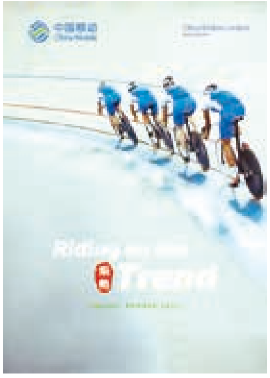
中国移动
China Mobile

China Mobile Limited
Stock Code: 941

Riding on the Trend

乘勢

ANNUAL REPORT 2017



Theme

Digital technology is fuelling China's economic transformation and social progress, changing the way that people think, work and live. The ICT sector is integral to this and experiencing a period of accelerated revolution, giving rise to cross-discipline integration and spurring innovation. In this new digital era, China Mobile will not only understand the trends but will stay ahead of them. We will adopt a macroscopic approach to strategic planning in order to drive the vital developments in the industry.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report may be viewed as "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from those implied by such forward-looking statements. In addition, the Company does not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's most recent Annual Report on Form 20-F filed and other filings with the U.S. Securities and Exchange Commission.

Contents

Milestones

JANUARY 2017

"The TD-LTE key technology and application for 4G project" won the Outstanding Prize in the National Science and Technology Progress Awards

MAY 2017

Initiated the establishment of China Mobile Digital Home Alliance, building a new industrial ecosystem

JUNE 2017

- Released IoT Development Plan and established the China Mobile IoT Alliance
- Innovative R&D and deployment of UAV base stations
- Released the world's smallest eSIM NB-IoT module

AUGUST 2017

Announced a special dividend of HK$3.200 per share celebrating the 20th anniversary of IPO

NOVEMBER 2017

Announced the "1-3-9 Cooperative Initiatives" including one brand-new network, three industry alliances and nine capacity applications, facilitating industry development

DECEMBER 2017

- Led and completed the first edition of international standard for 5G architecture
- Launched MVNO (mobile virtual network operator) service in the UK
- Launched NB-IoT in 346 cities, achieving end-to-end scale commercial use

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. SHANG Bing
(Executive Director & Chairman)
Mr. LI Yue
(Executive Director & Chief Executive Officer)
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

Tel: 852 3121 8888
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

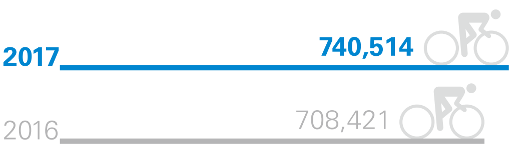
The United States:

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

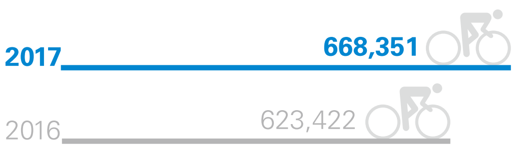
Financial Highlights

		2017	2016
Operating revenue (RMB million)		**740,514**	708,421
Of which: Revenue from telecommunications services (RMB million)		**668,351**	623,422
EBITDA[1] (RMB million)		**270,421**	256,677
EBITDA margin[2]		**36.5%**	36.2%
EBITDA as % of revenue from telecommunications services		**40.5%**	41.2%
Profit attributable to equity shareholders (RMB million)		**114,279**	108,741
Margin of profit attributable to equity shareholders[3]		**15.4%**	15.3%
Basic earnings per share (RMB)		**5.58**	5.31
Dividend per share	– Interim (HK$)	**1.623**	1.489
	– Final (HK$)	**1.582**	1.243
	– Special dividend (HK$)	**3.200**	–
	– Full year (HK$)	**6.405**	2.732

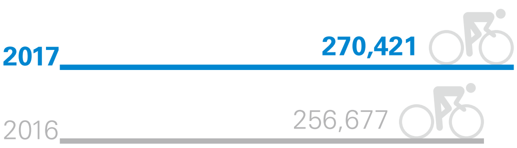
Operating Revenue
(RMB million)



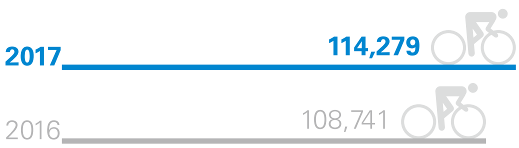
Revenue from Telecommunications Services
(RMB million)



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 and amortization of other intangible assets.

2 EBITDA margin = EBITDA/Operating revenue

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

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.

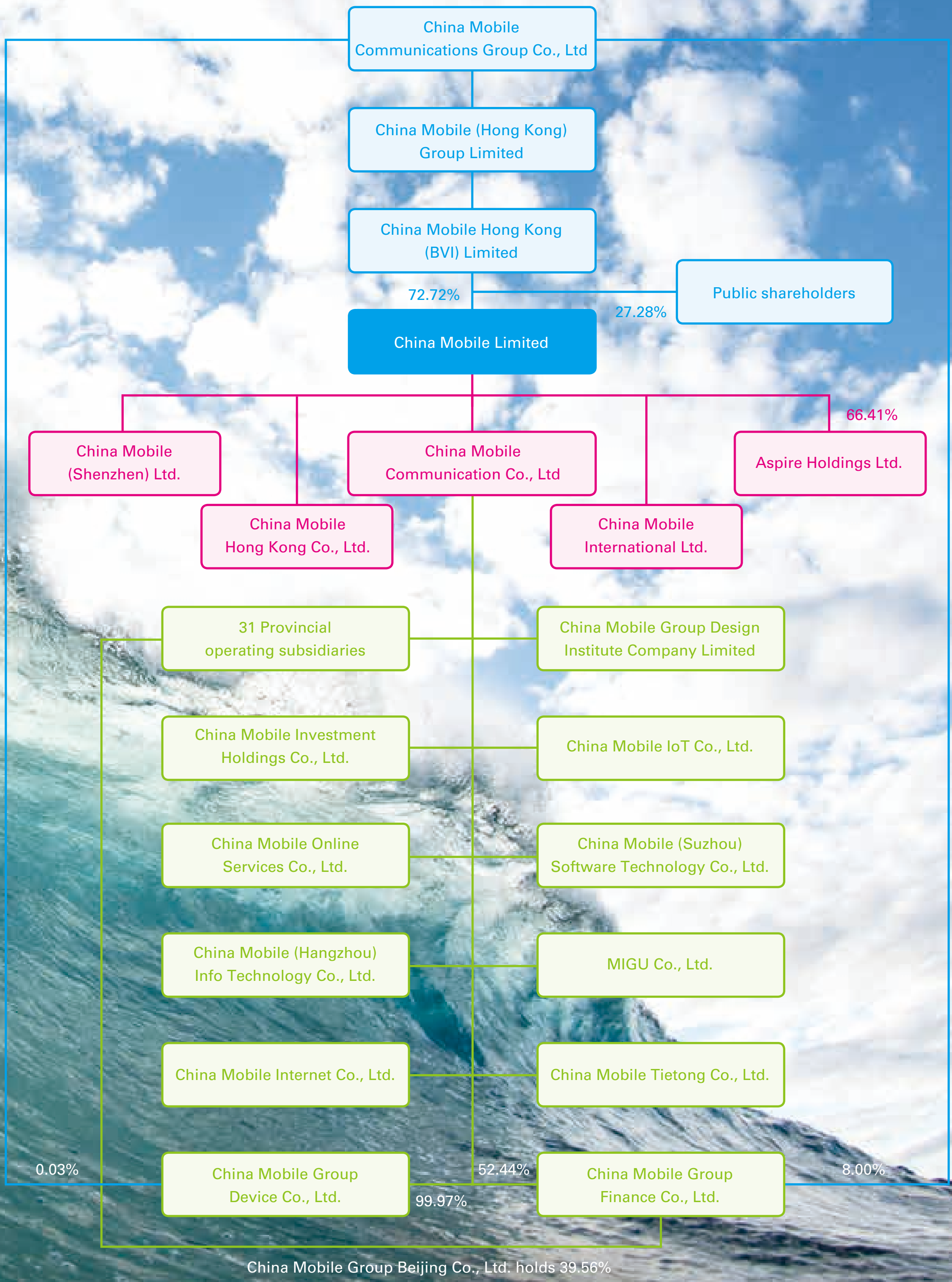
As the leading telecommunications services provider in Mainland China, the Group provides full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout Mainland China and in Hong Kong Special Administrative Region, and boasts a world-class telecommunications operator with the world's largest network and customer base, a leading position in profitability and market value ranking. Its businesses primarily consist of mobile voice and data business, wireline broadband and other information and communications services. As of 31 December 2017, the Group had a total of 464,656 employees, 887 million mobile customers and 113 million wireline broadband customers with its annual revenue exceeding RMB740 billion.

