, the internal control professional system and the internal control practices guidelines", which brought the control requirements to the whole process of marketing, production and management. Base on our business operation, we focus on high risk and key management areas and perform risk assessment, so as to enforce our internal control requirement into our daily operation. Meanwhile, we assigned specific responsibilities to individuals and input the control requirements in our IT systems to strengthen the internal controls. And through multiple internal and external supervision and inspections, including self-assessment, management evaluation, external audit, etc., we effectively improved the execution efficiency and effectiveness of our internal controls.

Based on the evaluation conducted by the management of the Company, the management believes that, as of 31 December 2016, the Company's internal control over financial reporting was effective which provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for reporting purposes in accordance with generally accepted accounting principles.

All disclosure of material information relating to the Company is made through the unified leadership and management of the Board, with the Company's management performing its relevant duties. The Company has performed an annual review of the effectiveness of the Company's disclosure controls and procedures, and concluded that, as of 31 December 2016, the Company's disclosure controls and procedures were effectively executed at a reasonable assurance level.

CORPORATE GOVERNANCE REPORT

INFORMATION DISCLOSURE AND INSIDER DEALINGS

According to the Hong Kong Listing Rules and United States Securities Act, since 2003, the Company has implemented the information disclosure internal control and procedures. We have established the Disclosure Committee, including our Chairman, chief executive officer, chief financial officer and heads of main functional departments. Empowered by the Board, the Disclosure Committee is responsible for organizing and coordinating the routine reporting and disclosure job to prompt timely, fair, truthful and complete disclosure of information, ensure good corporate governance and transparency, properly get back to the investors, analysts and media inquiries, to prevent our share price volatility caused by error messages.

Under the circumstances where any department or officer are in breach of disclosure procedures and internal control resulting in reporting or disclosure errors, or in breach of disclosure related laws and regulations, the Company shall hold the relevant personnel accountable. Members of the Disclosure Committee, heads of our IA Dept. and other relevant departments and each of our subsidiaries shall give confirmations annually and take personal responsibilities with respect to their disclosure duties.

Our IA Dept. conducts annual evaluation with respect to the effectiveness of disclosure internal control and procedures and its performance, and issues audit reports. Depending on such reports, the Board and the management shall make written statements with respect to our annual report on Form 20-F and take personal responsibilities in accordance with the requirements of the US Securities Act. The Disclosure Committee can revise the disclosure internal control and procedure in accordance with its performance and the development of relevant laws with approval of the senior management. The revised internal control procedure and articles shall be circulated to all departments and subsidiaries within the Group.

The Company attach great importance to the handling of insider information. In compliance with the provisions of Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), the Company also set up rules and black-out periods on directors, management and employees in dealing in the shares of the Company or exercising share options while they are in possession of inside information. In about every six months, staff in our Hong Kong office are required to sign a duty of confidentiality and prohibition against insider dealing. Unauthorized use of confidential or inside information for profits is strictly prohibited to prevent violation of laws and regulations and internal disciplines. In general, any authorized speaker from the Company only makes clarification and explanation on information already available in the market, avoiding any unpublished inside information. Before any external interview, such speaker shall seek verification from the relevant department about any information to be disclosed.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE CORPORATE GOVERNANCE PRACTICES OF THE COMPANY AND THE CORPORATE GOVERNANCE PRACTICES REQUIRED TO BE FOLLOWED BY U.S. COMPANIES UNDER THE NYSE'S LISTING STANDARDS

As a foreign private issuer (as defined in Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended), we are permitted to follow home country practices in lieu of some of the corporate governance practices required to be followed by U.S. companies listed on the NYSE. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on the NYSE.

In accordance with the requirements of section 303A.11 of the NYSE Listed Company Manual, the following is a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards.

CORPORATE GOVERNANCE REPORT

Section 303A.01 of the NYSE Listed Company Manual provides that listed companies must have a majority of independent directors. As a listed company in Hong Kong, the Company is subject to the requirement under the Hong Kong Listing Rules that at least one-third of its board be independent non-executive directors as determined under the Hong Kong Listing Rules. The Company has 4 independent non-executive directors out of a total of 9 directors. The Hong Kong Listing Rules set forth standards for establishing independence, which differ from those set forth in the NYSE Listed Company Manual.

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. As a listed company in Hong Kong, we are subject to the requirement under the Hong Kong Listing Rules that our Chairman should hold meetings at least annually with the non-executive directors (including INEDs) without the presence of executive directors.

Section 303A.04 of the NYSE Listed Company Manual provides that the nominating/corporate governance committee of a listed company must have a written charter that addresses the committee's purpose and responsibilities, which include, among others, the development and recommendation of corporate governance guidelines to the listed company's board of directors. Our Board is responsible for performing the corporate governance duties, including developing and reviewing our policies and practices of corporate governance.

Section 303A.07 of the NYSE Listed Company Manual provides that if an audit committee member simultaneously serves on the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve to three or less, then in each case, the board of directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee and disclose such determination. The Company is not required, under the applicable Hong Kong law, to make such determination.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. While the Company is not required, under the Hong Kong Listing Rules, to adopt such similar code, as required under the SOX Act, the Company has adopted a code of ethics that is applicable to the Company's principal executive officers, principal financial officers, principal accounting officers or persons performing similar functions.

Section 303A.12(a) of the NYSE Listed Company Manual provides that each listed company's chief executive officer must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. The Company's chief executive officer is not required, under the applicable Hong Kong law, to make similar certifications.

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

We will closely study the development of corporate governance practices among the world's leading corporations, future evolution of the relevant regulatory environment and the requirements of the investors on an ongoing basis. We will also review and enhance our corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

Human Resources Development

In 2016, our human resources work closely adhered to the Group's strategies and business development with "flexible structure, good quality, high efficiency and strong vitality" as the focus and "improving personnel selection, reforming personnel structure, optimizing incentive mechanism, strengthening talent retention and reshaping staff skills" as the emphasis, continuously improving our organizational capability and work efficiency and actively promoting the Group's transformational development.

In respect of talent team construction, first, we enhanced the intensity of our recruitment of key talents. We implemented an open recruitment system, established a multi-level staff recruitment system and launched a standardized written test for campus recruitment, thereby building up an open, fair and impartial recruitment atmosphere. Second, we selected and recommended talents with expertise. We seriously carried out various types of expert selection, optimized our selection procedures, improved our selection criteria and enhanced the efficiency of our selection.

In respect of personnel structure reform, first, we thoroughly reformed our personnel structure. We fully implemented the national policy requirements by completing our personnel restructuring within the statutory transition period. Second, we continued to optimize our human resources structure. We strictly controlled the number of employees in our traditional business and gradually reduced the number of employees in low-end and low-efficiency areas. Third, we achieved human resources synergies. We promoted the centralization of provincial operations, internally transferred our network calls businesses and organized incubation-based innovation and start-up projects.

In respect of remuneration incentive, first, we reformed our remuneration system. With a performance-oriented core, we improved the efficiency of our remuneration resources allocation. Second, we continued to improve our hierarchical and categorized remuneration incentive system. Third, we allocated more resources to our core backbone staff and enhanced the effectiveness of our remuneration incentives.

In respect of training management, first, we standardized our training management system, refined our training management and promoted the use of our centralized management system for group training. Second, we enhanced our reshaping capabilities and strengthened our training for technical backbone personnel in areas such as 4G marketing and operations, information and communications technology (ICT) transition, digital services, broadband networks and so on, thereby supporting our strategic transformation and innovative development.

In 2016, the number of users of our online learning platform China Mobile University reached 395,000, of whom 278,000 users accessed the platform on mobile phones, with a total of 17.56 million learning hours. At the same time, the Group focused on the common learning needs of employees and developed the "New Business" series of courses via face-to-face training, live broadcast, learning zone and other modes. Such courses were delivered 480,000 times, effectively improving our employees' overall level of knowledge and skills and enhancing the Company's innovation and development capabilities. In the same year, China Mobile University received awards such as "China's Best Enterprise University Award" and "Implementation Excellence Award in China E-Learning Industry", and was highly recognized and widely praised for its achievements in enterprise training and development.



Report of Directors

The directors take pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group's principal activity is providing mobile telecommunications and related services in 31 provinces, autonomous regions and directly-administered municipalities in Mainland China and Hong Kong. The principal activity of the Company is investment holding.

The revenue of the Group during the financial year consisted primarily of revenue generated from the provision of mobile telecommunications services.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's aggregate revenue with its five largest customers did not exceed 30% of the Group's total revenue in 2016.

Purchases from the largest supplier for the year represented 11% of the Group's total purchases. The five largest suppliers accounted for an aggregate of 36% of the Group's purchases in 2016. Purchases for the Group include network equipment purchases, leasing of transmission lines and payments in relation to interconnection arrangements. Purchases from suppliers, other than suppliers of leased lines and network equipment and interconnection arrangements, were not material to the Group's total purchases.

At no time during the year ended 31 December 2016 have the directors, their close associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these five largest suppliers.

SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Particulars of the Company's subsidiaries and the Group's investments accounted for using the equity method as at 31 December 2016 are set out in notes 18 and 19, respectively, to the consolidated financial statements, and the list of directors of each of the Company's subsidiaries is available on the Company's website.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the financial conditions of the Company and the Group as at that date are set out in the consolidated financial statements on pages 71 to 137.

DIVIDENDS

The Board recommends the dividend payout ratio of 46% for the full financial year of 2016. The Board recommends payment of a final dividend of HK\$1.243 per share, together with the interim dividend of HK\$1.489 per share paid earlier, this amounts to an aggregate dividend payment of HK\$2.732 per share for the full 2016 financial year. Taking into account the Company's financial position, its ability to generate cash flow and its capital demands for future development, the Company will maintain a stable dividend payout ratio for the full financial year of 2017, striving to attain a stable-to-rising dividend payout ratio to create higher shareholder value.

REPORT OF DIRECTORS

DONATIONS

Donations made by the Group during the year amounted to RMB66,762,930 (2015: RMB55,655,059).

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 34 to the consolidated financial statements.

BONDS

Details of the bonds of the Group are set out in note 32 to the consolidated financial statements.

RESERVES

Changes to the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year are set out in note 34 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the financial year were:

Executive Directors:

SHANG Bing (*Chairman*)

LI Yue

LIU Aili

XUE Taohai (*resigned on 23 March 2017*)

SHA Yuejia

DONG Xin (*appointed on 23 March 2017*)

Independent Non-Executive Directors:

LO Ka Shui (*resigned on 26 May 2016*)

Frank WONG Kwong Shing

Moses CHENG Mo Chi

Paul CHOW Man Yiu

Stephen YIU Kin Wah (*appointed on 23 March 2017*)

In accordance with Article 99 of the Company's Articles of Association, Mr. DONG Xin and Mr. Stephen YIU Kin Wah will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election. Besides, in accordance with Article 95 of the Company's Articles of Association, Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi and Mr. Paul CHOW Man Yiu will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The biographies of the directors proposed for re-election at the forthcoming annual general meeting ("Directors for Re-election") are set out on pages 7 to 11 of this annual report. Except as disclosed in such biographies, the Directors for Re-election have not held any other directorships in any listed public companies in the last three years. Further, except as noted in the biographies, none of the Directors for Re-election is connected with any directors, senior management or substantial or controlling shareholders of the Company and, except as disclosed in the paragraph headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" below, none of them has any interests in the shares of the Company within the meaning of Part XV of the SFO.

REPORT OF DIRECTORS

The service contracts of all the Directors for Re-election do not provide for a specified length of service and each of such directors will be subject to retirement by rotation and re-election at annual general meetings of the Company every three years. Each of the Directors for Re-election is entitled to an annual director's fee of HK\$180,000 as proposed by the Board and approved by the shareholders of the Company. Director's fees are payable on a time pro-rata basis for any non-full year's service. Mr. DONG Xin has voluntarily waived his director's fees for the year ended 31 December 2017. The remuneration of the Directors for Re-election has been determined with reference to the individual's duties, responsibilities, experience and prevailing market conditions. Details of the remuneration of the directors of the Company are set out in note 10 to the consolidated financial statements.

None of the Directors for Re-election has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Save as disclosed herein, there are no other matters relating to the re-election of the Directors for Re-election that need to be brought to the attention of the shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Hong Kong Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries has been a party and in which a director of the Company or an entity connected with a director of the Company is or was materially interested, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 159 of the Company's Articles of Association, every director or other officer of the Company shall be indemnified out of the assets of the Company against all liabilities (to the extent permitted by the Hong Kong Companies Ordinance) sustained or incurred by such director or officer in or about the execution of his office or otherwise in relation thereto. In addition, the Company has purchased directors and officers' liabilities insurance on behalf of its directors and officers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Certain directors of the Company personally held ordinary shares of the Company. Details of the directors' holding of ordinary shares of the Company as at 31 December 2016 are as follows:

Long Positions in the Shares and Underlying Shares of the Company

Director	Capacity	Ordinary shares held	Percentage of the total number of issued shares*
Frank WONG Kwong Shing	Beneficial owner	150,000	0.00%
Moses CHENG Mo Chi	Beneficial owner	400,000	0.00%

* The calculation is based on the total number of issued ordinary shares of the Company (i.e. 20,475,482,897 ordinary shares) as at 31 December 2016, and rounded off to two decimal places.

Apart from those disclosed herein, as at 31 December 2016, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that is recorded in the register required to be kept under section 352 of the SFO or any interests otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF DIRECTORS

DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2016 was the Company or any of its holding companies or subsidiaries a party for any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2016 amounting to 5% or more of the ordinary shares in issue:

Long Positions in the Shares and Underlying Shares of the Company

	Ordinary shares held		Percentage of total number of issued shares
	directly	indirectly	
(i) China Mobile Communications Corporation ("CMCC")	–	14,890,116,842	72.72%
(ii) China Mobile (Hong Kong) Group Limited ("CMHK (Group)")	–	14,890,116,842	72.72%
(iii) China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)")	14,890,116,842	–	72.72%

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

Apart from the foregoing, as at 31 December 2016, no other person (other than a director or the chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Details of the continuing connected transactions are set out in note 36 to the consolidated financial statements.