The Company's ultimate controlling shareholder is China Mobile Communications Group Co., Ltd. (formerly known as China Mobile Communications Corporation, "CMCC"), which, as of 31 December 2017, 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 2017, 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, A+/Outlook Stable from Standard & Poor's and A1/Outlook Stable from Moody's.

China Mobile Organizational Structure and Majority Shareholding

* as at 31 December 2017
* Except those indicated, the rest are wholly-owned



Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. SHANG Bing

Age 62, 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 58, Executive Director and Chief Executive Officer of the Company, in charge of the operation, strategic development as well as planning and construction 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.

Mr. SHA Yuejia

Age 59, 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.

Mr. DONG Xin

Age 51, Executive Director, Vice President and Chief Financial Officer of the Company, principally in charge of corporate affairs, finance, internal audit, legal matters, investor relations, human resources and IT 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 and a Director and Vice President of CMC. 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,
OBE

Age 70, 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. Currently Mr. Wong also serves on the boards of PSA International Private Limited and PSA Corporation Limited, Singapore as Non-Executive Director. 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, 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.

Dr. Moses CHENG Mo Chi,
GBM, GBS, OBE, JP

Age 68, 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 to 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. He is now also serving as chairman of the Insurance Authority and chairman of the Process Review Panel for the Securities and Futures Commission. 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. Dr Cheng had ceased to be an independent non-executive director of ARA Asset Management Limited, a company formerly listed in Singapore. Save as disclosed above, Dr Cheng did not hold any directorship, whether in Hong Kong or overseas, in any other public companies in the previous three years.

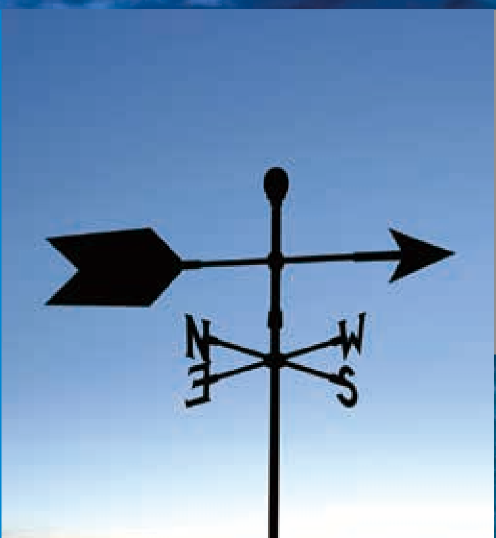
Mr. Paul CHOW Man Yiu,
GBS, SBS, JP

Age 71, 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 the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003, an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010, the Chairman of Hong Kong Cyberport Management Company Limited from June 2010 to May 2016, an independent non-executive director of Bank of China Limited from October 2010 to August 2016 and a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region from April 2015 to March 2017. Mr. Chow currently serves as an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd, and CITIC Limited.

Mr. Stephen YIU Kin Wah

Age 57, an Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in March 2017. Mr. Yiu is currently a Non-Executive Director of the Insurance Authority, an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited and a Council member of The Hong Kong University of Science and Technology. 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.

Reading the 觀勢 Trend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Chairman's Statement

Looking out of my car window during my daily commute, the multi-coloured shared bikes prevalent on the road is a sentimental sight. It reminds me of the greyish-blue stream of bicycles that flowed through the roads in days gone by, and were once highly symbolic of the era. Decades have passed and the street scenes, such a vivid picture of real life, have been transformed. Reflecting on the rapid progress China has achieved in the modern era fills me with awe.

In the economic society of China today, "digital" permeates every aspect of our daily life, whether it is renting a shared bike or a car online, the omnipresence of mobile payment and flourishing e-commerce, or the increasing use of cloud computing, big data, IoT and the powerful AI. Digital technology has already seamlessly, but fundamentally, been woven into the fabric of how people think, work and live, fueling China's economic transformation and social progress. Underpinning this paradigm is the ICT sector – one of China's fundamental and strategic industries.

I feel privileged to be able to participate in this space at a time when the ICT sector is rapidly evolving, spurring cross-discipline integration and driving innovation. The potential for industry development in so many areas within our sector, must be understood in the context of the inevitable disruption to the business and competitive landscape. It is beholden on us to understand this trend. Together with the management team of China Mobile, I have the confidence to lead the Company – a major force in China's ICT industry – to seize new opportunities while embracing new challenges, and instigate innovation within our network, technology, business and products. A time of change needs courageous leaders who are able to read and ride on the trend in order to bring new developments to the industry and enrich our offer of quality ICT services to satisfy people's aspiration for a better life now and in the future.

Dear Shareholders,

In 2017, despite disruptive forces in the industry such as the rapid advancement in the information and communication technology (ICT) and significant changes in the competitive landscape of the industry, China Mobile maintained a clear focus on implementing our "Big Connectivity" strategy, anchored by the integrated development of the "four growth engines". As a result, we have made outstanding achievements on multiple fronts, sustained favourable growth momentum and bolstered our position as a market leader. Our profitability is maintained at an industry-leading level benchmarked against other world-class operators, providing us with the solid foundation for future growth. These achievements were hard-earned but a source of encouragement.

OPERATING RESULTS FOR 2017

China Mobile recorded operating revenue of RMB740.5 billion for the 2017 financial year, up by 4.5% compared to the year before. Revenue growth in telecommunications services achieved a six-year high of 7.2%, outpacing the industry average. Revenue from wireless data traffic, on a full-year basis, has accounted for more than half of the total telecommunications services revenue for the first time, demonstrating a fundamental change in revenue structure. The contribution from household and corporate markets has increased and our digital services revenue has achieved favourable growth. The total number of connections reached 1,229 million, amongst which, 887 million were mobile connections, 113 million were wireline broadband connections and 229 million were Internet of Things (IoT) smart connections.