For the financial year ended 31 December 2016, the following continuing connected transactions (the "Continuing Connected Transactions") have not exceeded their respective annual caps:

- (1) rental and property management service charges paid by the Group to CMCC did not exceed RMB2,800 million. The charges payable by the Group in respect of properties owned by CMCC and its subsidiaries are determined with reference to market rates whilst the charges payable in respect of properties which CMCC or its subsidiaries lease from third parties and sub-let to the Group are determined according to the actual rent payable by CMCC or its subsidiaries to such third parties together with the amount of any tax payable;
- (2) telecommunications service charges, prices of transmission towers and spare parts and the charges payable for installation and maintenance services in respect of transmission towers paid by the Group to CMCC were below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules. The telecommunications service charges, prices of transmission towers and spare parts and the charges payable for installation and maintenance services in respect of transmission towers are determined with reference to and cannot exceed relevant standards laid down and revised from time to time by the government of the PRC. Where there are no government standards, the prices and charges are determined according to market rates; the charges in respect of telecommunications services provided by the Group payable by CMCC and its subsidiaries to the Group did not exceed RMB1,800 million;

REPORT OF DIRECTORS

- (3) leasing fees paid by the Company to CMCC for the leasing of the TD-SCDMA network capacity by the Company from CMCC did not exceed RMB10,000 million. The leasing fees are determined on a basis that reflects the Group's actual usage of CMCC's TD-SCDMA network capacity and to compensate CMCC for the costs of such network capacity; and
- (4) leasing fees paid by the Company to CMCC for the leasing of telecommunications network operation assets by the Company from CMCC did not exceed RMB5,500 million. The leasing fees are determined with reference to the prevailing market rates. In determining the market rates for the leasing fees, the Company has taken into account the charges payable by the Company and CMCC to other industry players as well as the charges receivable by the Company and CMCC from other industry players. The leasing fees payable by the Company to CMCC were not more than the leasing fees charged to other industry players, being independent third parties, for same kinds of network operation assets. The aggregate amount of leasing fees received by the Company from CMCC under the Network Assets Leasing Agreement was below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules.

The transactions referred to in paragraph (1) above were entered into pursuant to the 2014-2016 property leasing and management services agreement dated 15 August 2013 between the Company and CMCC (the "2014-2016 Property Leasing Agreement"). The Company announced the entering into and the terms of the 2014-2016 Property Leasing Agreement on 15 August 2013. The 2014-2016 Property Leasing Agreement expired on 31 December 2016 and the arrangements under the agreement have been renewed by way of the parties to such agreement entering into the 2017-2019 property leasing and management services agreement which has a term of three years commencing on 1 January 2017.

The transactions referred to in paragraph (2) above were entered into pursuant to the 2014-2016 telecommunications services agreement dated 15 August 2013 between the Company and CMCC (the "2014-2016 Telecommunications Services Agreement"). The Company announced the entering into and the terms of the 2014-2016 Telecommunications Services Agreement on 15 August 2013. The 2014-2016 Telecommunications Services Agreement expired on 31 December 2016.

The transactions referred to in paragraph (3) above were entered into pursuant to the network capacity leasing agreement between the Company and CMCC dated 29 December 2008 (the "Network Capacity Leasing Agreement"). The entering into of the Network Capacity Leasing Agreement was announced by the Company on 29 December 2008. The Network Capacity Leasing Agreement has been renewed and announced by the Company (i) on 6 November 2009 for a period of one year from 1 January 2010; (ii) on 21 December 2010 for a period of one year from 1 January 2011; (iii) on 6 December 2011 for a period of one year from 1 January 2012; (iv) on 12 December 2012 for a period of one year from 1 January 2013; (v) on 15 August 2013 for a period of one year from 1 January 2014; (vi) on 14 August 2014 for a period of one year from 1 January 2015; (vii) on 21 August 2015 for a period of one year from 1 January 2016; and (viii) on 11 August 2016 for a period of one year from 1 January 2017.

The transactions referred to in paragraph (4) above were entered into pursuant to the telecommunications network operation assets leasing agreement between the Company and CMCC dated 18 August 2011 (the "Network Assets Leasing Agreement"). The entering into of the Network Assets Leasing Agreement was announced by the Company on 18 August 2011. The Network Assets Leasing Agreement has been renewed and announced by the Company (i) on 6 December 2011 for a period of one year from 1 January 2012; (ii) on 12 December 2012 for a period of one year from 1 January 2013; (iii) on 15 August 2013 for a period of one year from 1 January 2014; (iv) on 14 August 2014 for a period of one year from 1 January 2015; (v) on 21 August 2015 for a period of one year from 1 January 2016; and (vi) on 11 August 2016 for a period of one year from 1 January 2017.

CMCC is the ultimate controlling shareholder of the Company and therefore, a connected person of the Company. Accordingly, all the transactions referred to in paragraphs (1) to (4) above constitute connected transactions for the Company under the Hong Kong Listing Rules.

REPORT OF DIRECTORS

In the opinion of the independent non-executive directors, the Continuing Connected Transactions were entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The auditors' letter has confirmed that nothing has come to their attention that cause them to believe that the Continuing Connected Transactions:

- (A) have not been approved by the Board;
- (B) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;
- (C) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
- (D) have exceeded their respective annual caps for the financial year ended 31 December 2016 set out in the previous announcements of the Company.

A copy of the auditors' letter in relation to the Continuing Connected Transactions has been provided by the Company to the Stock Exchange.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Hong Kong Listing Rules in force from time to time, and has followed the policies and guidelines as laid down in the guidance letter HKEx-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2016.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2016 are set out in note 32 to the consolidated financial statements.

REPORT OF DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the statements of the assets and liabilities of the Group for the last five financial years is set out on pages 138 to 140 of this annual report.

EMOLUMENT POLICY

In order to continue to maintain the sustainable development of the Group's competitiveness, the Group has always emphasized the importance of recruiting, incentivizing, developing and retaining its employees, paid close attention to the external competitiveness, internal fairness of its remuneration structure and the cost-effectiveness of remuneration and emphasized the importance of the correlation between remuneration management and performance management. For the year ended 31 December 2016, employees' remuneration comprised a basic salary and a performance-based bonus.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in note 2 to the consolidated financial statements.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the directors of the Company, the Company has maintained the public float prescribed under the Hong Kong Listing Rules.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively.

OTHERS

Please also refer to the sections headed "Chairman's Statement", "Business Review", "Financial Review" and "Human Resources Development" in this annual report (which form part of this Report of Directors) for further details.

By order of the Board

Shang Bing

Chairman

Hong Kong, 23 March 2017

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of China Mobile Limited (the “**Company**”) will be held on Thursday, 25 May 2017 at 10:00 a.m. in the Ballroom, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 31 December 2016.
2. To declare a final dividend for the year ended 31 December 2016.
3. To re-elect executive director.
4. To re-elect independent non-executive directors.
5. To re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively, and to authorize the directors to fix their remuneration.

And to consider and, if thought fit, to pass the following as ordinary resolutions:

ORDINARY RESOLUTIONS

6. **“THAT:**
 - (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to buy back shares in the capital of the Company including any form of depositary receipt representing the right to receive such shares (“**Shares**”) be and is hereby generally and unconditionally approved;
 - (b) the aggregate number of Shares which may be bought back on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which securities of the Company may be listed and which is recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange pursuant to the approval in paragraph (a) above shall not exceed or represent more than 10 per cent. of the number of issued shares of the Company at the date of passing this resolution, and the said approval shall be limited accordingly;
 - (c) for the purpose of this resolution “**Relevant Period**” means the period from the passing of this resolution until whichever is the earlier of:
 - (1) the conclusion of the next annual general meeting of the Company; or
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
 - (3) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

NOTICE OF THE ANNUAL GENERAL MEETING

7. **“THAT** a general mandate be and is hereby unconditionally given to the directors of the Company to exercise full powers of the Company to allot, issue and deal with additional shares in the Company (including the making and granting of offers, agreements and options which might require shares to be allotted, whether during the continuance of such mandate or thereafter) provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares; (ii) the exercise of options granted under any share option scheme adopted by the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend in accordance with the articles of association of the Company, the aggregate number of the shares allotted shall not exceed the aggregate of:

- (a) 20 per cent. of the number of issued shares of the Company at the date of passing this resolution, plus
- (b) (if the directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the number of Shares bought back by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the number of issued shares of the Company at the date of passing this resolution).

Such mandate shall expire at the earlier of:

- (1) the conclusion of the next annual general meeting of the Company; or
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
 - (3) the date of any revocation or variation of the mandate given under this resolution by ordinary resolution of the shareholders of the Company at a general meeting.”
8. **“THAT** the directors of the Company be and are hereby authorized to exercise the powers of the Company referred to in the resolution set out in item 7 in the notice of the annual general meeting in respect of the shares of the Company referred to in paragraph (b) of such resolution.”

By Order of the Board
China Mobile Limited
Wong Wai Lan, Grace
Company Secretary

12 April 2017

Notes:

1. Any member entitled to attend and vote at the annual general meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company’s registered office at 60/F, The Center, 99 Queen’s Road Central, Hong Kong at least 24 hours before the time for holding the annual general meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person if he is subsequently able to be present.
3. The Board of Directors has recommended a final dividend of HK\$1.243 per share for the year ended 31 December 2016 and, if such dividend is declared by the members passing resolution number 2, it is expected to be paid on or about 28 June 2017 to those shareholders whose names appear on the Company’s register of members on 8 June 2017. Shareholders should read the announcement issued by the Company on 23 March 2017 regarding the closure of register of members and the withholding and payment of enterprise income tax for non-resident enterprises in respect of the proposed 2016 final dividend.

NOTICE OF THE ANNUAL GENERAL MEETING

4. To ascertain shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from 19 May 2017 to 25 May 2017 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 18 May 2017.

To ascertain shareholders' entitlement to the proposed final dividend upon passing resolution number 2, the register of members of the Company will be closed from 6 June 2017 to 8 June 2017 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 5 June 2017.

5. Concerning resolution number 6 above, the directors of the Company wish to state that they will exercise the powers conferred thereby to buy back shares of the Company in circumstances which they deem appropriate for the benefit of the shareholders. The explanatory statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the buy-back by the Company of its own shares, as required by the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a separate circular from the Company to be enclosed with the 2016 Annual Report.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. SHANG Bing
(Executive Director & Chairman)
Mr. LI Yue
(Executive Director & Chief Executive Officer)
Mr. LIU Aili
(Executive Director & Vice President)
Mr. SHA Yuejia
(Executive Director & Vice President)
Mr. DONG Xin
(Executive Director, Vice President
& Chief Financial Officer)

Independent Non-Executive Directors

Mr. Frank WONG Kwong Shing
Dr. Moses CHENG Mo Chi
Mr. Paul CHOW Man Yiu
Mr. Stephen YIU Kin Wah

PRINCIPAL BOARD COMMITTEES

Audit Committee

Mr. Frank WONG Kwong Shing (Chairman)
Dr. Moses CHENG Mo Chi
Mr. Paul CHOW Man Yiu
Mr. Stephen YIU Kin Wah

Remuneration Committee

Dr. Moses CHENG Mo Chi (Chairman)
Mr. Frank WONG Kwong Shing
Mr. Paul CHOW Man Yiu

Nomination Committee

Mr. Paul CHOW Man Yiu (Chairman)
Mr. Frank WONG Kwong Shing
Dr. Moses CHENG Mo Chi

COMPANY SECRETARY

Ms. WONG Wai Lan, Grace (FCS, FCIS)

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISER

Sullivan & Cromwell (Hong Kong) LLP

REGISTERED OFFICE

60/F, The Center
99 Queen's Road Central
Hong Kong

PUBLIC AND INVESTOR RELATIONS

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Fax: 852 2511 9092
Website: www.chinamobileltd.com
Stock code: (HKEX) 941
(NYSE) CHL
CUSIP Reference Number: 16941M109

SHARE REGISTRAR

Hong Kong Registrars Limited
Shops 1712-1716,
17/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AMERICAN DEPOSITARY RECEIPTS DEPOSITARY

BNY Mellon Shareowner Services
P.O. Box 30170
College Station, TX 77842-3170
USA

Overnight Correspondence:
BNY Mellon Shareowner Services
211 Quality Circle, Suite 210
College Station, TX 77845
USA
Tel: 1-888-269-2377 (toll free in USA)
1-201-680-6825 (international call)
Email: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

PUBLICATIONS

As required by the United States securities laws and regulations, the Company shall file an annual report on Form 20-F with the US SEC before 30 April each year. Copies of the annual report of the Company as well as the annual report on Form 20-F, once filed, will be available at:

Hong Kong:

China Mobile Limited
60/F, The Center
99 Queen's Road Central
Hong Kong

The United States:

BNY Mellon
101 Barclay Street, 22/F
New York, NY 10286
USA

Independent Auditor's Report



羅兵咸永道

Independent Auditor's Report
To the Members of China Mobile Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Mobile Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 137, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Impairment assessment on the interest in associates
- Leasing arrangement

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to Note 2 – Significant accounting policies (r) and Note 4 – Operating revenue to the consolidated financial statements.</p> <p>We focused on this area due to the volume of transactions, the complexity of the IT systems, the variety of tariff and package structures and the complexity of multi-element arrangements, such as voice and data service package, handset and service bundled package and customer points reward, involving a number of key judgements and estimates on the allocation of cash consideration among various elements and timing when the revenue of each element can be recognized.</p>	<p>In response to this key audit matter, our audit work included controls testing and substantive procedures:</p> <ul style="list-style-type: none"> • tested the IT environment in which billing and other relevant support systems reside; • evaluated and tested the design and operating effectiveness of controls over the capture and measurement of revenue transactions; • evaluated the appropriateness of the accounting policies on revenue recognition for multi-element arrangements; • examined the allocation of cash consideration among various elements and tested the accuracy of revenue recognition by using sampling techniques; • performed substantive testing on the accuracy and completeness of revenue using sampling techniques by examining customer bills, billing reports and financial records; and • tested the balances of account receivables and advance from customers in billing system by using computer assisted audit techniques and examined the reconciliation of such balances between billing system and financial records. <p>Based on the procedures performed, the revenue recognized was supported by the audit evidences we obtained and consistent with the accounting policies of the Group.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter**How our audit addressed the Key Audit Matter****Impairment assessment on the interest in associates**

Refer to Note 2 – Significant accounting policies (d) and (i), Note 19 – Investments accounted for using the equity method and Note 40 – Accounting estimates and judgements to the consolidated financial statements.

The Group held interest in associates, which is accounted for using the equity method. When the objective evidences that indicate impairment are identified, the management performed impairment assessments by comparing the recoverable amounts of the interest in associates with its carrying amounts.

As at 31 December 2016, due to the market downturn, the Group found the carrying amount of an investment in one of the associates exceeded its market value. Hence, the Group performed an impairment assessment on this investment by calculating its recoverable amount based on value-in-use as determined by the enterprise discounted free cash flow model. Based on the assessment result, the management determined that there was no impairment loss on the investment in the associate.

In the impairment assessment, judgements were required in the assessment of assumptions, particularly the growth rate, the margin and the discount rate as they are sensitive to the enterprise discounted free cash flow model.

In response to this key audit matter, we performed the following procedures to determine whether the management's conclusion that the investment in associates was not impaired was appropriate:

- evaluated management's process for preparing its impairment assessment and evaluated management's prior years experiences and the critical judgement in the assessment;
- assessed the recoverable amount based on its value-in-use as determined by the enterprise discounted free cash flow model, reviewed documentation supporting key judgements and assumptions, considered external evidence and historical accuracy of management's assumptions and forecasts, particularly the growth rate, the margin and the discount rate;
- reconciled input data to supporting evidence, such as approved budgets;
- tested mathematical accuracy and considered the appropriateness of the type of cash flows included in the enterprise discounted free cash flow model; and
- checked sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, would result in the investment being impaired.

Based on the procedures performed, the key assumptions and estimates made by management were supported by the audit evidences we gathered and consistent with our understanding.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Leasing arrangement</p> <p>Refer to Note 2 – Significant accounting policies (h) and Note 40 – Accounting estimates and judgements to the consolidated financial statements.</p> <p>On 8 July 2016, the Group and China Tower Corporation Limited (“China Tower”) finalized the leasing and pricing arrangement in relation to the leases of telecommunications towers (including newly-added towers and acquired towers) and related assets, and entered into an agreement accordingly (the “Lease Agreement”).</p> <p>In accordance with IAS17, “Leases”, the management assessed the classification of the leases and concluded they should be classified as operating leases. Significant judgements are required in the assessment of the classification. In particular, the management assessed the impact of the lease term and the present value of minimum lease payments, the nature of leased assets, no ownership transfer and no purchase option in the end of the lease term. The key judgements are in respect of economic lives and fair value of the leased assets and the interest rate implicit in the leases in the calculation of present value of minimum lease payments.</p>	<p>In response to this key audit matter, we performed the following procedures to assess the management’s conclusion that the leases were operating leases:</p> <ul style="list-style-type: none"> • examined the Lease Agreement and discussed with the management about the key terms in order to identify any inconsistency from our understanding; • in respect of the appropriateness of the judgements made by the management in the determination of classification of the Lease Agreement, we performed the following: <ul style="list-style-type: none"> • examined the impact of the agreed terms in the Lease Agreement on the classification; • tested mathematical accuracy of the present value of minimum lease payment calculation and verified relevant data; • assessed reasonableness of the interest rate implicit in the lease and performed sensitivity analysis; and • evaluated the appropriateness of the economic lives and the fair value of leased assets. <p>Based on the procedures performed, the key assumptions and estimates made by the management were agreed with the audit evidences we reviewed, and consistent with our understanding.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Wai Chi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016 (Expressed in Renminbi ("RMB"))

	Note	2016 Million	2015 Million
Operating revenue	4		
Revenue from telecommunications services		623,422	584,089
Revenue from sales of products and others		84,999	84,246
		708,421	668,335
Operating expenses			
Leased lines and network assets		39,083	20,668
Interconnection		21,779	21,668
Depreciation		138,090	136,832
Employee benefit and related expenses	5	79,463	74,805
Selling expenses		57,493	59,850
Cost of products sold		87,352	89,297
Other operating expenses	6	167,073	162,293
		590,333	565,413
Profit from operations		118,088	102,922
Gain on the transfer of Tower Assets	7	–	15,525
Other gains	8	1,968	1,800
Interest income		16,005	15,852
Finance costs	9	(235)	(455)
Share of profit of investments accounted for using the equity method		8,636	8,090
Profit before taxation		144,462	143,734
Taxation	12(a)	(35,623)	(35,079)
PROFIT FOR THE YEAR		108,839	108,655
Other comprehensive (loss)/income for the year, net of tax:			
Item that will not be subsequently reclassified to profit or loss			
Share of other comprehensive loss of investments accounted for using the equity method		(16)	–
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		24	–
Exchange differences on translation of financial statements of overseas entities		774	603
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(1,043)	901
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		108,578	110,159

Consolidated Statement of Comprehensive Income (Continued)

for the year ended 31 December 2016 (Expressed in RMB)

	Note	2016 Million	2015 Million
Profit attributable to:			
Equity shareholders of the Company		108,741	108,539
Non-controlling interests		98	116
PROFIT FOR THE YEAR		108,839	108,655
Total comprehensive income attributable to:			
Equity shareholders of the Company		108,480	110,043
Non-controlling interests		98	116
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		108,578	110,159
Earnings per share – Basic	13(a)	RMB5.31	RMB5.30
Earnings per share – Diluted	13(b)	RMB5.31	RMB5.30

The notes on pages 78 to 137 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 December 2016 (Expressed in RMB)

	Note	As at 31 December 2016 Million	As at 31 December 2015 Million
Assets			
Non-current assets			
Property, plant and equipment	14	622,356	585,631
Construction in progress	15	89,853	88,012
Land lease prepayments and others	16	26,720	26,773
Goodwill	17	35,343	35,343
Other intangible assets		1,708	768
Investments accounted for using the equity method	19	124,039	115,933
Deferred tax assets	20	29,767	25,423
Available-for-sale financial assets	21	35	3
Proceeds receivable for the transfer of Tower Assets	7	–	56,737
Restricted bank deposits	22	4,528	4,575
		934,349	939,198
Current assets			
Inventories	23	8,832	9,994
Accounts receivable	24	19,045	17,743
Other receivables	25	25,693	26,186
Proceeds receivable for the transfer of Tower Assets	7	57,152	–
Prepayments and other current assets	25	16,801	11,427
Amount due from ultimate holding company	26	221	247
Tax recoverable		1,097	746
Available-for-sale financial assets	21	31,897	19,167
Restricted bank deposits	22	197	15
Bank deposits	27	335,297	323,330
Cash and cash equivalents	28	90,413	79,842
		586,645	488,697
Total assets		1,520,994	1,427,895
Equity and liabilities			
Liabilities			
Current liabilities			
Interest-bearing borrowings	32	4,998	–
Accounts payable	29	250,838	243,579
Bills payable		1,206	645
Deferred revenue	30	84,289	78,100
Accrued expenses and other payables	31	180,950	163,404
Amount due to ultimate holding company	26	5,563	7,276
Current taxation		8,545	8,034
		536,389	501,038

Consolidated Balance Sheet (Continued)

as at 31 December 2016 (Expressed in RMB)

	Note	As at 31 December 2016 Million	As at 31 December 2015 Million
Non-current liabilities			
Interest-bearing borrowings – non-current	32	–	4,995
Deferred revenue – non-current	30	2,175	1,291
Deferred tax liabilities	20	292	203
		2,467	6,489
Total liabilities		538,856	507,527
Equity			
Share capital	34(c)	402,130	402,130
Reserves		576,891	515,206
Total equity attributable to equity shareholders of the Company		979,021	917,336
Non-controlling interests		3,117	3,032
Total equity		982,138	920,368
Total equity and liabilities		1,520,994	1,427,895

The financial statements on pages 71 to 137 were approved by the Board of Directors on 23 March 2017 and were signed on its behalf.

Li Yue

Name of Director

Dong Xin

Name of Director

The notes on pages 78 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016 (Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests Million	Total equity Million
	Share capital Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million	Total Million		
As at 1 January 2015	400,737	(231,954)	72	(768)	258,942	459,887	886,916	2,067	888,983
Changes in equity for 2015:									
Profit for the year	-	-	-	-	-	108,539	108,539	116	108,655
Currency translation differences	-	-	-	603	-	-	603	-	603
Share of other comprehensive income of investments accounted for using the equity method	-	901	-	-	-	-	901	-	901
Total comprehensive income for the year	-	901	-	603	-	108,539	110,043	116	110,159
Dividends approved in respect of previous year (note 34(b)(iii))	-	-	-	-	-	(22,283)	(22,283)	(21)	(22,304)
Dividends declared in respect of current year (note 34(b)(i))	-	-	-	-	-	(25,629)	(25,629)	-	(25,629)
Shares issued under share option scheme (note 34(c))	1,393	(369)	-	-	-	-	1,024	-	1,024
Transfer to PRC statutory reserves (note 34(d)(iii))	-	-	-	-	20,542	(20,502)	40	-	40
Transfer between reserves upon expiry of options	-	(92)	-	-	-	92	-	-	-
Consideration for business combination under common control	-	(31,967)	-	-	-	-	(31,967)	-	(31,967)
Transfer of assets of entities under common control to the ultimate holding company	-	(808)	-	-	-	-	(808)	-	(808)
Capital injection from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	870	870
As at 31 December 2015	402,130	(264,289)	72	(165)	279,484	500,104	917,336	3,032	920,368
As at 1 January 2016	402,130	(264,289)	72	(165)	279,484	500,104	917,336	3,032	920,368
Changes in equity for 2016:									
Profit for the year	-	-	-	-	-	108,741	108,741	98	108,839
Change in value of available-for-sale financial assets	-	24	-	-	-	-	24	-	24
Currency translation differences	-	-	-	774	-	-	774	-	774
Share of other comprehensive loss of investments accounted for using the equity method	-	(1,043)	-	-	-	(16)	(1,059)	-	(1,059)
Total comprehensive income for the year	-	(1,019)	-	774	-	108,725	108,480	98	108,578
Dividends approved in respect of previous year (note 34(b)(iii))	-	-	-	-	-	(20,764)	(20,764)	(13)	(20,777)
Dividends declared in respect of current year (note 34(b)(i))	-	-	-	-	-	(26,227)	(26,227)	-	(26,227)
Transfer to PRC statutory reserves (note 34(d)(iii))	-	-	-	-	25,721	(25,525)	196	-	196
As at 31 December 2016	402,130	(265,308)	72	609	305,205	536,313	979,021	3,117	982,138

The notes on pages 78 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016 (Expressed in RMB)

	Note	2016 Million	2015 Million
Operating activities			
Profit before taxation		144,462	143,734
Adjustments for:			
– Depreciation of property, plant and equipment		138,090	136,832
– Amortization of other intangible assets	6	499	274
– Amortization of land lease prepayments	16	443	426
– Gain on the transfer of Tower Assets	7	–	(15,525)
– Gain on disposal of property, plant and equipment	6	(180)	(4)
– Write-off and impairment of property, plant and equipment	6	7,216	7,614
– Impairment loss of doubtful accounts	6	3,734	4,839
– Write-down of inventories	6	282	272
– Interest income		(16,005)	(15,852)
– Finance costs	9	235	455
– Dividend income from unlisted securities	8	–	(11)
– Share of profit of investments accounted for using the equity method		(8,636)	(8,090)
– Unrealized exchange loss, net		115	182
– Gain on disposal of other financial assets		–	(14)
Operating cash flows before changes in working capital		270,255	255,132
Decrease/(increase) in inventories		886	(1,005)
Increase in accounts receivable		(4,930)	(5,830)
Increase in other receivables		(4,668)	(1,341)
(Increase)/decrease in prepayments and other current assets		(5,071)	276
Decrease/(increase) in amount due from ultimate holding company		26	(135)
Increase/(decrease) in accounts payable		11,931	(6,832)
Increase in bills payable		227	12
Increase in deferred revenue		7,231	14,005
Increase in accrued expenses and other payables		17,545	18,633
Increase/(decrease) in amount due to ultimate holding company		10	(32)
Cash generated from operations		293,442	272,883
Tax paid			
– Hong Kong profits tax paid		(236)	(232)
– PRC enterprise income tax paid		(39,505)	(37,562)
Net cash generated from operating activities		253,701	235,089

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2016 (Expressed in RMB)

	Note	2016 Million	2015 Million
Investing activities			
Capital expenditure		(188,209)	(172,243)
Land lease prepayments		(1,157)	(1,450)
Acquisition of other intangible assets		(1,399)	(212)
Proceeds from disposal of property, plant and equipment		564	7
(Increase)/decrease in bank deposits		(11,967)	30,177
(Increase)/decrease in restricted bank deposits		(135)	4,877
Interest received		13,862	15,655
Payment for investment accounted for using the equity method		(2,451)	(376)
Dividends received from associates	19	1,944	2,842
Dividends received from unlisted securities	8	–	11
Purchase of available-for-sale financial assets		(77,320)	(24,965)
Maturity of available-for-sale financial assets		65,881	8,294
Short-term loans granted by China Mobile Finance and other investments		(1,650)	(5,500)
Maturity of short-term loans granted by China Mobile Finance and other investments		2,500	–
Proceeds from disposal of other financial assets		–	140
Receipt of consideration from China Tower	7	5,000	–
Others		14	–
Net cash used in investing activities		(194,523)	(142,743)
Financing activities			
Proceeds from issuance of shares under share option scheme		–	1,024
Capital injection from non-controlling shareholders of a subsidiary		–	870
Interest paid		(232)	(442)
Dividends paid to the Company's equity shareholders	34(b)	(46,991)	(47,912)
Dividends paid to non-controlling shareholders of subsidiaries		(13)	(21)
Consideration for business combination under common control		–	(31,880)
Proceeds from entrusted loans	36(a)	–	8,592
Repayment of entrusted loans	36(a)	–	(18,834)
Short-term deposits placed by ultimate holding company	36(a)	5,552	7,274
Maturity of short-term deposits placed by ultimate holding company	36(a)	(7,274)	(4,181)
Repayment of bonds		–	(1,000)
Net cash used in financing activities		(48,958)	(86,510)
Net increase in cash and cash equivalents		10,220	5,836
Cash and cash equivalents at beginning of year		79,842	73,812
Effect of changes in foreign exchange rate		351	194
Cash and cash equivalents at end of year	28	90,413	79,842

Significant non-cash transactions

The Group recorded payables of RMB103,940,000,000 (2015: RMB125,210,000,000) to equipment suppliers as at 31 December 2016 for additions of construction in progress during the year then ended.