Our profitability continued to outperform our peers. Profit attributable to equity shareholders reached RMB114.3 billion which is equivalent to basic earnings per share of RMB5.58, up by 5.1% compared to last year.

The Board recommends a final dividend payment of HK$1.582 per share for the year ended 31 December 2017, or a full-year dividend payout ratio of 48%. Together with the interim dividend payment of HK$1.623 per share, and a special dividend payment of HK$3.200 per share to celebrate the 20th anniversary of our IPO paid earlier, the total dividend payment for the 2017 financial year amounted to HK$6.405 per share.

Taking into consideration the Company's financial position, its ability to generate cash flow and its future development needs, the Company will maintain a stable dividend payout ratio for 2018 and strive to attain a stable-to-rising dividend payout ratio.

The Board believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for the Company's future development while continuing to create higher value for our shareholders.

For a more detailed analysis of operating and financial performance in 2017, please refer to the "Business Review" and "Financial Review" sections.

THE "FOUR GROWTH ENGINES" DELIVERING REMARKABLE RESULTS

Riding on the broad technological advancement and our business developments, we maintained our focus on the integrated development of the "four growth engines", which had been identified as the key drivers facilitating major progress in our business transformation.

We maintained our market leading position in the personal mobile market. With a net addition of 114 million, our total number of 4G customers was close to 650 million and the 4G penetration rate of our mobile customers has reached 73%. The total handset data traffic increased by 121.3% compared to the previous year, while the average handset data traffic per user per month, or DOU, of 4G customers reached 1.76GB. The average revenue per user, or ARPU, of 4G customers reached RMB66.4. The high definition VoLTE (Voice over LTE) has been put to commercial use and achieved favourable progress with 200 million customers in total.

The household market has achieved a breakthrough in a relatively short period. Focused on offering high value services and quality products, in 2017 we sped up the development of household broadband business, boosting the total number of household broadband customers to more than 109 million, with a net addition of 34.95 million. This accounted for 75.6% of the total number of new household customers in the market during the period. The number of subscribers of our home digital set-top box "Mobaihe" has reached 57.25 million and the household broadband blended ARPU[1] has reached RMB33.3, up by 17.5% compared to the previous year.

We continued to strengthen our corporate business. We have focused our resources on a number of key sectors such as industry, agriculture, education, public administration, finance, transportation and healthcare. At the same time we increased the marketing efforts to launch business and industry-focused solutions. We have continuously improved the efficiency of our product research and development (R&D) while expanding our product range. The number of corporate customers has reached 6.02 million. Our revenue from corporate telecommunications and informatization services exceeded 36% of the total market. Nine industry applications have generated respective annual revenues of more than RMB100 million. We realised gains in both revenue and customer market shares in the corporate market.

The development of the emerging business yielded remarkable results in the period. With a net addition of 126 million IoT smart connections in 2017, our IoT network consisted of 229 million connections. Our "and-Video" service recorded an increment of 67.2% in revenue. Our mobile payment service "and-Wallet" exceeded RMB2.1 trillion in transaction value. Relentless innovation accelerated the development of our emerging business.

ONGOING ENHANCEMENT TO SUSTAINABILITY

Building on our strengths and the current business environment, we recognised the market demand for a transformation of both network and services. We therefore continued to invest in our network quality and basic telecommunications capacity.

Our network coverage and quality continued to improve in 2017, with the total number of 4G base stations increasing to 1.87 million, covering 99% of the total population in China. Our robust network capabilities provide a reliable foundation for the exponential growth in data traffic. We continued to enjoy industry-leading customer satisfaction and net promoter score for our 4G services.

1 Household broadband blended ARPU = (revenue of household broadband business + household revenue from emerging business) / average number of household broadband customers. Household revenue from emerging business mainly consists of revenue from Mobaihe. Wireline broadband ARPU, which includes revenues of household broadband business and Internet dedicated lines, stood at RMB35.1.

We have further strengthened our telecommunications infrastructure and network transmission capacity. The bandwidth of our backbone network has expanded by 52% and 73 new self-owned point-of-presence (POP) nodes were built overseas. The coverage of household broadband continued to expand, and the proportion of customers with fibre access has exceeded 98%. We grew our CDN (Content Delivery Network) to cover almost all cities at the prefecture level and above across China and launched NB-IoT (Narrow band-Internet of Things) in 346 cities, achieving end-to-end scale commercial use.

Adopting a forward-looking perspective, we will proactively seize opportunities as they emerge by dedicating more resources to R&D, building out the industrial ecosystem and deepening our organic reform to lay a solid foundation for sustainable development.

We made significant achievements in key technology research, establishing industry standards and benchmarks. More resources were allocated to human resource development in emerging technologies and businesses to optimise our overall staff structure. We led the formulation of the 5G architecture standards and we are amongst the members that are undertaking the largest number of 5G projects in the ITU (International Telecommunication Union) and 3GPP (The 3rd Generation Partnership Project). Our active participation and leadership stance has strengthened our preeminent position in the international ICT community. We have provided a catalyst to a new wave of network evolution by accelerating the planning and critical technology breakthroughs in order to lay the groundwork for the transition to the next generation of NFV (Network Function Virtualization) and SDN (Software Defined Networking), contributing to the development of smarter, more flexible and efficient network functions. We continued to nurture entrepreneurship and innovation and our autonomous capacity building has evolved from the incubation to realisation stage, further consolidating our core competencies.

Progress has been made towards creating an ecosystem for the industry. Our efforts in establishing a strategic cooperative management system, launching the "1-3-9 Cooperative Initiatives" and deepening our collaboration with governments and enterprises of all sizes are some of the popular initiatives. The number of international telecommunications operators participating in the "Hand-in-Hand Programme" has increased to 24, covering a total of 2.8 billion customers around the globe. Our communication capacity open platform has served more than 130,000 enterprises while our unified authentication platform processed an average of more than 500 million accreditations per day. We have proactively opened up our proprietary capabilities and launched a crowd-innovation and crowdsourcing platform to support developers.

Internally we deepened our corporate reforms and strengthened corporate management, pursuing a flat, agile and highly efficient internal management of our organisational structure. We have kicked-off reforms in the specialised operations of construction, e-commerce, location services, as well as R&D in vertical sectors. The establishment of an IT Management Committee and formation of professional IT subsidiaries have bolstered the support to internal operations, as well as strengthened our capability to offer a widening scope of specialised IT services to external parties.

REGULATORY POLICIES

"Speed upgrade and tariff reduction" continued to be the regulatory policy focus in 2017.

In response to this requirement we have launched a number of measures. We have canceled handset domestic long-distance and roaming tariffs, significantly reduced tariffs for SME dedicated Internet access, as well as lowered international long-distance call tariffs. These measures involved a total of 770 million person-times and further enhanced customers' sense of gain. As a result of wider application of new technologies, we have managed to reduce network costs which, in turn, enabled us to provide quality and value-for-money information services to more customers. Handset data traffic tariff decreased by 43% compared to 2016.

To promote the development of "Internet+" and growth of "Digital China", the Chinese government has decided to step up efforts on a range of measures, in particular to upgrade the network speed and reduce tariffs, to achieve full coverage of high-speed broadband in urban and rural areas, to expand free Internet access in public places, to significantly reduce the tariffs of household broadband, corporate broadband and dedicated line services, to cancel data "roaming" charges, and reduce mobile data tariff by at least 30% in the year of 2018. China Mobile will implement these state policy requirements. We will continue to leverage our overall network advantages, continuously strengthen our product and business innovation, encourage our customers to increase their usage of telecommunications services in order to achieve a higher turnover despite a lower profit margin, and strive to reduce the impact on operating results of the relevant policy requirements. We believe that the aforementioned measures will accelerate our transformation of data traffic operation and digital services in the long run.

CORPORATE GOVERNANCE

We have always upheld the principles of integrity, transparency, openness and efficiency to ensure good corporate governance and full compliance with the listing rules. We are dedicated to enhancing our risk and internal control mechanisms to ensure effective risk detection and management, to further strengthen our supervision of the key issues and business risks in critical areas, and finally to close any gaps in our business management processes to ensure sound and quality operations.

Enhancing compliance management is not just for the sake of meeting regulatory requirements but also to safeguard our own development. Our stated mission is to ensure "China Mobile with Rule of Law" by integrating a compliant approach into every business process. The "Safeguarding Compliance" programme helps us comply with rules and regulations when we conduct our everyday business, ensuring sustainable development during a time of business transformation.

For more details of our corporate governance, please refer to the "Corporate Governance Report".

SOCIAL RESPONSIBILITY AND ACCOLADES

Mindful of our social responsibility, we contributed to society in areas that can make use of the strengths of the Company, with the ultimate goal of satisfying people's needs in their pursuit for a better life.

We are committed to narrowing the digital divide by continuously improving mobile telecommunications and broadband Internet services in villages and remote areas in China. As of the end of 2017, through implementing specific projects we have cumulatively covered 35,000 administrative villages in China with broadband services. In addition, we have formulated concession plans for people in selected poverty-stricken areas to meet their needs for telecommunications services. Our proprietary information system for targeted poverty alleviation now covers 6.64 million underprivileged individuals in China.

We are dedicated to ensuring telecommunications accessibility and security at all times and successfully accomplished 4,476 emergency communications missions in 2017. In the wake of the earthquake in Jiuzhaigou, Sichuan province, we deployed UAVs (Unmanned Aerial Vehicles) to set up aerial base stations to support the rescue operation. On the cybersecurity side, we actively combatted evolving telecommunications frauds and cybercrime in order to protect our customers' privacy and information security.

In 2017, we continued to implement the "Green Action Plan" to reduce our carbon footprint. The overall energy consumption per unit of information flow was reduced by 40% compared to 2016. We were a keen advocate for the adoption of green standards across industry sectors by offering innovative pollution monitoring and environmental protection solutions. For the second year in a row, China Mobile was the only company from Mainland China to be included in the global carbon disclosure project CDP's 2017 Climate A List.

Through China Mobile Charity Foundation, we have sponsored professional training for more than 104,000 primary and secondary school principals in rural villages across Central and Western China cumulatively. We have also funded surgeries for 4,498 children with congenital heart disease cumulatively. The programme was selected by GSMA as a "Case For Change" to showcase how ICT can be used to support the United Nations' Sustainable Development Goals.

Our effort in fulfilling our social responsibility has gained widespread recognition in the community. We have been included in the Dow Jones Sustainability Indices for the 10th year in a row.

Other awards we received in 2017 included "The Asset Platinum Award" by *The Asset*; "Asia's Icon on Corporate Governance" award, "Asia's Best Investor Relations Company" award, "Asian Corporate Director Recognition Award" and "Asia's Best CEO" award by *Corporate Governance Asia*; and "Corporate Governance Excellence Awards" and "Sustainability Excellence Awards" by The Chamber of Hong Kong Listed Companies. The TD-LTE key technology and application for 4G project, led by China Mobile, won the Outstanding Prize in the National Science and Technology Progress Awards.

In 2017, Moody's and Standard & Poor's maintained our corporate credit ratings at the same level as China's sovereign ratings.

INDUSTRY REFORMS

Globally, economic activity is undergoing an accelerated shift towards being enabled by cyber information technology. Wider socio-economic development is experiencing profound change alongside the ICT industry.

On the one hand, we are witnessing an accelerating technological evolution and industry reforms that further converge the real and digital economies. Cross-industry cooperation has gathered impetus and smart IoE (Internet of Everything) has brought about new growth opportunities. We are expecting 5G technology development to drive new business models across the spectrum.

The flipside to this period of advancement and opportunity is that the ICT industry landscape is being disrupted. Intensifying cross-sector penetration has created a more intricate competitive environment. The networks, businesses and services offered by basic telecommunications operators are becoming more homogenised in nature. Players in different segments of the ICT industry are aggressively devising digital strategies with an aim to press home their advantages in platform capability and obtain a leadership role in the ecosystem.

FUTURE OUTLOOK

Taking a macro perspective on the current status of the industry, we see rare growth opportunities co-existing with formidable challenges. From now until 2020 is the critical period for us to achieve our goal of "doubling the connection scale of 2015 and becoming a world-leading operator in digital innovation". As we stand at this inflection point, we have the responsibility to contemplate the future and set our development objectives and plans, that will lay a solid foundation for the Company's transformation in the new era. From this standpoint there are a range of initiatives that will be of strategic importance in the period ahead.

Firstly, we will continue to lead the development of the mobile market, with an aim to build up new competitive advantages around the household and IoT businesses. To strengthen our leadership in mobile telecommunications, we will strive to maintain our prevailing market share and value creation. In the household market, we will implement our household digital projects with intensity, expediting the transition of focus from scale expansion onto value creation in terms of quality and efficiency. In the IoT market, we will speed up the development of smart IoT and promote its application, to push our connection scale to an even more ambitious goal.

Secondly, we will invest in talent development to support our growth, especially in areas where our capacity could be compromised due to shortage of professional expertise. For our corporate business, intelligent projects for governments and enterprises will be launched to help organisations of all sizes streamline their operations and achieve growth, as well as offering more industry-specific solutions. We will accelerate our own IT capacity-building projects, which will, in turn, drive the connection evolution from pipeline access to intelligent platforms. We will promote talent programmes to accelerate staff restructuring and digital transformation to align with our business strategy.

Thirdly, we will continue to bolster innovation, focusing on strategically critical areas. Capitalisation on the 5G network development trend will allow us to accelerate the transition to the next generation centring on NFV/SDN. Through formulating appropriate R&D strategies we can focus on strengthening our capabilities in fields such as basic telecommunications, cloud computing, big data, IoT and artificial intelligence (AI). We will deepen our reforms in key business areas to resolve any bottlenecks encountered during business transformation.

Fourthly, we will adopt a global view and benchmark ourselves against the highest international standards. Our aim is to lead in the development of big data and AI technology and build out world-class data mining and application capabilities, so that we may be recognised as a pioneer in the application of AI and empower other industry players with our technology. We will strengthen our global presence and identify new drivers for growth while seeking to unlock value in the global market. In relation to our initiative to build out the industry ecosystem, we will diligently pursue this vision in order to develop China Mobile into an active and influential force within the network.

KEY AREAS OF FOCUS IN 2018

In 2018, we will continue to actively promote the "Big Connectivity" strategy. Our development will continue to be driven by innovation, holding on to the integrated development of the "four growth engines".