The notes on pages 78 to 137 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

China Mobile Limited (the "Company") was incorporated in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC") on 3 September 1997. The principal activities of the Company and its subsidiaries (together referred to as the "Group") are the provision of telecommunications and related services in Mainland China and in Hong Kong (for the purpose of preparing these consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan). The Company's immediate holding company is China Mobile Hong Kong (BVI) Limited (incorporated in British Virgin Islands), and the Company's ultimate holding company is China Mobile Communications Corporation ("CMCC"). The address of the Company's registered office is 60th Floor, The Center, 99 Queen's Road Central, Hong Kong.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), are consistent with IFRSs as it relates to the Group's financial statements. These financial statements also comply with HKFRSs, the requirements of Hong Kong Companies Ordinance Cap. 622, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

Acquisition of Target Assets and Businesses from China Tietong Telecommunications Corporation

On 27 November 2015, China Mobile TieTong Company Limited ("CM TieTong"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with China Tietong Telecommunications Corporation ("TieTong"), a wholly-owned subsidiary of CMCC, under which CM TieTong has agreed to acquire, and TieTong has agreed to sell, certain assets, businesses and related liabilities as well as its related employees in relation to the fixed-line telecommunications operations ("Target Assets and Businesses"). The final consideration for the acquisition of the Target Assets and Businesses based on the acquisition agreement was RMB31,967,000,000. The acquisition was completed on 31 December 2015.

The acquisition of the Target Assets and Businesses was considered as a business combination under common control as CM TieTong and the Target Assets and Businesses are both ultimately controlled by CMCC. Under IFRSs and HKFRSs, the acquisition of the Target Assets and Businesses was accounted for using merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA (note 2(c)(iv)).

(c) Subsidiaries and non-controlling interests

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (Continued)

(i) Subsidiaries (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Separate financial statements

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(iii) Business combination other than under common control

The Group applies the acquisition method to account for business combination of entities and businesses which are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

(iv) Business combination under common control

Under IFRSs and HKFRSs, the Group use merger accounting to account for the business combination of entities and businesses under common control in accordance with AG 5.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The assets and liabilities of the combining entities or businesses are combined using the carrying book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the consideration at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which they were incurred.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments accounted for using the equity method

Investments accounted for using the equity method include investment in associates and joint ventures.

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group has applied IFRS/HKFRS 11 to all joint arrangements. Under IFRS/HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Under the equity method, the investment is initially recorded at cost. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)). The Group's share of the post-acquisition post-tax results of the investee for the year is recognized as share of profit or loss of investments accounted for using the equity method in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognized as its share of other comprehensive income in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or joint ventures.

Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss. Accounting policies of associates or joint ventures would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

Gain or loss on dilution of equity interest in associates and joint ventures are recognized in profit or loss.

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Goodwill (Continued)**

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)). Each unit or groups of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose. Goodwill is monitored at the operating segment level.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

(f) Other intangible assets

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(i)). Amortization of intangible assets with finite useful lives is recorded in other operating expenses on a straight-line basis over the assets' estimated useful lives, from the date they are available for use. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized where their useful lives are assessed to be indefinite. The useful life of an intangible asset that is not being amortized is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. Otherwise, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(i)).

The cost of property, plant and equipment comprises the purchase price and any directly attributable costs of bringing the asset to its working location and condition for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the entity. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	8–30 years
Telecommunications transceivers, switching centers, transmission and other network equipment	5–10 years
Office equipment, furniture, fixtures and others	3–10 years

Both the assets' useful lives and residual values, if any, are reviewed annually.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided for at rates, which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the useful life of the asset as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Leased lines and network assets and operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

(iv) Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognized as income by a seller-lessee. Instead, it shall be deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognized immediately. If the sale price is below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables

Investments in equity securities (other than investments in subsidiaries), available-for-sale financial assets and receivables are reviewed at the end of each reporting date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the entity;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the entity will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the entity; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investment accounted for using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for such equity securities are not reversed.
- For debt instruments classified as available-for-sale financial assets, if any impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss. For equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is reclassified from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables (Continued)

- For trade and other current receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets with indefinite useful lives, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- prepaid interests in leasehold land classified as being held under an operating lease;
- investments in subsidiaries;
- goodwill; and
- other intangible assets.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(j) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(i)). Cost comprises direct costs of construction as well as interest expense and exchange differences capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost represents purchase cost of goods calculated using the weighted average cost method. Net realizable value is determined by reference to the sales proceeds of items sold in the ordinary course of business or to management's estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognized as cost of products sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. No reversal of any write-down of inventories occurred during the years presented.

(l) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method less allowance for impairment loss (see note 2(ii)), except where the effect of discounting would be immaterial.

(m) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of available-for-sale financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). The investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income.

Available-for-sale financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in equity is removed and recognized in profit or loss.

Interest on available-for-sale debt instruments calculated using the effective interest method is recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

(n) Deferred revenue

Deferred revenue consists primarily of prepaid service fees received from customers which are generally not refundable and revenue deferred for unredeemed point rewards under Customer Point Reward Program ("Reward Program", see note 2(r)(iv)).

The prepaid service fees are stated at the amount of proceeds received less the amount already recognized as revenue.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Accounts payable and other payables

Accounts payable and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial.

(q) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with original maturity within three months, cash at banks and in hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

- (i) revenue derived from voice and data services are recognized when the service is rendered;
- (ii) sales of products are recognized when the title is passed to the buyer;
- (iii) for offerings which include the provision of services and sale of mobile handset, the Group determines the revenue from the sale of the mobile handset by deducting the fair value of the service element from the total contract consideration; and
- (iv) for transactions which offer customer points reward when services are provided, the consideration allocated to the customer points reward is based on its fair value which is recorded as deferred revenue when the rewards are granted and recognized as revenue when the points are redeemed or expired.

(s) Interest income

Interest income is recognized as it accrues using the effective interest method.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries and associates to the extent that, in the case of taxable temporary differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Company and subsidiaries incorporated in Hong Kong are required to make contributions to Mandatory Provident Funds under the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Such contributions are recognized as an expense in profit or loss as incurred.

The employees of the subsidiaries in Mainland China participate in the defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the schemes at fixed rates of the employees' salary costs. In addition to the local governmental defined contribution retirement plans, the subsidiaries also participate in a pension scheme launched by the Group managed by an independent insurance company whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs or in accordance with the terms of the plans. The Group's contributions to these plans are charged to profit or loss when incurred.

The Company and subsidiaries have no obligations for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed at each balance sheet date. Any resulting adjustment to the cumulative fair value recognized in prior years is credited/charged to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained profits). In the Company's balance sheet, share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investments in subsidiaries, which is eliminated on consolidation.

(iii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment which is without realistic possibility of withdrawal or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(x) Translation of foreign currencies

The functional currency of major entities within the Group is RMB. The Group adopted RMB as its presentation currency in the preparation of the financial statements, which is the currency of the primary economic environment in which most of the Group's entities operate.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(x) Translation of foreign currencies (Continued)**

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of overseas entities are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Balance sheet items are translated into RMB at the exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve. On disposal of an overseas entity, the cumulative amount of the exchange differences relating to that particular foreign operation is reclassified from equity to profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas entities within the Group are translated into RMB by using the exchange rates approximating the foreign exchange rate ruling at the dates of the cash flows.

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in note 2(y)(a); or
 - (vii) A person identified in note 2(y)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. For the years presented, the Group as a whole is an operating segment since the Group is only engaged in telecommunications and related businesses. No geographical information has been disclosed as the majority of the Group's operating activities are carried out in Mainland China. The Group's assets located and operating revenue derived from activities outside Mainland China are less than 5% of the Group's assets and operating revenue, respectively.

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted certain amended IFRS/HKFRS effective for accounting period beginning on 1 January 2016. Details of the adoption are as follows:

- Amendment to IFRS/HKFRS 11, "Joint Arrangements".
- Amendment to IAS/HKAS 16, "Property, Plant and Equipment".
- Amendment to IAS/HKAS 38, "Intangible Assets".
- Amendment to IFRS/HKFRS 10, "Consolidated Financial Statements".
- Amendment to IAS/HKAS 28, "Investments in Associates and Joint Ventures".
- Amendment to IAS/HKAS 27, "Separate Financial Statements".
- Annual Improvement to IFRSs/HKFRSs 2012-2014 cycle.

The adoption of the above amended standards did not have any significant impact on the Group's financial statements. The Group did not apply any other amendments, new standards or interpretation that is not yet effective for the current accounting year (see note 41).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

4 OPERATING REVENUE

	2016 Million	2015 Million
Revenue from telecommunications services		
Voice services	209,949	261,896
Data services	394,937	303,425
Others	18,536	18,768
	623,422	584,089
Revenue from sales of products and others	84,999	84,246
	708,421	668,335

5 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2016 Million	2015 Million
Salaries, wages, labor service expenses and other benefits	69,546	67,622
Retirement costs: contributions to defined contribution retirement plans	9,917	7,183
	79,463	74,805

6 OTHER OPERATING EXPENSES

	Note	2016 Million	2015 Million
Maintenance		53,852	53,991
Impairment loss of doubtful accounts		3,734	4,839
Write-down of inventories		282	272
Amortization of other intangible assets		499	274
Operating lease charges			
– land and buildings		11,628	13,447
– others	(i)	4,248	6,186
Gain on disposal of property, plant and equipment		(180)	(4)
Write-off and impairment of property, plant and equipment (note 14)		7,216	7,614
Power and utilities expenses		29,461	27,134
Auditors' remuneration			
– audit services	(ii)	103	97
– tax services		1	1
– other services		9	4
Others	(iii)	56,220	48,438
		167,073	162,293

Note:

- (i) Other operating lease charges represent the operating lease charges for motor vehicles, computer and other office equipment.
- (ii) Audit services include reporting on the Group's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America with the service fee amount of RMB22,000,000 (2015: RMB20,000,000).
- (iii) Others consist of office expenses, travelling expenses, entertainment expenses, spectrum charges, consultancy and professional fees, consumables and supplies, and other miscellaneous expenses.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

7 PROCEEDS RECEIVABLE FOR THE TRANSFER OF TOWER ASSETS

On 14 October 2015, China Mobile Communication Co., Ltd. ("CMC"), a wholly-owned subsidiary of the Company, jointly with China United Network Communications Corporation Limited ("China Unicom"), China Telecom Corporation Limited ("China Telecom"), and China Reform Holdings Corporation Ltd. ("CRHC"), entered into an agreement with China Tower Corporation Limited ("China Tower"), pursuant to which China Tower (i) purchased telecommunications towers and related assets ("Tower Assets") from CMC, China Unicom and China Telecom and (ii) issued new equity shares to CRHC. The consideration of Tower Assets was determined based on the appraised value and subject to adjustment in accordance with the terms of the transaction agreement by each party as of the date of delivery. China Tower agreed to settle the consideration by way of issuing its equity shares to each party, plus cash consideration equalling to the excess of total consideration over the amount settled by equity shares. Upon completion of the above transactions, China Tower would be owned by CMC, China Unicom, China Telecom and CRHC with their respective shares of equity interests of 38.0%, 28.1%, 27.9% and 6.0%.

On 31 October 2015, CMC completed the transfer of Tower Assets to China Tower. In return, China Tower issued equity shares to CMC and shall pay CMC the remaining cash consideration within which China Tower has made the first payment of RMB5,000,000,000 in February 2016. The remaining balance of cash consideration was deferred and to be settled before 31 December 2017. In addition, China Tower will pay interest associated with the unpaid cash consideration to CMC from 1 November 2015 at a pre-determined interest rate, which is 90% of the financial institution's one year benchmark lending rate announced by the People's Bank of China ("PBOC") on the completion date of the transaction, i.e. 31 October 2015.

The gain arising from the transfer of CMC's Tower Assets, which has eliminated unrealized profits due to the Group's interest in China Tower, is recorded as "Gain on the transfer of Tower Assets" in the consolidated statement of comprehensive income for the year ended 31 December 2015.

8 OTHER GAINS

	2016 Million	2015 Million
Penalty income	764	658
Dividend income from unlisted securities	–	11
Others	1,204	1,131
	1,968	1,800

9 FINANCE COSTS

	2016 Million	2015 Million
Interest on bonds	228	257
Interest on entrusted loans and bank deposits (note 36(a))	7	194
Others	–	4
	235	455

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

10 DIRECTORS' REMUNERATION

Directors' remuneration during 2016 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2016 Total '000
Executive directors (Expressed in RMB)				
SHANG Bing*	–	497.7	122.1	619.8
LI Yue (Chief Executive Officer)	–	717.3	146.5	863.8
LIU Aili	–	661.7	141.4	803.1
XUE Taohai**	–	645.7	143.3	789.0
SHA Yuejia	–	661.7	141.4	803.1
	–	3,184.1	694.7	3,878.8
Independent non-executive directors (Expressed in Hong Kong dollar)				
LO Ka Shui***	130.4	–	–	130.4
WONG Kwong Shing, Frank	470.0	–	–	470.0
CHENG Mo Chi, Moses	452.0	–	–	452.0
CHOW Man Yiu, Paul	404.9	–	–	404.9
	1,457.3	–	–	1,457.3

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

10 DIRECTORS' REMUNERATION (CONTINUED)

Directors' remuneration during 2015 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2015 Total '000
Executive directors (Expressed in RMB)				
SHANG Bing [#]	–	106.7	30.0	136.7
XI Guohua ^{**}	–	376.6	113.0	489.6
LI Yue (Chief Executive Officer)	–	437.1	137.8	574.9
LIU Aili	–	365.4	132.7	498.1
XUE Taohai	–	386.9	134.6	521.5
HUANG Wenlin ^{***}	–	138.8	21.6	160.4
SHA Yuejia	–	365.4	132.7	498.1
	–	2,176.9	702.4	2,879.3
Independent non-executive directors (Expressed in Hong Kong dollar)				
LO Ka Shui	325.0	–	–	325.0
WONG Kwong Shing, Frank	470.0	–	–	470.0
CHENG Mo Chi, Moses	440.0	–	–	440.0
CHOW Man Yiu, Paul	330.0	–	–	330.0
	1,565.0	–	–	1,565.0

* The unpaid portion of executive directors' performance related bonuses for 2015 was included in executive directors' salaries, allowances and bonuses in 2016. Mr. SHANG Bing has been serving the Company since September 2015.

** Mr. XUE Taohai resigned from the position as executive director of the Company with effect from 23 March 2017.

*** Mr. LO Ka Shui resigned from the position as independent non-executive director of the Company with effect from 26 May 2016.

Mr. SHANG Bing was appointed as an executive director and chairman of the Company with effect from 10 September 2015.

** Mr. XI Guohua resigned from the position as executive director and chairman of the Company with effect from 24 August 2015.