We will endeavour to consolidate our market shares of various business lines. For the mobile market, we will consolidate the market share of our customer base and maintain the market share in data traffic. For the household market, we will endeavour to increase the market share of our household broadband customers, especially in areas of low service penetration. For the corporate market, our focus will be to expand our business scale by enlarging the customer base, expediting the development of key products and the promotion of matured solutions for various sectors. For the emerging business market, we aim to seize the IoT and other relevant opportunities to significantly increase the number of IoT connections within the network.

We will reinforce our reputation for quality by maintaining the market-leading quality of our 4G network and building our brand as a top-tier household broadband service provider. In the meantime, we will enhance the service quality of our corporate business and increase the market influence of our digital products and services.

We will focus on value creation, primarily by maintaining our value with a stable-to-rising revenue growth from wireless data traffic. We aim to increase the blended ARPU of household broadband and the revenue generated from household digital services. In order to boost revenue contribution from the corporate market, we will bolster our capabilities in developing ICT integration and corporate products.

We will strive to optimise the synergies across our business, by establishing a well-coordinated operating mechanism across markets that will enhance our centralised operations capability. Efforts to coordinate our marketing initiatives will generate greater effectiveness in the discipline. More focus will be placed on promoting the reuse of resources and experience sharing in order to enhance operating efficiency and effectiveness.

We will continue to implement innovation-driven development by increasing the layout of new infrastructure. We will pursue research on cutting-edge technologies, lead the establishment of international standards for core technologies, which will in turn increase our influence on the global stage. In critical fields, we will develop our core capabilities and proprietary products and establish an open and shared ecosystem. We will also conceive vertical expansion strategies, empowering players in the real economy with effective access to communications technology that will help them move up the value chain.

In terms of our performance forecast for 2018, value creation will remain the ultimate purpose and yardstick for evaluation. Under the circumstances of a predictable policy environment, the company will strive to achieve a growth rate of telecommunications services revenue above the industry average on a comparable basis, ongoing growth in profit scale, continued decrease in capital expenditure and the total number of connections exceeding 1.4 billion in 2018.

ACKNOWLEDGEMENT

Mr. Liu Aili resigned from his roles as the Company's Executive Director and Vice President in September 2017. During his tenure in China Mobile, Mr. Liu had served many important roles and made a tremendous contribution to China Mobile. On behalf of the Board, I express our heartfelt gratitude to Mr. Liu for his dedication.

We would not have achieved what we have without the hardwork and contribution of our wide array of staff, the unwavering support of our customers and shareholders, the trust of the regulatory authorities, and the confidence bestowed upon us by members of the community. On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to all of them. All of us at China Mobile will continue to work towards our goal of becoming a "World's leading operator in digital innovation". It is only together that we will be able to build a world first-tier enterprise with global competitiveness and continue to create greater value for our shareholders.

Shang Bing
Chairman

Hong Kong, 22 March 2018

Corporate Recognitions

CORPORATE RECOGNITIONS

Studying the 謀勢 Trend

Business Review

The Group continued to demonstrate favorable growth momentum and concluded 2017 with outstanding performance. During the year, the Group expedited implementation of the "Big Connectivity" strategy and continued to drive ahead with the integrated development of the "four growth engines", alongside its initiatives to foster reforms and innovation and establish synergy across operations. The Group has placed a steadfast focus on enhancing its ability to achieve transformational development and sustainable growth, with meticulous preparation having gone into supporting its strategic plans.

KEY OPERATING DATA

	2017	2016	Change %
Mobile Business			
Customer Base (million)	**887**	849	4.5
Of Which: 4G Customer Base (million)	**650**	535	21.4
Net Additional Customers (million)	**38**	23	69.1
Of Which: Net Additional 4G Customers (million)	**114**	223	–48.6
Average Minutes of Usage per User per Month (MOU) (minutes/user/month)	**366**	408	–10.2
Average Handset Data Traffic per User per Month (DOU) (MB/user/month)	**1,399**	697	100.9
Average Handset Data Traffic per 4G User per Month (DOU) (MB/user/month)	**1,756**	1,027	71.0
Average Revenue per User per Month (ARPU) (RMB/user/month)	**57.7**	57.5	0.3
Broadband Business			
Wireline Broadband Customer Base (million)	**113**	78	45.2
Of Which: Household Broadband Customer Base (million)	**109**	74	46.9
Wireline Broadband ARPU (RMB/user/month)	**35.1**	32.1	9.3
Household Broadband Blended ARPU (RMB/user/month)	**33.3**	28.3	17.5
Internet of Things ("IoT") Business			
IoT Smart Connections (million)	**229**	103	122.0

OPERATING PERFORMANCE

The Group enjoyed ongoing market leadership in 2017. It continued to stay in a leading position in the 4G market, with the corresponding customer base recording a net addition of 114 million and approaching 650 million. Riding on the 121.3% increase in handset data traffic, revenue from wireless data traffic has, on a full-year basis, surpassed half of the Group's total telecommunications services revenue for the first time. The Group's broadband business achieved burgeoning development, with the household broadband customer base exceeding 109 million. The IoT business also witnessed notable growth with the number of IoT smart connections registering a net addition of 126 million to reach 229 million.

THE "FOUR GROWTH ENGINES" DELIVERING FAVORABLE MOMENTUM

Personal Mobile Market

Lying at the centre of market competition, 4G constitutes a core component of the Group's "four growth engines". The Group has striven to expand 4G business volume and scale, and at the same time reinforced business engagements with existing customers. Following these initiatives, the Group managed to maintain its leading position in the 4G market, coupled with an increase in development efficiency as reflected by the 73% 4G penetration rate of its mobile customers. The Group has also thoroughly cultivated customer value with measures to promote rapid growth of data traffic, and as a result, 4G handset customer DOU has reached 1.76GB. In addition, the Group has refined its terminal sales model, with more than 100 million 4G+ terminals being sold within its own sales network. At the same time, the Group has enhanced high definition VoLTE (Voice over LTE) services that enable implicit and automatic connection, and obtained a rapidly-expanding VoLTE customer base of 200 million.

Household Market

As an important area of growth amongst the "four growth engines", the Group's household market has been on a fast track of development. 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 Group achieved a dual-increase in scale and value in this business line. With a net additional customers of more than 34.95 million, the Group managed to further narrow its gap between the market leader. The proportion of customers subscribing to products with bandwidth of 50Mbps or above has reached 68%. Meanwhile, the Group has also expedited the development of platform services and applications business, amongst which, the number of "Mobaihe" (a set-top box that provides high-definition video-on-demand service) customers has surpassed 57.25 million. Household broadband blended ARPU increased to RMB33.3, representing a year-on-year increase of 17.5%.

Corporate Market

Corporate telecommunications and informatization services continued to be a "blue ocean" sector demonstrating enormous growth potential. The Group has forged ahead with plans to enhance competitiveness in the corporate market and placed a special focus on developing key business areas. Revenues of the Group's dedicated line services and IDC have increased by 30.8% and 85.9% respectively. The Group has also scaled up efforts to develop key vertical markets, providing enhanced industry informatization solutions to various business sectors including industry, agriculture, education, public administration, finance, transportation and healthcare. In an effort to further tap into the SME (Small and Medium Enterprise) market, the Group has also launched the "Double Speed" promotion campaign and "Broadband for Small- and Micro-enterprises" promotion products. In 2017, our revenue from corporate telecommunications and informatization services exceeded 36% of the total market.

Emerging Business

The emerging business is considered an important realm amongst the "four growth engines" as the Group ushers itself into the future. As the Group further refined its professional and strategic planning, it has redoubled its efforts to strengthen product development. The Group has experienced an ongoing expansion of digital business, and products such as MIGU, IoT and Internet continued to demonstrate growing competitiveness. At the same time, the Group has also scaled up efforts to promote the well-developed product lines. Revenues from "and-Video" and "and-Reading" increased by 67.2% and 10.3% respectively, and "and-Wallet" recorded a total annual transaction amount of more than RMB2.1 trillion. Spurred by the Group's initiatives to accelerate the development of IoT business, the number of IoT smart connections registered a net addition of 126 million to reach 229 million. The Group has also expedited the use of industry applications, in which 9 of them have recorded respective annual revenues of more than RMB100 million, in particular, the annual revenue of "and-Education" has exceeded RMB4.0 billion.

CONTINUOUSLY UPGRADING QUALITY AND SERVICE

"Quality is the lifeline for any telecommunications company". 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. The Group continued to honor this commitment in 2017 and strove to establish itself as a telecommunications operator with long-lasting prestige and reputation.

The Group has enhanced end-to-end customer perception and managed to maintain an industry-leading satisfaction rate on network quality amongst 4G customers. Data on-net hit rate has increased while video jam frequency has reduced by 66%. The Group has also strengthened the capacity of its contents network by implementing unified scheduling and pooling of contents within the entire network, increasing average download speed post contents distribution by 2.7 times. By implementing measures to protect customer information security and privacy, the Group has taken part to curb new types of unlawful behaviours and crimes taken place in the telecommunications networks, thus creating a healthy and safe telecommunications environment for customers.


Contribution of household and corporate markets to revenue growth increased

The Group has no reservation about assuring quality and customer interests, and consistently seeks ways to raise the standard of customer services. With refined product offerings, the proportion of customers subscribing to flat-rate packages has increased by 20.2 percentage points. To satisfy customer demands, the Group has launched day passes and various content-type large data products (i.e.: the "As I Wish" product series). As service transformation deepened, traditional services have become more intelligent and Internet-based, nearly 60% of the Group's key businesses were handled by its electronic channels.

DRUMMING UP SUPPORT FOR BUSINESS TRANSFORMATION

Proactively and comprehensively, the Group took into account the development needs of the "four growth engines" and strengthened its core competences by taking a number of initiatives with a special focus on spreading the tenets of "centralised management, operational specialisation, market-oriented mechanism, lean organisation structure and process standardisation".

Network capability has scaled new heights. Boasting a total of 1.87 million 4G base stations, the Group set its sights on further enhancing its network coverage. The Group endeavoured to construct a quality full-fibre network, with the proportion of customers with fibre access exceeding 98%. While NB-IoT (Narrowband Internet of Things) has been launched in 346 cities allowing end-to-end scale commercial use, CDN (Content Delivery Network) has covered 340 cities in China. Meanwhile, the Group has constructed an addition of 73 POPs overseas, with international transmission bandwidth reached 23T.

The Group persistently bolstered its own core capabilities. With a product checklist, the Group has launched 43 products, all of which have showcased its core capabilities and were grouped under 4 major categories. It has also built a centralised big data platform, which has been utilized internally to establish big data application models and externally to promote products and services relating to network-wide tourism and finance. Additionally, the Group is at the forefront of 5G standard formulation and has become one of the companies taking charge of the most number of 5G projects in ITU and 3GPP, driving ahead with the international standard for 5G architecture.

The Group continuously fostered open co-operation. It worked closely and proactively with a number of external partners and, together, managed to create new products, services and capabilities. By grasping various cooperation opportunities with industry chain players, the Group has nurtured new competitive edges. The "1-3-9 Cooperative Initiatives" was launched during the year, aiming at promoting industry co-operation and sharing of expertise. In addition, the Group has expediated measures that promote public sharing of its more maturely developed service capabilities, in particular, the telecommunications capacity open platform has served more than 130,000 companies, and the centralised certification platform has, on average, processed 500 million accreditations daily.

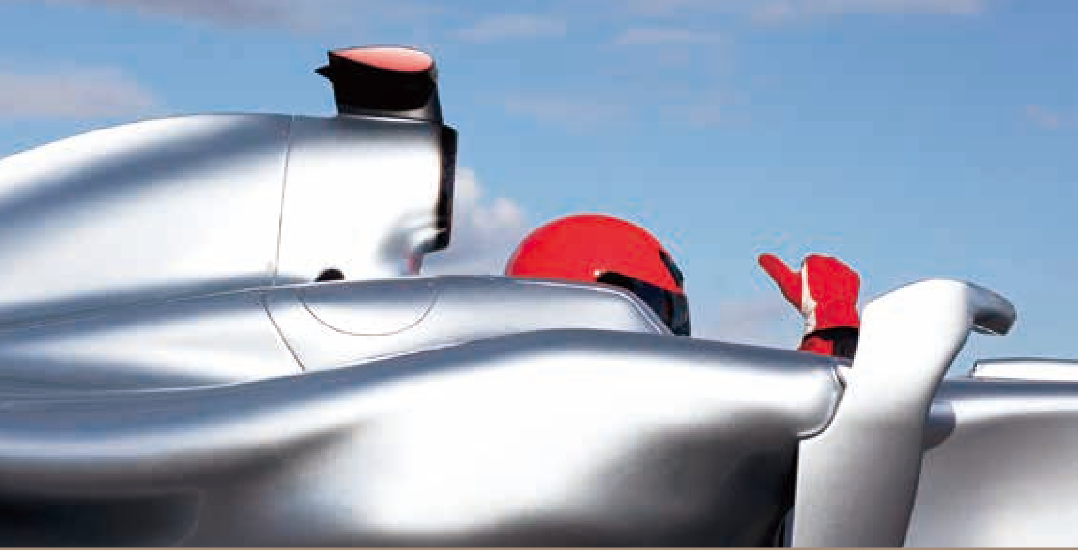
ENHANCING CAPITAL EXPENDITURE EFFICIENCY

Taking a critical step on the road to transformation, the Group has evolved a two-pronged strategy to address the demands for high data traffic and high bandwidth brought about by the implementation of the "four growth engines". While the Group will focus on laying a solid foundation for the scale development of its core business and upcoming market competition, it will, at the same time, strive to raise capital expenditure efficiency through sophisticated planning and sensible deployment of resources.

Actual capital expenditure amounted to RMB177.5 billion in 2017, which was spent on areas including 4G, transmission, broadband access, NB-IoT and IT support in order to back the development of the "four growth engines" and continuously strengthen network development capabilities. Capital expenditure to telecommunications services revenue ratio has fallen by 3.4 percentage points from 2016, representing an enhancement to capital expenditure efficiency.

At a reasonable pace, the Group will continue to prioritize investment choices with a refined direction in 2018, making ongoing enhancement to investment efficiency.

Resources will be 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. For 2018, capital expenditure is planned to be RMB166.1 billion, representing a decrease of 6.4% from 2017. Capital expenditure to telecommunications services revenue ratio is expected to further go down.