*** Madam HUANG Wenlin resigned from the position as executive director of the Company with effect from 19 March 2015.

Mr. DONG Xin was appointed as an executive director of the Company and Mr. Stephen YIU Kin Wah was appointed as an independent non-executive director of the Company with effect from 23 March 2017.

In 2016 and 2015, executive directors of the Company voluntarily waived their directors' fees.

The unpaid portion of executive directors' performance related bonuses for 2016 will be paid based on the evaluation conducted in 2017, and the additional bonuses related to their term of service will be paid based on the evaluation conducted upon the completion of three-year evaluation period.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments payable to the five individuals with highest emoluments during 2016 and 2015 are as follows:

	2016	2015
	'000	'000
Salaries, allowances and benefits in kind	5,602.4	8,134.8
Performance related bonuses	2,029.2	1,814.1
Retirement scheme contributions	157.2	148.2
	7,788.8	10,097.1

The emoluments fell within the following bands:

	2016	2015
	Number of	Number of
	individuals	individuals
Emolument bands		
1,500,001–2,000,000	5	4
2,000,001–2,500,000	–	1

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

12 TAXATION**(a) Taxation in the consolidated statement of comprehensive income represents:**

	Note	2016 Million	2015 Million
Current tax			
Provision for Hong Kong profits tax			
on the estimated assessable profits for the year	(i)	193	164
Provision for the PRC enterprise income tax			
on the estimated taxable profits for the year	(ii)	39,709	39,588
		39,902	39,752
Deferred tax			
Origination and reversal of temporary differences (note 20)	(iii)	(4,279)	(4,673)
		35,623	35,079

Note:

- (i) The provision for Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year ended 31 December 2016.
- (ii) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2015: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2016. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2015: 15%).
- (iii) Deferred taxes of the Group are recognized based on tax rates that are expected to apply to the periods when the temporary differences are realized or settled.
- (iv) On 22 April 2009, SAT issued the "Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management" ("2009 Notice"). The Company is qualified as a PRC offshore-registered resident enterprise for purposes of the 2009 Notice. In accordance with the 2009 Notice and the PRC enterprise income tax law, the dividend income of the Company from its subsidiaries in the PRC is exempted from PRC enterprise income tax.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

12 TAXATION (CONTINUED)**(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:**

	2016	2015
	Million	Million
Profit before taxation	144,462	143,734
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (Note)	36,116	35,934
Tax effect of non-taxable items		
– Share of profit of associates	(2,159)	(2,023)
– Interest income	(22)	(31)
Tax effect of non-deductible expenses on the PRC operations	798	986
Tax effect of non-deductible expenses on Hong Kong operations	76	68
Rate differential of certain PRC operations (note 12(a)(ii))	(1,580)	(1,576)
Rate differential on Hong Kong operations	(133)	(122)
Tax effect of deductible temporary difference for which no deferred tax asset was recognized	1,562	98
Tax effect of deductible tax loss for which no deferred tax asset was recognized	1,349	356
Tax effect on the eliminated unrealized profits related to the transfer of Tower Assets	–	1,547
Others	(384)	(158)
Taxation	35,623	35,079

Note: The PRC's statutory tax rate is adopted as the majority of the Group's operations are subject to this rate.

(c) The tax charge relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	Million	Million	Million	Million	Million	Million
Change in value of available-for-sale financial assets	32	(8)	24	–	–	–
Share of other comprehensive (loss)/income of investments accounted for using equity method	(1,059)	–	(1,059)	901	–	901
Currency translation differences	774	–	774	603	–	603
Other comprehensive (loss)/income	(253)	(8)	(261)	1,504	–	1,504
Current tax		–			–	
Deferred tax		(8)			–	
		(8)			–	

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

13 EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB108,741,000,000 (2015: RMB108,539,000,000) and the weighted average number of 20,475,482,897 shares (2015: 20,473,119,088 shares) in issue during the year, calculated as follows:

Weighted average number of shares

	2016	2015
	Number of	Number of
	shares	shares
Issued shares as at 1 January	20,475,482,897	20,438,426,514
Effect of share options exercised	–	34,692,574
Weighted average number of shares in issue during the year	20,475,482,897	20,473,119,088

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB108,741,000,000 (2015: RMB108,539,000,000) and the weighted average number of 20,475,482,897 shares (2015: 20,479,705,763 shares), calculated as follows:

Weighted average number of shares (diluted)

	2016	2015
	Number of	Number of
	shares	shares
Weighted average number of shares in issue during the year	20,475,482,897	20,473,119,088
Dilutive equivalent shares arising from share options	–	6,586,675
Weighted average number of shares (diluted) during the year	20,475,482,897	20,479,705,763

In 2016, there was no share options outstanding (note 33). Therefore, there was no dilution impact on weighted average number of shares (diluted) of the Company.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings Million	Telecommunications transceivers, switching centers, transmission and other network equipment Million	Office equipment, furniture, fixtures and others Million	Total Million
Cost:				
As at 1 January 2015	143,602	1,154,848	21,537	1,319,987
Transferred from construction in progress	13,225	178,285	2,099	193,609
Other additions	119	837	580	1,536
Transfer of Tower Assets to China Tower (note 7)	(25,014)	(133,164)	(212)	(158,390)
Disposals	(1)	(84)	(24)	(109)
Assets written-off	(2,588)	(26,130)	(1,199)	(29,917)
Exchange differences	117	211	3	331
As at 31 December 2015	129,460	1,174,803	22,784	1,327,047
As at 1 January 2016	129,460	1,174,803	22,784	1,327,047
Transferred from construction in progress	8,476	172,502	2,267	183,245
Other additions	214	2,367	287	2,868
Disposals	(1,048)	(5,017)	(138)	(6,203)
Assets written-off	(308)	(58,650)	(2,210)	(61,168)
Exchange differences	129	262	1	392
As at 31 December 2016	136,923	1,286,267	22,991	1,446,181

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings Million	Telecommunications transceivers, switching centers, transmission and other network equipment Million	Office equipment, furniture, fixtures and others Million	Total Million
Accumulated depreciation and impairment:				
As at 1 January 2015	40,399	660,835	13,730	714,964
Charge for the year	6,542	127,888	2,428	136,858
Transfer of Tower Assets to China Tower (note 7)	(8,317)	(80,765)	(97)	(89,179)
Written back on disposals	(1)	(84)	(21)	(106)
Assets written-off and impairment loss	(1,813)	(18,456)	(1,014)	(21,283)
Exchange differences	15	146	1	162
As at 31 December 2015	36,825	689,564	15,027	741,416
As at 1 January 2016	36,825	689,564	15,027	741,416
Charge for the year	5,310	129,915	2,945	138,170
Written back on disposals	(446)	(2,336)	(68)	(2,850)
Assets written-off and impairment loss	(203)	(51,108)	(1,805)	(53,116)
Exchange differences	16	186	3	205
As at 31 December 2016	41,502	766,221	16,102	823,825
Net book value:				
As at 31 December 2016	95,421	520,046	6,889	622,356
As at 31 December 2015	92,635	485,239	7,757	585,631

For the year ended 31 December 2015, with the rapid growth of the Group's 4G operation, the strategy of ramping up the internet connection speed with lower tariff, continuing technology changes, and further development of wireline broadband business, management anticipates more pressure on the growth and profitability of the Wireless Local Area Network ("WLAN") business. Therefore, based on the impairment testing results, management recognized an impairment loss of RMB5,967,000,000 on the WLAN and related terminal transmission equipment.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

15 CONSTRUCTION IN PROGRESS

	2016	2015
	Million	Million
As at 1 January	88,012	95,110
Additions	185,086	192,737
Transferred to property, plant and equipment	(183,245)	(193,609)
Transfer of Tower Assets to China Tower (note 7)	–	(6,226)
As at 31 December	89,853	88,012

Construction in progress primarily comprises expenditure incurred on the network expansion projects but not yet completed as at 31 December 2016.

16 LAND LEASE PREPAYMENTS AND OTHERS

For the year ended 31 December 2016, the amortization of land lease prepayments expensed in the profit or loss amounted to approximately RMB443,000,000 (2015: approximately RMB426,000,000).

17 GOODWILL

	2016	2015
	Million	Million
Cost and carrying amount:		
As at 1 January and 31 December	35,343	35,343

Impairment tests for goodwill

As set out in IAS/HKAS 36 "Impairment of Assets", a cash-generating unit is the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets or groups of assets. For the purpose of impairment tests of goodwill, goodwill is allocated to groups of cash-generating units (being subsidiaries acquired in each acquisition). Such groups of cash-generating units represent the lowest level within the Group for which the goodwill is monitored for internal management purposes.

As at 31 December 2016, the goodwill of RMB35,300,000,000 is attributable to the cash-generating unit in relation to the operation in Mainland China which management currently monitors. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations by using the discounted cash flow method. This method considers the pre-tax cash flows of the subsidiaries (cash-generating unit) for the five years ending 31 December 2021 with subsequent transition to perpetuity. For the five years ending 31 December 2021, the average growth rate is assumed 1.5% while for the years beyond 31 December 2021, the assumed continual growth rate to perpetuity is 1%. The present value of cash flows is calculated by discounting the cash flow using pre-tax interest rates of approximately 12%. The management performed impairment test for the goodwill in relation to the operation in Mainland China and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Communication (BVI) Limited	British Virgin Islands ("BVI")	HK\$1	100%	–	Investment holding company
CMC **	PRC	RMB1,641,848,326	–	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. ("Guangdong Mobile")	PRC	RMB5,594,840,700	–	100%	Telecommunications operator
China Mobile Group Zhejiang Co., Ltd.	PRC	RMB2,117,790,000	–	100%	Telecommunications operator
China Mobile Group Jiangsu Co., Ltd.	PRC	RMB2,800,000,000	–	100%	Telecommunications operator
China Mobile Group Fujian Co., Ltd.	PRC	RMB5,247,480,000	–	100%	Telecommunications operator
China Mobile Group Henan Co., Ltd.	PRC	RMB4,367,733,641	–	100%	Telecommunications operator
China Mobile Group Hainan Co., Ltd.	PRC	RMB643,000,000	–	100%	Telecommunications operator
China Mobile Group Beijing Co., Ltd.	PRC	RMB6,124,696,053	–	100%	Telecommunications operator
China Mobile Group Shanghai Co., Ltd. ("Shanghai Mobile")	PRC	RMB6,038,667,706	–	100%	Telecommunications operator
China Mobile Group Tianjin Co., Ltd.	PRC	RMB2,151,035,483	–	100%	Telecommunications operator
China Mobile Group Hebei Co., Ltd.	PRC	RMB4,314,668,600	–	100%	Telecommunications operator
China Mobile Group Liaoning Co., Ltd.	PRC	RMB5,140,126,680	–	100%	Telecommunications operator
China Mobile Group Shandong Co., Ltd.	PRC	RMB6,341,851,146	–	100%	Telecommunications operator

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Group Guangxi Co., Ltd.	PRC	RMB2,340,750,100	–	100%	Telecommunications operator
China Mobile Group Anhui Co., Ltd.	PRC	RMB4,099,495,494	–	100%	Telecommunications operator
China Mobile Group Jiangxi Co., Ltd.	PRC	RMB2,932,824,234	–	100%	Telecommunications operator
China Mobile Group Chongqing Co., Ltd.	PRC	RMB3,029,645,401	–	100%	Telecommunications operator
China Mobile Group Sichuan Co., Ltd.	PRC	RMB7,483,625,572	–	100%	Telecommunications operator
China Mobile Group Hubei Co., Ltd.	PRC	RMB3,961,279,556	–	100%	Telecommunications operator
China Mobile Group Hunan Co., Ltd.	PRC	RMB4,015,668,593	–	100%	Telecommunications operator
China Mobile Group Shaanxi Co., Ltd.	PRC	RMB3,171,267,431	–	100%	Telecommunications operator
China Mobile Group Shanxi Co., Ltd.	PRC	RMB2,773,448,313	–	100%	Telecommunications operator
China Mobile Group Neimenggu Co., Ltd.	PRC	RMB2,862,621,870	–	100%	Telecommunications operator
China Mobile Group Jilin Co., Ltd.	PRC	RMB3,277,579,314	–	100%	Telecommunications operator
China Mobile Group Heilongjiang Co., Ltd.	PRC	RMB4,500,508,035	–	100%	Telecommunications operator
China Mobile Group Guizhou Co., Ltd.	PRC	RMB2,541,981,749	–	100%	Telecommunications operator
China Mobile Group Yunnan Co., Ltd.	PRC	RMB4,137,130,733	–	100%	Telecommunications operator
China Mobile Group Xizang Co., Ltd.	PRC	RMB848,643,686	–	100%	Telecommunications operator
China Mobile Group Gansu Co., Ltd.	PRC	RMB1,702,599,589	–	100%	Telecommunications operator

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Group Qinghai Co., Ltd.	PRC	RMB902,564,911	–	100%	Telecommunications operator
China Mobile Group Ningxia Co., Ltd.	PRC	RMB740,447,232	–	100%	Telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	PRC	RMB2,581,599,600	–	100%	Telecommunications operator
China Mobile Group Design Institute Co., Ltd.	PRC	RMB160,232,500	–	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited **	PRC	US\$30,000,000	100%	–	Investment holding company
China Mobile (Shenzhen) Limited **	PRC	US\$7,633,000	–	100%	Provision of roaming clearance services
Aspire Holdings Limited	Cayman Islands	HK\$93,964,583	66.41%	–	Investment holding company
Aspire (BVI) Limited #	BVI	US\$1,000	–	100%	Investment holding company
Aspire Technologies (Shenzhen) Limited ***	PRC	US\$10,000,000	–	100%	Technology platform development and maintenance
Aspire Information Network (Shenzhen) Limited ***	PRC	US\$5,000,000	–	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited ***	PRC	US\$5,000,000	–	100%	Technology platform development and maintenance
Fujian FUNO Mobile Communication Technology Company Limited ***	PRC	US\$3,800,000	–	51%	Network construction and maintenance, network planning and optimizing, training and communication services

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
Advanced Roaming & Clearing House Limited	BVI	US\$2	100%	–	Provision of roaming clearance services
Fit Best Limited	BVI	US\$1	100%	–	Investment holding company
China Mobile Hong Kong Company Limited	Hong Kong	HK\$951,046,930	–	100%	Provision of telecommunications and related services
China Mobile International Holdings Limited	Hong Kong	HK\$13,095,670,000	100%	–	Investment holding company
China Mobile International Limited	Hong Kong	HK\$3,000,000,000	–	100%	Provision of voice and roaming clearance services, internet services and value-added services
China Mobile Group Device Co., Ltd.	PRC	RMB6,200,000,000	–	99.97%	Provision of electronic communication products design and sale of related products
China Mobile Group Finance Co., Ltd. ("China Mobile Finance")	PRC	RMB11,627,783,669	–	92%	Provision of non-banking financial services
China Mobile IoT Company Limited	PRC	RMB1,000,000,000	–	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	PRC	RMB830,000,000	–	100%	Provision of computer hardware and software research and development services
China Mobile (Hangzhou) Information Technology Co., Ltd.	PRC	RMB900,000,000	–	100%	Provision of computer hardware and software research and development services
China Mobile Online Service Co., Ltd.	PRC	RMB50,000,000	–	100%	Provision of call center services
MIGU Company Limited	PRC	RMB7,000,000,000	–	100%	Provision of Mobile Internet digital content services

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
CM TieTong	PRC	RMB31,880,000,000	–	100%	Provision of telecommunications services
China Mobile Internet Company Limited	PRC	RMB2,000,000,000	–	100%	Provision of value added telecommunications services
China Mobile Investment Holdings Company Limited ("CM Investment") ##	PRC	RMB20,000,000,000	–	100%	Investment holding company

* The nature of all the legal entities established in the PRC is limited liability company.