Preparing for the 蓄勢 Trend

Financial Review

In 2017, with persistent efforts to drive ahead with the integrated development of the "four growth engines", the Group achieved encouraging results in the personal mobile market, household market, corporate customer market and emerging business. Business transformation has also yielded significant results, with revenue structure continuously optimized. Revenue from the telecommunications services business has overall demonstrated a favorable growth momentum with a growth rate above the industry average. The Group's position as a leading operator in the industry has been further consolidated.

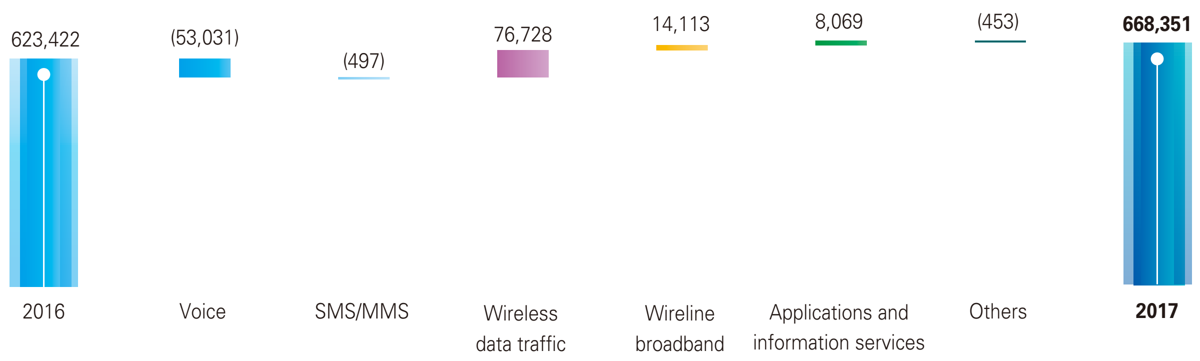
The Group has continued to actively promote its low-cost, high-efficiency operation model, conducted resources utilization evaluation in key areas, and optimized its strategies, budget and performance-based salary management. The Group's operational efficiency has remained favorable with its net profit ratio increasing, thereby maintaining its profitability at the international first-class operators' level and continuously creating value for shareholders.

	2017	2016	Change
Operating revenue (RMB million)	**740,514**	708,421	4.5%
Revenue from telecommunications services (RMB million)	**668,351**	623,422	7.2%
Revenue from sales of products and others (RMB million)	**72,163**	84,999	–15.1%
EBITDA (RMB million)	**270,421**	256,677	5.4%
EBITDA margin	**36.5%**	36.2%	0.3pp
Profit attributable to equity shareholders (RMB million)	**114,279**	108,741	5.1%
Margin of profit attributable to equity shareholders	**15.4%**	15.3%	0.1pp
Basic earnings per share (RMB)	**5.58**	5.31	5.1%

OPERATING REVENUE

In 2017, operating revenue reached RMB740.5 billion, up by 4.5% compared to the previous year, of which revenue from telecommunications services was RMB668.4 billion, up by 7.2% compared to the previous year. The growth rate of revenue from telecommunications services reached a 6-year high.

Revenue from telecommunications services
(RMB million)



Revenue from voice services

Due to the substitution effect of mobile Internet, the cancellation of handset domestic long-distances roaming tariffs and other factors, revenue from voice services continued to decline to RMB156.9 billion, down by an ever-accelerating rate of 25.3% compared to the previous year, representing 23.5% of revenue from telecommunications services, down by 10.2 percentage points compared to the previous year.

Revenue from data services

Revenue from data services was RMB493.4 billion, up by 24.9% compared to the previous year, representing 73.8% of revenue from telecommunications services, up by 10.5 percentage points compared to the previous year. The Group's revenue structure was further optimized.

As a result of the Group's continuous enrichment of its data products, enhancement of its precise marketing and deepening of its data traffic refined operation, data traffic business maintained a rapid growth. Revenue from wireless data traffic reached RMB364.9 billion, up by 26.6% 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 54.6%, exceeding 50% on a full-year basis for the first time. SMS/MMS services revenue was RMB28.1 billion, down by 1.7% compared to the previous year.

The Group firmly adhered to the "higher speed, better quality and orientation" strategy, steadily improved the quality of its wireline broadband products and enhanced its market competitiveness, and generated growth in both customer base and value. Revenue from wireline broadband services reached RMB39.7 billion, up by 55.1% compared to the previous year, and became the main source of growth for the Group's revenue.

The applications and information services made a breakthrough, with a rapid growth in dedicated lines, IDC, Internet of things, "and-video" and other businesses. Revenue from applications and information services was RMB60.7 billion, up by 15.3% compared to the previous year, representing a further substantiated scale of operation.

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, so its sales of handsets continued to decrease. Revenue from the sales of products and others was RMB72.2 billion, down by 15.1% compared to the previous year. The Group's terminal sale business mainly serves to facilitate the expansion of the core telecommunications services, and hence its profit contribution is relatively low.

OPERATING EXPENSES

The Group continued to adhere to the principles of "forward-looking planning, effective resources allocation, rational investment and refined management" in cost control, strived to increase income and reduce expenditure, and maintained a favorable profitability.

In 2017, the Group's operating expenses were RMB620.4 billion, up by 5.1% compared to the previous year. Operating expenses represented 83.8% of operating revenue, and remained flat compared to the previous year after excluding the effects of increasing write-off and impairment of assets.

	2017 RMB million	2016 RMB million	Change
Operating expenses	**620,388**	590,333	5.1%
Leased lines and network assets	**46,336**	39,083	18.6%
Interconnection	**21,762**	21,779	–0.1%
Depreciation	**149,780**	138,090	8.5%
Employee benefit and related expenses	**85,513**	79,463	7.6%
Selling expenses	**61,086**	57,493	6.2%
Cost of products sold	**73,668**	87,352	–15.7%
Other operating expenses	**182,243**	167,073	9.1%

Leased lines and network assets

Leased lines and network assets expenses were RMB46.3 billion, up by 18.6% compared to the previous year and representing 6.3% of operating revenue. To maintain the Group's advantages in the quality and coverage of its networks, the towers leasing fee increased relatively rapidly to RMB36.9 billion, up by 31.3% compared to the previous year, and was the main reason for the increased leased lines fees. The leasing fees for TD-SCDMA network capacity were RMB1 billion, down by 61.2% compared to the previous year. The leasing fees of "Village Connect" assets were RMB2.5 billion, down by 8.9% compared to the previous year.

Interconnection

Interconnection expenses were RMB21.8 billion, down by 0.1% compared to the previous year and representing 2.9% of operating revenue.

Depreciation

Depreciation was RMB149.8 billion, up by 8.5% compared to the previous year and representing 20.2% of operating revenue, mainly because the Group has continued to maintain its high level of investments in recent years and has expanded its assets scale.

Employee benefit and related expenses

Employee benefit and related expenses were RMB85.5 billion, up by 7.6% compared to the previous year and representing 11.5% of operating revenue. The Group adjusted and optimized its personnel structure, and reallocated its compensation and incentives in favor of primary frontline employees, leading to an increase in employee benefit and related expenses.