** Companies registered as wholly owned foreign enterprises in the PRC.

*** Company registered as a sino-foreign equity joint venture in the PRC.

Effective interest held by the Group is 66.41%.

CM Investment was established as at 9 December 2016, while the paid up capital has not been paid as at 31 December 2016.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognized in the consolidated balance sheet are as follows:

	As at 31 December 2016 Million	As at 31 December 2015 Million
Associates	123,255	115,558
Joint ventures	784	375
	124,039	115,933

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Details of major associates are as follows:

Name of associate	Note	Place of incorporation/ establishment and operation	Proportion of ownership interest held by the Company or its subsidiary	Principal Activity
Unlisted company				
China Tower		PRC	38%	Construction, maintenance and operation of telecommunications towers
Listed company				
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	(i)	PRC	19%	Provision of banking services
IFLYTEK Co., Ltd. ("IFLYTEK")		PRC	14%	Provision of Chinese speech and language technology products and services
True Corporation Public Company Limited ("True Corporation")	(ii)	Thailand	18%	Provision of telecommunications services

Note:

- (i) The Group's shareholding percentage in SPD Bank has been diluted from 20.00% to 18.98% as a result from SPD Bank's issuance of new ordinary shares to other companies in March 2016.
- (ii) In June 2016, the Group completed the subscription of additional 1,510 million new ordinary shares issued by True Corporation at the price of Baht7.15 per share with a total consideration of approximately Baht10.8 billion (equivalent to approximately RMB2.0 billion). Upon the completion of the subscription, the Group's shareholding percentage in True Corporation remains unchanged.

Summary financial information on principal associates:

	SPD Bank As at 31 December	
	2016	2015
	Million	Million
Total assets	5,857,263	5,044,352
Total liabilities	5,484,329	4,725,752
Total equity	372,934	318,600
Total equity attributable to ordinary equity shareholders	338,027	285,250
Percentage of ownership of the Group	19%	20%
Total equity attributable to the Group	64,158	57,050
The impact of fair value adjustments at the time of acquisition and goodwill	7,780	9,361
Interest in associates	71,938	66,411

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summary financial information on principal associates (Continued):

	IFLYTEK		True Corporation		China Tower	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015	2016	2015
	Million	Million	Million	Million	Million	Million
Total current assets	5,533	4,767	23,135	14,038	39,565	38,586
Total non-current assets	4,881	3,623	61,532	36,959	272,103	231,793
Total current liabilities	2,521	1,601	30,333	20,158	171,568	47,717
Total non-current liabilities	674	266	29,492	17,279	14,548	96,535
Total equity	7,219	6,523	24,842	13,560	125,552	126,127
Total equity attributable to equity shareholders	7,061	6,268	24,714	13,441	125,552	126,127
Percentage of ownership of the Group	14%	14%	18%	18%	38%	38%
Total equity attributable to the Group	962	878	4,449	2,419	47,710	47,928
The impact of fair value adjustments at the time of acquisition and goodwill	814	827	2,847	3,077	–	–
Elimination of unrealized profits resulting from the transfer of Tower Assets and its realization	–	–	–	–	(5,474)	(5,989)
Interest in associates	1,776	1,705	7,296	5,496	42,236	41,939

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summary financial information on principal associates (Continued):

	SPD Bank		IFLYTEK	
	2016 Million	2015 Million	2016 Million	2015 Million
Revenue	160,792	146,550	3,320	2,501
Profit before taxation	69,975	66,877	561	465
Profit attributable to ordinary equity shareholders for the year	51,374	49,704	484	425
Other comprehensive (loss)/income	(5,480)	4,458	–	–
Total comprehensive income	45,894	54,162	484	425
Dividends received from associates	1,921	2,824	18	18

	True Corporation		China Tower	
	2016 Million	2015 Million	2016 Million	2015 Million
Revenue	23,520	21,416	54,474	10,325
(Loss)/profit before taxation	(437)	839	(776)	(3,864)
(Loss)/profit for the year	(531)	795	(575)	(2,944)
Other comprehensive loss	(87)	–	–	–
Total comprehensive (loss)/income	(618)	795	(575)	(2,944)
Dividends received from associates	5	–	–	–

The fair values of the interests in SPD Bank, IFLYTEK and True Corporation are disclosed as follows:

	As at 31 December 2016		As at 31 December 2015	
	Carrying amount Million	Fair value Million	Carrying amount Million	Fair value Million
SPD Bank	71,938	66,522	66,411	68,160
IFLYTEK	1,776	4,854	1,705	6,639
True Corporation	7,296	8,297	5,496	5,339
Interest in listed associates	81,010	79,673	73,612	80,138

The fair values of interest in SPD Bank, IFLYTEK and True Corporation are based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs.

The Group assesses at the end of each reporting period whether there is objective evidence that interest in associates are impaired.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

As at 31 December 2016, the fair value of investment in SPD Bank was RMB66,522,000,000 (2015: RMB68,160,000,000), below its carrying amount by approximately 7.5% (2015: exceeding approximately 2.6%). Management performed impairment test accordingly considering such impairment indicator. The recoverable amount of the interest in SPD Bank is determined by value-in-use. The calculation used pre-tax cash flow projections for the five years ending 31 December 2021 with subsequent extrapolation to perpetuity. The discount rate used was based on a cost of capital used to evaluate investments in Mainland China. Management judgement is required in estimating the future cash flows of SPD Bank. The key assumptions are determined with reference to external sources of information. Based on management's assessment results, there was no impairment as at 31 December 2016. Reasonably possible changes in key assumptions will not lead to the impairment loss.

As at 31 December 2016, the fair value of investment in True Corporation was RMB8,297,000,000 (2015: RMB5,339,000,000), exceeding its carrying amount by approximately 13.7% (2015: approximately 2.9% below). The management has determined that there was no impairment indicator of the Group's interests in True Corporation as at 31 December 2016.

Based on the current operation status and business prospects of China Tower, there was no objective evidence of impairment associated with the investment in China Tower as at 31 December 2016.

In 2015, CMC together with State Development & Investment Corporation and China Mobile State Development & Investment Management Company Limited (45% of its registered capital is owned by CMCC), established China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the "Fund"). The Group recognized the investment as interest in a joint venture. CMC committed to invest RMB1,500,000,000 in cash, which represents 58.8% equity interest in the Fund. As at 31 December 2016, CMC has contributed RMB721,000,000 (2015: RMB360,000,000) to the Fund and has a commitment to invest RMB779,000,000 (2015: RMB1,140,000,000) to the Fund upon the request by the Fund. There are no contingent liabilities relating to the Group's interest in the joint ventures.

20 DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and liabilities are as follows:

	As at 31 December 2016 Million	As at 31 December 2015 Million
Deferred tax assets:		
– Deferred tax asset to be recovered after 12 months	6,607	4,935
– Deferred tax asset to be recovered within 12 months	23,160	20,488
	29,767	25,423
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after 12 months	(248)	(166)
– Deferred tax liabilities to be settled within 12 months	(44)	(37)
	(292)	(203)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**Deferred tax assets and liabilities recognized and the movements during 2016**

	As at 1 January 2016 Million	(Charged)/ credited to profit or loss Million	Charged to other comprehensive income Million	Exchange differences Million	As at 31 December 2016 Million
Deferred tax assets arising from:					
Write-down for obsolete inventories	217	(42)	-	-	175
Write-off and impairment of certain network equipment and related assets	4,152	386	-	-	4,538
Accrued operating expenses	14,125	3,844	-	-	17,969
Deferred revenue from Reward Program	5,350	446	-	-	5,796
Impairment loss for doubtful accounts	1,579	(282)	-	-	1,297
Change in value of available-for-sale financial assets	-	-	(8)	-	(8)
	25,423	4,352	(8)	-	29,767
Deferred tax liabilities arising from:					
Depreciation allowance in excess of related depreciation	(203)	(73)	-	(16)	(292)
Total	25,220	4,279	(8)	(16)	29,475

Deferred tax assets and liabilities recognized and the movements during 2015

	As at 1 January 2015 Million	Credited/ (charged) to profit or loss Million	Exchange differences Million	As at 31 December 2015 Million
Deferred tax assets arising from:				
Write-down for obsolete inventories	188	29	-	217
Write-off and impairment of certain network equipment and related assets	2,624	1,528	-	4,152
Accrued operating expenses	10,641	3,484	-	14,125
Deferred revenue from Reward Program	5,621	(271)	-	5,350
Impairment loss for doubtful accounts	1,580	(1)	-	1,579
	20,654	4,769	-	25,423
Deferred tax liabilities arising from:				
Depreciation allowance in excess of related depreciation	(98)	(96)	(9)	(203)
Total	20,556	4,673	(9)	25,220

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets are recognized for deductible temporary differences and tax losses carry-forwards only to the extent that the realization of the related tax benefit through future taxable profits is probable. Certain subsidiaries of the Group did not recognize deferred tax assets of RMB1,562,000,000 (2015: RMB98,000,000) and RMB1,349,000,000 (2015: RMB395,000,000) in respect of deductible temporary differences and tax losses amounting to RMB6,249,000,000 (2015: RMB391,000,000) and RMB5,504,000,000 (2015: RMB1,581,000,000) respectively that can be carried forward against future taxable income as at 31 December 2016. The tax losses are allowed to be carried forward in next five years to against the future taxable profits.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	As at 31 December 2016 Million	As at 31 December 2015 Million
Equity investment	(i)	35	3
Wealth management products issued by banks	(ii)	31,897	19,167
		31,932	19,170
Less: current portion		(31,897)	(19,167)
Non-current portion		35	3

Note:

- (i) The equity investment represents Shanghai Mobile's investment in Bank of Shanghai Co., Ltd. ("Bank of Shanghai"), the latter of which has been listed in November 2016. The equity investment is accounted for using its fair value based on quoted market price (level 1: quoted price (unadjusted) in active markets) as at 31 December 2016 without any deduction for transaction costs.
- (ii) The wealth management products issued by banks will mature within one year with variable return rates indexed to the performance of underlying assets. As at 31 December 2016, the carrying amount approximated the fair value (level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)). The fair values are based on cash flow discounted using the judgement that expected return will be obtained upon maturity.

22 RESTRICTED BANK DEPOSITS

	As at 31 December 2016			As at 31 December 2015		
	Non-current assets Million	Current assets Million	Total Million	Non-current assets Million	Current assets Million	Total Million
Restricted bank deposits						
– Statutory deposit reserves (Note)	4,527	–	4,527	4,526	–	4,526
– Pledged bank deposits	1	197	198	49	15	64
	4,528	197	4,725	4,575	15	4,590

Note: The statutory deposit reserves are deposited by China Mobile Finance with PBOC as required, which are not available for use in the Group's daily operations.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

23 INVENTORIES

	As at 31 December 2016 Million	As at 31 December 2015 Million
SIM cards and handsets	7,696	8,604
Other consumables	1,136	1,390
	8,832	9,994

24 ACCOUNTS RECEIVABLE**(a) Aging analysis**

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

	As at 31 December 2016 Million	As at 31 December 2015 Million
Within 30 days	10,974	10,343
31–60 days	2,726	2,082
61–90 days	1,540	1,457
Over 90 days	3,805	3,861
	19,045	17,743

Accounts receivable primarily comprise receivables from customers and telecommunications operators. Accounts receivable from the provision of telecommunications services to customers are mainly due for payment within one month from date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further telecommunications services can be provided.

Accounts receivable are expected to be recovered within one year.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

24 ACCOUNTS RECEIVABLE (CONTINUED)**(b) Impairment of accounts receivable**

Impairment loss in respect of accounts receivable is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

The following table summarizes the changes in impairment loss of doubtful accounts:

	2016 Million	2015 Million
As at 1 January	6,549	6,575
Impairment loss recognized	3,797	4,921
Accounts receivable written off	(4,584)	(4,947)
As at 31 December	5,762	6,549

(c) Accounts receivable that are not impaired

Accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December 2016 Million	As at 31 December 2015 Million
Neither past due nor impaired	18,468	17,240
Less than 1 month past due	577	503
	19,045	17,743

Receivables that were neither past due nor impaired relate to a wide range of customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

25 OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

Other receivables comprise certain items which are expected to be recovered within one year, primarily including interest receivable from banks, utilities deposits and rental deposits, and short-term loans of RMB4,650,000,000 (2015: RMB5,000,000,000) granted to other companies through China Mobile Finance at the interest rate agreed by each party with reference to the market interest rate.

Prepayments and other current assets primarily consist of rental prepayments, maintenance prepayments and input VAT to be deducted.

As at 31 December 2016 and 2015, there were no significant overdue amounts for other receivables.

26 AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY

Amount due from ultimate holding company is unsecured, interest free, repayable on demand and arising in the ordinary course of business.

As at 31 December 2016, amount due to ultimate holding company comprises the short-term deposits of CMCC in China Mobile Finance amounting to RMB5,552,000,000 (2015: RMB7,274,000,000) and the corresponding interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

27 BANK DEPOSITS

Bank deposits represent term deposits with banks with original maturity exceeding three months. The applicable interest rate is determined in accordance with the benchmark interest rate published by PBOC.

28 CASH AND CASH EQUIVALENTS

	As at 31 December 2016 Million	As at 31 December 2015 Million
Bank deposits with original maturity within three months	15,115	7,312
Cash at banks and in hand	75,298	72,530
	90,413	79,842

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

29 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

	As at 31 December 2016 Million	As at 31 December 2015 Million
Should be paid in the periods below:		
Within 1 month or on demand	215,775	205,724
After 1 month but within 3 months	14,677	17,002
After 3 months but within 6 months	8,231	8,980
After 6 months but within 9 months	4,342	3,488
After 9 months but within 12 months	7,813	8,385
	250,838	243,579

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

30 DEFERRED REVENUE

Deferred revenue primarily includes prepaid service fees received from customers and unredeemed point rewards.

	2016 Million	2015 Million
As at 1 January	79,391	65,386
– Current portion	78,100	63,916
– Non-current portion	1,291	1,470
Additions during the year	359,626	321,417
Recognized in the consolidated statement of comprehensive income	(352,553)	(307,412)
As at 31 December	86,464	79,391
Less: Current portion	(84,289)	(78,100)
Non-current portion	2,175	1,291

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

31 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2016 Million	As at 31 December 2015 Million
Receipts-in-advance	75,819	74,040
Other payables	24,523	21,789
Accrued salaries, wages, labor service expenses and other benefits	6,241	5,776
Accrued expenses	74,367	61,799
	180,950	163,404

32 INTEREST-BEARING BORROWINGS

	As at 31 December 2016 Million	As at 31 December 2015 Million
Bonds	4,998	4,995
Less: current portion	(4,998)	–
Non-current portion	–	4,995

Note:

As at 31 December 2016, the bonds represent the balance of fifteen-year guaranteed bonds issued by Guangdong Mobile, a subsidiary of the Company, with a principal amount of RMB5,000,000,000, at an issue price equal to the face value of the bonds. The bonds are unsecured and bear interest at the rate of 4.5% per annum which is payable annually. The bonds, redeemable at 100% of the principal amount, will mature on 28 October 2017.

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

33 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution passed at the Annual General Meeting held on 24 June 2002, the current share option scheme (the "Current Scheme") was adopted.

Under the Current Scheme, the directors of the Company may, at their discretion, invite employees, including executive directors and non-executive directors of the Company, any of its holding companies and any of their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds an equity interest, to receive options to subscribe for shares of the Company. The consideration payable for the grant of option under the Current Scheme is HK\$1.00.

The maximum aggregate number of shares which can be subscribed for pursuant to options that are or may be granted under the above scheme equals to 10% of the total issued share capital of the Company as at the date of adoption of the Current Scheme. Options lapsed or cancelled in accordance with the terms of the Current Scheme will not be counted for the purpose of calculating this 10% limit.

The HKEX requires the exercise price of options to be at least the higher of the closing price of the shares on the HKEX on the date on which the option was granted and the average closing price of the shares on the HKEX for the five trading days immediately preceding the date on which the option was granted.

For options granted under the Current Scheme, the exercise price of options shall be determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the closing price of the shares on the HKEX on the date on which the option was granted; and
- (ii) the average closing price of the shares on the HKEX for the five trading days immediately preceding the date on which the option was granted.

Under the Current Scheme, the term of the option is determined by the directors at their discretion, provided that all options shall be exercised within 10 years after the date on which the option is granted.

The number and weighted average exercise prices of share options are as follows:

	2016		2015	
	Weighted average exercise price HK\$	Number of shares involved in the options	Weighted average exercise price HK\$	Number of shares involved in the options
As at 1 January	–	–	34.87	46,233,422
Exercised	–	–	34.87	(37,056,383)
Expired	–	–	34.87	(9,177,039)
As at 31 December	–	–	–	–
Options vested as at 31 December	–	–	–	–

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS**(a) Movements in components of equity**

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital Million	Capital reserve Million	General reserve Million	Retained profits Million	Total Million
As at 1 January 2015	400,737	461	72	83,700	484,970
Changes in equity for 2015:					
Profit for the year	–	–	–	43,854	43,854
Total comprehensive income for the year	–	–	–	43,854	43,854
Dividends approved in respect of previous year (note 34(b)(ii))	–	–	–	(22,283)	(22,283)
Dividends declared in respect of current year (note 34(b)(i))	–	–	–	(25,629)	(25,629)
Shares issued under share option scheme (note 34(c))	1,393	(369)	–	–	1,024
Transfer between reserves upon expiry of options	–	(92)	–	92	–
As at 31 December 2015	402,130	–	72	79,734	481,936
As at 1 January 2016	402,130	–	72	79,734	481,936
Changes in equity for 2016:					
Profit for the year	–	–	–	49,074	49,074
Total comprehensive income for the year	–	–	–	49,074	49,074
Dividends approved in respect of previous year (note 34(b)(ii))	–	–	–	(20,764)	(20,764)
Dividends declared in respect of current year (note 34(b)(i))	–	–	–	(26,227)	(26,227)
As at 31 December 2016	402,130	–	72	81,817	484,019

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)**(b) Dividends****(i) Dividends attributable to the year:**

	2016	2015
	Million	Million
Ordinary interim dividend declared and paid of HK\$1.489 (equivalent to approximately RMB1.273) (2015: HK\$1.525 (equivalent to approximately RMB1.203)) per share	26,227	25,629
Ordinary final dividend proposed after the balance sheet date of HK\$1.243 (equivalent to approximately RMB1.112) (2015: HK\$1.196 (equivalent to approximately RMB1.002)) per share	22,766	20,516
	48,993	46,145

The proposed ordinary final dividend which is declared in Hong Kong dollar is translated into RMB at the rate HK\$1 = RMB0.89451, being the rate announced by the State Administration of Foreign Exchange in the PRC on 31 December 2016. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as at 31 December 2016.

In accordance with the 2009 Notice and the PRC enterprise income tax law, the Company is required to withhold enterprise income tax equal to 10% of any dividend when it is distributed to non-resident enterprise shareholders whose names appeared on the Company's register of members, as of the record date for such dividend, and who were not individuals.

(ii) Dividends attributable to the previous financial year, approved and paid during the year:

	2016	2015
	Million	Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.196 (equivalent to approximately RMB1.002) (2015: HK\$1.380 (equivalent to approximately RMB1.089)) per share	20,764	22,283

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)**(c) Share capital****Ordinary shares, issued and fully paid:**

	2016			2015		
	Number of shares	HK\$ Million	Equivalent RMB Million	Number of shares	HK\$ Million	Equivalent RMB Million
As at 1 January	20,475,482,897	382,263	402,130	20,438,426,514	380,590	400,737
Shares issued under share option scheme	-	-	-	37,056,383	1,673	1,393
As at 31 December	20,475,482,897	382,263	402,130	20,475,482,897	382,263	402,130

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves**(i) Capital reserve**

The capital reserve mainly comprises the following:

- The fair value of unexercised share options granted to employees of the Group recognized in accordance with the accounting policy adopted for share-based payments in note 2(v)(ii);
- RMB295,665,000,000 debit balance brought forward as a result of the elimination of goodwill arising on the acquisition of subsidiaries before 1 January 2001 against the capital reserve;
- The changes in fair value of available-for-sale financial assets through other comprehensive income, net of tax, until the financial assets are derecognised; and
- The difference between the consideration and the aggregate carrying amounts of Target Assets and Businesses acquired from the controlling party under business combinations under common control (see note 2(b)).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)**(d) Nature and purpose of reserves (Continued)****(ii) PRC statutory reserves**

PRC statutory reserves mainly include statutory surplus reserve and discretionary surplus reserve.

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve. During the year, appropriations were made by such subsidiaries to the statutory surplus reserves and discretionary surplus reserves accordingly.

The statutory and discretionary surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Company, China Mobile Finance, is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas entities. The reserve is dealt with in accordance with the accounting policies set out in note 2(x).

(e) Capital management

The Group's primary objectives of capital management are to maintain a reasonable capital structure and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group actively and regularly reviews and manages its capital structure to stabilize the capital position and prevent operation risk. Meanwhile, the Group will maximize the shareholders' return when having high level of borrowings and will make adjustment on the capital structure in accordance with the changes in economic conditions.

The Group monitors capital on the basis of total debt-to-book capitalization ratio. This ratio is calculated as total borrowings divided by book capitalization (equal to the total equity attributable to equity shareholders of the Company as shown in the consolidated balance sheet and total borrowings).

As at 31 December 2016, the Group's total debt-to-book capitalization ratio was 0.5% (2015: 0.5%).

Except China Mobile Finance, the Company and its subsidiaries are not subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

35 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2016 Million	As at 31 December 2015 Million
Assets			
Non-current assets			
Property, plant and equipment		–	1
Investments in subsidiaries		487,290	485,108
		487,290	485,109
Current assets			
Amounts due from subsidiaries		1,346	1,346
Other receivables		2	4
Cash and cash equivalents		796	753
		2,144	2,103
Total assets		489,434	487,212
Equity and liabilities			
Liabilities			
Current liabilities			
Amount due to a subsidiary		5,404	271
Accrued expenses and other payables		10	10
Current taxation		1	–
		5,415	281
Non-current liabilities			
Amount due to a subsidiary		–	4,995
		–	4,995
Total liabilities		5,415	5,276
Equity			
Share capital	34(c)	402,130	402,130
Reserves	34(a)	81,889	79,806
Total equity		484,019	481,936
Total equity and liabilities		489,434	487,212

The balance sheet of the Company was approved by the Board of Directors on 23 March 2017 and was signed on its behalf.

Li Yue

Name of Director

Dong Xin

Name of Director

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

36 RELATED PARTY TRANSACTIONS**(a) Transactions with CMCC Group**

The following is a summary of principal related party transactions entered into by the Group with CMCC and its subsidiaries ("CMCC Group"), for the years ended 31 December 2016 and 2015. The majority of these transactions also constitute continuing connected transactions as defined under Chapter 14A of Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph "Connected Transactions" in the Report of Directors.

	Note	2016 Million	2015 Million
Telecommunications services revenue	(i)	159	474
Property leasing and management services revenue	(ii)	197	191
Property leasing and management services charges	(ii)	976	956
Network assets leasing charges	(iii)	2,738	4,376
Network capacity leasing charges	(iii)	2,696	4,757
Entrusted loans received	(iv)	–	8,592
Entrusted loans repaid	(iv)	–	18,834
Short-term bank deposits received	(iv)	5,552	7,274
Short-term bank deposits repaid	(iv)	7,274	4,181
Interest expenses	(iv)	7	194

Note:

- (i) The amounts represent telecommunications services settlement received/receivable from CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, telecommunications line maintenance services, and installation and maintenance services in respect of transmission towers.
- (ii) The amount represents the rental and property management fees received/receivable from or paid/payable to CMCC Group in respect of business premises and offices, retail outlets and warehouses.
- (iii) The amounts represent the network assets leasing settlement received/receivable from or paid/payable to CMCC Group and the TD-SCDMA network capacity charges paid/payable to CMCC Group. On 29 December 2008, the Company entered into a network capacity leasing agreement with CMCC Group for the provision of TD-SCDMA related services. Based on the lease classification assessments, the Group does not substantially bear the risks and reward incidental to the ownership of the leased network assets, and accordingly the Group accounts for the network assets leasing and the network capacity leasing as operating leases.
- (iv) The amounts represent the entrusted loans/bank deposits received from or repaid to CMCC and interest expenses paid/payable to CMCC in respect of the entrusted loans/bank deposits.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Amounts due from/to CMCC Group**

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

	As at 31 December 2016 Million	As at 31 December 2015 Million
Accounts receivable	354	558
Other receivables	105	519
Accounts payable	4,251	4,564
Accrued expenses and other payables	88	181

The amounts are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business.

(c) Significant transactions with associates of the Group and of CMCC Group

The Group has entered into transactions with associates over which the Group or CMCC Group can exercise significant influence. The major transactions entered into by the Group and the associates and amount due from/to the associates are follows:

	As at 31 December 2016 Million	As at 31 December 2015 Million
Bank deposits	37,631	33,888
Available-for-sale financial assets	17,222	9,300
Interest receivable	2,134	1,187
Accounts payable	225	358
Accrued expenses	5,277	5,563
Other payable	2,759	128
Proceeds receivable for the transfer of Tower Assets (note 7)	57,152	56,737
Other receivables	9,862	8,907
	2016 Million	2015 Million
Interest income	4,140	1,699
Telecommunications services revenue	637	767
Telecommunications services charges	422	774
Gain on the transfer of Tower Assets	–	15,525
Charges for use of tower assets	28,144	5,563
Dividend income	1,944	2,842
Property leasing and management services revenue	1	6

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Significant transactions with associates of the Group and of CMCC Group (Continued)**

Note:

- (i) The amounts represent the gain arising from the transfer of Tower Assets on 31 October 2015 (note 7) and the charges payable to China Tower for the use of telecommunications tower and related assets ("Leased Tower"). On 8 July 2016, CMC and China Tower finalized the leasing and pricing arrangement in relation to the lease of Leased Tower, and entered into an agreement (the "Lease Agreement"). Accordingly, the respective provincial companies of CMC and China Tower enter into provincial company service agreements for the leasing of individual Leased Tower based on their actual service requirements. Pursuant to the management's assessment, the 5 years lease terms of the Lease Agreement does not account for the major part of the economic lives of the Leased Tower and the present value of the minimum lease payments is not considered substantial comparing to the fair value of the corresponding Leased Tower. At the end of the lease term, there is no purchase option granted to the Group to purchase the Leased Tower. The Group also does not bear any gains or losses in the fluctuation in the fair value of the Leased Tower at the end of the lease terms. As a result, the Group does not substantially bear the risks and reward incidental to the ownership of the Leased Tower, and hence the Group accounts for the Leased Tower leasing as operating leases.
- (ii) Other receivables primarily represent the short-term loans granted by China Mobile Finance to China Tower and receivable due from China Tower in connection with the transfer of Tower Assets. The loans will mature by December 2017.
- (iii) Interest income primarily represents interest earned from deposits placed with SPD Bank and interest earned from the proceeds receivable for the transfer of Tower Assets (note 7). The interest rate of deposits placed with SPD Bank is determined in accordance with the benchmark interest rate published by PBOC.
- (iv) The amount represents the telecommunications services revenue received/receivable from SPD Bank and China Tower.
- (v) The amount represents the telecommunications services charges paid/payable to Union Mobile Pay Co., Ltd., an associate of CMCC Group until July 2016.
- (vi) The amount represents the property leasing services revenue received/receivable from SPD Bank.

(d) Transactions with other government-related entities in the PRC

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

Apart from transactions with CMCC Group (notes 26 and 36(a)) and associates (note 36(c)) and the transaction to increase contribution to the Fund (note 19), the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

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

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

(e) For key management personnel remuneration, please refer to note 10.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk and concentration risk

The Group's credit risk is primarily attributable to the financial assets in the balance sheet, which mainly include deposits with banks, wealth management products issued by banks, accounts receivable, other receivables and deferred consideration for the transfer of Tower Assets. The maximum exposure to credit risk is represented by the carrying amount of the financial assets.

Substantially all the Group's cash at banks and bank deposits are deposited in financial institutions in Mainland China and Hong Kong. The credit risk on liquid funds is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies and large state-controlled financial institutions. Wealth management products are issued by major domestic banks investing in low risk underlying assets, which mainly consist of bank deposits, treasury bond, central bank bill, local government debt, corporate bond or debt with high credit ratings and low credit risks.

The accounts receivable of the Group is primarily comprised of receivables due from customers and telecommunications operators. Accounts receivable from customers are spread among an extensive number of customers and the majority of the receivables from customers are due for payment within one month from the date of billing. Other receivables primarily comprise interest receivable from banks, utilities deposits and rental deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis, taking into account the counter parties' financial position, the Group's past experience and other factors. As such, management considers the aggregate risks arising from the possibility of credit losses is limited and to be acceptable.

Except for the deferred consideration for the transfer of Tower Assets, concentrations of credit risk with respect to accounts receivable are limited due to the Group's customer base being large and unrelated. As such, management does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as shown in note 24(c).

The deferred consideration for the transfer of Tower Assets are due from China Tower, which is the Company's associate. China Tower is expected to generate stable cash flows from its principal business of leasing tower related assets. Therefore, management considers the risk that the deferred consideration for the transfer of Tower Assets are uncollectible is low.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)**(b) Liquidity risk**

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and bank deposits (which are readily convertible to known amounts of cash) to meet its funding needs, including working capital, principal and interest payments on debts, dividend payments and capital expenditures.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date the Group would be required to repay:

	As at 31 December 2016				
	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 year or on demand Million	More than 1 year but less than 3 years Million	More than 3 years but less than 5 years Million
Accounts payable	250,838	250,838	250,838	-	-
Bills payable	1,206	1,206	1,206	-	-
Accrued expenses and other payables	180,950	180,950	180,950	-	-
Amount due to ultimate holding company	5,563	5,563	5,563	-	-
Interest-bearing borrowings	4,998	5,185	5,185	-	-
	443,555	443,742	443,742	-	-

	As at 31 December 2015				
	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 year or on demand Million	More than 1 year but less than 3 years Million	More than 3 years but less than 5 years Million
Accounts payable	243,579	243,579	243,579	-	-
Bills payable	645	645	645	-	-
Accrued expenses and other payables	163,404	163,404	163,404	-	-
Amount due to ultimate holding company	7,276	7,339	7,339	-	-
Interest-bearing borrowings	4,995	5,410	225	5,185	-
	419,899	420,377	415,192	5,185	-

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)**(c) Interest rate risk**

The Group consistently monitors the current and potential fluctuation of interest rates to monitor the interest rate risk on a reasonable level. As at 31 December 2016, the Group did not have any interest-bearing borrowings at variable rates, but had RMB5,000,000,000 (2015: RMB5,000,000,000) of bonds and RMB5,552,000,000 (2015: RMB7,274,000,000) of short-term bank deposits placed by CMCC, both of which were at fixed rate and expose the Group to fair value interest rate risk. The Group determines the amount of its fixed rate borrowings depending on the prevailing market condition. Management does not expect fair value interest rate risk to be high as the interest involved will not be significant.

As at 31 December 2016, total cash and bank balances of the Group amounted to RMB430,435,000,000 (2015: RMB407,762,000,000), and interest-bearing receivables amounted to RMB62,235,000,000 (2015: RMB63,085,000,000), which mainly included undiscounted deferred consideration of RMB57,585,000,000 in connection with the transfer of Tower Assets and short-term loans of RMB4,650,000,000 (2015: RMB5,000,000,000) provided to other companies. The interest income for 2016 was RMB16,005,000,000 (2015: RMB15,852,000,000) and the average interest rate was 3.44% (2015: 3.75%). Assuming the total cash and bank balances and interest-bearing receivables are stable in the coming year and interest rate increases/decreases by 100 basis points, the profit for the year and total equity would approximately increase/decrease by RMB3,695,000,000 (2015: RMB3,531,000,000).

(d) Foreign currency risk

The Group has foreign currency risk as certain cash and deposits with banks are denominated in foreign currencies, principally US dollars and Hong Kong dollars. As the amount of the Group's foreign currency cash and deposits with banks represented 1.2% (2015: 1.4%) of the total cash and deposits with banks and predominantly all of the business operations of the Group are transacted in RMB, the Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December except as follows:

	As at 31 December 2016		As at 31 December 2015	
	Carrying Amount Million	Fair value Million	Carrying Amount Million	Fair value Million
Interest-bearing borrowings – bonds	4,998	5,045	4,995	5,150

The fair value of bonds is based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

38 COMMITMENTS**(a) Capital commitments**

The Group's capital expenditure contracted for as at 31 December but not provided in the consolidated financial statements were as follows:

	2016	2015
	Million	Million
Land and buildings	8,788	9,054
Telecommunications equipment	26,147	25,612
	34,935	34,666

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	Land and buildings Million	Leased lines and network assets Million	Others Million	Total Million
As at 31 December 2016				
Within one year	9,222	40,078	1,184	50,484
After one year but within five years	18,182	119,628	812	138,622
After five years	4,810	860	45	5,715
	32,214	160,566	2,041	194,821
As at 31 December 2015				
Within one year	9,785	14,776	1,197	25,758
After one year but within five years	19,211	6,446	1,211	26,868
After five years	5,375	2,666	73	8,114
	34,371	23,888	2,481	60,740

The Group leases certain land and buildings, leased lines and network assets, motor vehicles, computer and other office equipment under operating leases.

(c) Investment commitments

The Group has an investment commitment to a joint venture (see note 19).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

39 POST BALANCE SHEET EVENT

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended 31 December 2016. Further details are disclosed in note 34(b)(i).

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 17 contains information about the assumptions relating to goodwill impairment, and note 36 contains information about the judgements on the lease classification of leasing of TD-SCDMA network capacity and Leased Tower. Other key sources of estimation uncertainty are as follows:

Impairment loss for doubtful accounts

The Group assesses impairment loss for doubtful accounts based upon evaluation of the recoverability of the accounts receivable and other receivables at each balance sheet date. The estimates are based on the aging of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the customers were to deteriorate, additional impairment may be required.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are determined based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Taxation

The Group is subject to income taxes mainly in Mainland China and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

40 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of property, plant and equipment, goodwill, other intangible assets and investments accounted for using the equity method

The Group's property, plant and equipment comprise a significant portion of the Group's total assets. Changes in technology or industry conditions may cause the estimated period of use or the value of these assets to change. Property, plant and equipment, other intangible assets subject to amortization and investments accounted for using the equity method, are reviewed at least annually to determine whether there is any indication of impairment. The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. In addition, for goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable estimation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in further impairment charge or reversal of impairment in future periods. Additional information for the impairment assessment of property, plant and equipment, goodwill and investments accounted for using the equity method is disclosed in notes 14, 17 and 19, respectively.

Classification of leases

The Group has a number of lease arrangements. The Group follows the guidance of HKAS/IAS 17 "Leases" to determine the classification of leases as operating leases versus finance leases. Significant judgements and assumptions are required in the assessment of the classification. The determination of classification depends on whether the lease transfers substantially all the risks and rewards of the assets to the Group. In particular, during the assessment, the management estimates (i) economic lives of lease assets, (ii) the discount rate used in the calculation of present value of minimum lease payments, and (iii) the fair value of the leased assets. Any future changes to these judgements or assumptions will affect the classification and hence the results of operation and financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB/HKICPA has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
IFRS/HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS/HKFRS 9 "Financial Instrument"	1 January 2018
IFRS/HKFRS 16 "Leases"	1 January 2019

IFRS/HKFRS 15 "Revenue from contracts with customers"

IFRS/HKFRS 15 will replace IAS/HKAS 18 which covers contracts for goods and services and IAS/HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS/HKFRS 15 specifies how and when the Group will recognize revenue as well as requiring the Group to provide users of financial statements with more informative and relevant disclosures.

The Group has been analyzing the impact of the new standard on the Group's financial statements and has initially identified areas which are likely to be affected, including the identification of separate performance obligations, the capitalization of sales commission, the determination of stand-alone selling price and its relative allocation. The Group will continue to assess the impact on the Group's consolidated financial statements. In addition, the Group has started to upgrade the accounting systems and the processes of the business to reflect the impact of this standard.

IFRS/HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group plans to adopt the modified retrospective approach. At this stage, the Group does not intend to adopt the standard before its effective date.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

IFRS/HKFRS 9 “Financial instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, and a new impairment model for financial assets.

The Group has been in the process of assessment of the classification and measurement of financial assets, management anticipates the application of IFRS/HKFRS 9 may affect the classification and measurement of the Group's available-for-sale investments and may have an impact on amounts reported in respect of the Group's other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS/HKAS 39. The Group has been in the process of assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS/HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS/HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS/HKFRS 9 before its mandatory date.

IFRS/HKFRS 16 “Leases”

IFRS/HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS/HKAS 17. The accounting for lessors will not significantly change.

Upon initial evaluation, given that the Group leases certain telecommunications facilities for time periods longer than a year, the application of IFRS/HKFRS 16 “Leases” in 2019 is expected to have impact on the Group's consolidated financial statements to certain extent because present values of lease liabilities and leased assets will be recorded on the balance sheet when the standard is applied. Accordingly, the Group expects a corresponding increase in its assets and liabilities. In addition, related operating lease expenses will be reclassified as depreciation and financial expenses.

IFRS/HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other IFRSs/HKFRSs or IFRIC/HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

Financial Summary

(Expressed in RMB)

RESULTS

	2016	2015	2014	2013	2012
	Million	Million	Million	Million	Million
Operating revenue					
Revenue from telecommunications services	623,422	584,089	591,602	600,424	569,522
Revenue from sales of products and others	84,999	84,246	59,907	39,624	21,484
	708,421	668,335	651,509	640,048	591,006
Operating expenses					
Leased lines and network assets	39,083	20,668	15,843	14,816	8,597
Interconnection	21,779	21,668	23,502	25,983	25,156
Depreciation	138,090	136,832	122,805	111,493	105,658
Employee benefit and related expenses	79,463	74,805	70,385	66,681	59,499
Selling expenses	57,493	59,850	75,655	91,719	79,987
Cost of products sold	87,352	89,297	74,495	61,409	41,497
Other operating expenses	167,073	162,293	151,504	136,523	119,923
	590,333	565,413	534,189	508,624	440,317
Profit from operations	118,088	102,922	117,320	131,424	150,689
Gain on the transfer of Tower Assets	–	15,525	–	–	–
Other gains	1,968	1,800	1,171	989	672
Interest income	16,005	15,852	16,270	15,368	12,696
Finance costs	(235)	(455)	(487)	(1,195)	(949)
Share of profit of investments accounted for using the equity method	8,636	8,090	8,248	7,063	5,685
Profit before taxation	144,462	143,734	142,522	153,649	168,793
Taxation	(35,623)	(35,079)	(33,179)	(36,746)	(41,887)
PROFIT FOR THE YEAR	108,839	108,655	109,343	116,903	126,906

Financial Summary (Continued)

(Expressed in RMB)

RESULTS (CONTINUED)

	2016 Million	2015 Million	2014 Million	2013 Million	2012 Million
Other comprehensive (loss)/income for the year, net of tax:					
Item that will not be subsequently reclassified to profit or loss					
Share of other comprehensive loss of investments accounted for using the equity method	(16)	–	–	–	–
Items that may be subsequently reclassified to profit or loss					
Change in value of available-for-sale financial assets	24	–	–	–	–
Exchange differences on translation of financial statements of overseas entities	774	603	(169)	(176)	(6)
Share of other comprehensive (loss)/income of investments accounted for using the equity method	(1,043)	901	1,224	(767)	(16)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	108,578	110,159	110,398	115,960	126,884
Profit attributable to:					
Equity shareholders of the Company	108,741	108,539	109,218	116,791	126,799
Non-controlling interests	98	116	125	112	107
PROFIT FOR THE YEAR	108,839	108,655	109,343	116,903	126,906
Total comprehensive income attributable to:					
Equity shareholders of the Company	108,480	110,043	110,273	115,849	126,777
Non-controlling interests	98	116	125	111	107
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	108,578	110,159	110,398	115,960	126,884

Financial Summary (Continued)

(Expressed in RMB)

ASSETS AND LIABILITIES

	As at 31 December 2016 Million	As at 31 December 2015 Million	As at 31 December 2014 Million	As at 31 December 2013 Million	As at 31 December 2012 Million
Property, plant and equipment	622,356	585,631	605,023	520,571	469,627
Construction in progress	89,853	88,012	95,110	91,600	68,551
Land lease prepayments and others	26,720	26,773	24,883	19,784	14,266
Goodwill	35,343	35,343	35,343	36,937	36,938
Other intangible assets	1,708	768	787	1,090	952
Investments accounted for using the equity method	124,039	115,933	70,451	53,946	48,356
Deferred tax assets	29,767	25,423	20,654	17,522	13,622
Available-for-sale financial assets	35	3	128	128	128
Proceeds receivable for the transfer of Tower Assets	–	56,737	–	–	–
Restricted bank deposits	4,528	4,575	8,731	6,816	5,418
Current assets	586,645	488,697	486,925	474,290	452,620
Total assets	1,520,994	1,427,895	1,348,035	1,222,684	1,110,478
Current liabilities	536,389	501,038	452,492	394,281	353,224
Interest-bearing borrowings – non-current	–	4,995	4,992	5,989	29,619
Deferred revenue – non-current	2,175	1,291	1,470	1,187	764
Deferred tax liabilities	292	203	98	104	51
Total liabilities	538,856	507,527	459,052	401,561	383,658
Total equity	982,138	920,368	888,983	821,123	726,820



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