Selling expenses

Selling expenses were RMB61.1 billion, up by 6.2% compared to the previous year and representing 8.3% of operating revenue. The Group actively promoted the transformation of its marketing model, enhanced its precision marketing to customers, and endeavored to improve the efficiency of its utilization of marketing resources. The ratio of selling expenses to telecommunications services revenue remained industry-leading.

Cost of products sold

Cost of products sold was RMB73.7 billion, down by 15.7% compared to the previous year, of which handset subsidies were RMB9.7 billion, down by 4.1% compared to the previous year. With the Group's promotion of the sale of handsets through open channels, cost of products sold decreased.

Other operating expenses

Other operating expenses were RMB182.2 billion, up by 9.1% compared to the previous year and representing 24.6% of operating revenue. Among these, maintenance expenses, operating lease charges and utilities expenses totaled RMB101.4 billion, up by 2.2% compared to the previous year, due mainly to the expansion of assets scale and increase in resources prices. In order to support network transformation, business innovation and implementation, the Group increased its expenses in operation support, research & development and related cost, which totaled RMB38.0 billion, up by 17.7% compared to the previous year. Administrative expenses such as conference, office, travelling and business entertainment expenses were RMB3.2 billion, remaining flat. Besides, according to the change of 2G network utility and volume of VoLTE, the Group has made provisions for the impairment of 2G wireless network equipment amounting to RMB10.45 billion.

PROFITABILITY

Thanks to favorable revenue growth and cost management, in 2017, the Group's profitability continued to be industry-leading. Profit from operations was RMB120.1 billion, up by 1.7% compared to the previous year. EBITDA was RMB270.4 billion and EBITDA margin was 36.5%, up by 0.3 percentage points compared to the previous year. Profit attributable to equity shareholders was RMB114.3 billion and its margin was 15.4%.

	2017 RMB million	2016 RMB million	Change
Profit from operations	**120,126**	118,088	1.7%
Other gains	**2,389**	1,968	21.4%
Interest income	**15,883**	16,005	–0.8%
Finance costs	**210**	235	–10.6%
Share of profit of investments accounted for using the equity method	**9,949**	8,636	15.2%
Taxation	**33,723**	35,623	–5.3%
Profit attributable to equity shareholders	**114,279**	108,741	5.1%

CAPITAL STRUCTURE

The Group's financial position continued to remain steady. As at the end of 2017, total assets and total liabilities were RMB1,522.1 billion and RMB533.2 billion respectively. Liabilities-to-assets ratio was 35.0%.

The Group redeemed the RMB guaranteed bonds issued by Guangdong Mobile in October 2017. The Group consistently and firmly adhered to its prudent financial risk management policies and maintained sound repayment capabilities. The effective average interest rate of borrowings was 4.50% and the effective interest coverage multiple was 631 times.

	As at 31 December 2017 RMB million	As at 31 December 2016 RMB million	Change
Current assets	**558,196**	586,645	–4.8%
Non-current assets	**963,917**	934,349	3.2%
Total assets	**1,522,113**	1,520,994	0.1%
Current liabilities	**529,982**	536,389	–1.2%
Non-current liabilities	**3,250**	2,467	31.7%
Total liabilities	**533,232**	538,856	–1.0%
Non-controlling interests	**3,245**	3,117	4.1%
Total equity attributable to shareholders	**985,636**	979,021	0.7%
Total equity	**988,881**	982,138	0.7%

FUND MANAGEMENT AND CASH FLOW

The Group consistently and 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 2017, 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 RMB245.5 billion, RMB106.5 billion and RMB108.2 billion, respectively. Free cash flow was RMB68.0 billion, up by 2.4% compared to the previous year. As at the end of 2017, the Group's cash and bank balances were RMB407.2 billion, of which 97.5%, 1.4% and 1.1% 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.

	2017 RMB million	2016 RMB million	Change
Net cash inflow from operating activities	**245,514**	253,701	–3.2%
Net cash outflow from investing activities	**106,533**	194,523	–45.2%
Net cash outflow from financing activities	**108,231**	48,958	121.1%
Free cash flow	**67,981**	66,410	2.4%

CREDIT RATINGS

Currently, the Company's corporate credit ratings are equivalent to China's sovereign credit ratings, namely, A+/Outlook Stable from Standard & Poor's and A1/Outlook Stable from Moody's. These ratings reflect that the Group's sound financial strength, favorable 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 controls 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 2017, 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 ("INEDs")) 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."

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

✓ More than one-third of the Board (4 out of 8) 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 Company's and the HKEX'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.

✓ China Mobile publishes a Sustainability Report along with its annual report for eleven 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 United States Securities and Exchange Commission ("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 controls.
- ✓ 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.

SHAREHOLDERS

The Company is established in Hong Kong and owned by all shareholders. Our ultimate controlling shareholder is CMCC, which, as of 31 December 2017, 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 2017, there is no change in the Articles of Association (the "Articles") of the Company, which are available on our website and the HKEXnews 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.

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. The Company believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for the Company's future development while continuing to create higher value for our shareholders.

Financial Year		Ordinary Dividend Per Share (HKD)	Special Dividend Per Share (HKD)	Total Dividend Per Share (HKD)	Dividend Payout Ratio
2017	final[1]	1.582	–	6.405	48%[3]
	interim	1.623	3.200[2]		
2016	final	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	–		

1 Pending approval at the AGM.

2 Being a special dividend of HK$3.200 per share in celebration of the 20th anniversary of our public listing.

3 Excluding the special dividend in celebration of the 20th anniversary of our public listing.

To ensure the effective communications between the Company and its shareholders, we have formulated the communication policies with shareholders. We regularly review these 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.

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 2017, our management attended 16 investor conferences and 285 routine investor meetings, met with 681 investment institutions and 916 investors in total. We will continue our efforts to enhance the 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 2017, we held our AGM on 25 May 2017 (Thursday) in the Ballroom, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong. The major items discussed and the percentage of votes cast in favor of the resolutions are set out as follows:

1. The review and consideration of the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2016 (99.9557%);

2. The declaration of a final dividend for the year ended 31 December 2016 (99.9576%);

3. The re-election of Mr. DONG Xin as executive director (99.3620%);

4. The re-election of Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu, Mr. Stephen YIU Kin Wah as INEDs (90.2313% to 99.8895%);

5. 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 (99.8085%);

6. 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 (99.9113%);

7. To give a general mandate to the directors of the Company to allot, issue and deal with additional shares in the Company not exceeding 20% of the number of issued shares (83.5779%);

8. To extend the general mandate granted to the directors of the Company to allot, issue and deal with shares by the number of shares bought back (84.0614%).

All resolutions were duly passed at the 2017 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 HKEXnews on the day of the AGM.

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 2018 Shareholders' Calendar	
22 March	Announcement of final results and final dividend for the financial year ended 31 December 2017
13 April	Upload of 2017 annual report on the websites of the Company and the HKEX
16 April	Dispatch of 2017 annual reports to shareholders
17 May	2018 AGM
End of June	Payment of final dividend for the financial year ended 31 December 2017
Mid-August	Announcement of interim results and interim dividend for the six months ending 30 June 2018, if any
End of September	Payment of interim dividend for the six months ending 30 June 2018, 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 HKEXnews), 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 eight directors, namely Mr. SHANG Bing (Chairman), Mr. LI Yue (Chief Executive Officer), 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 HKEXnews. The biographies of our directors are presented on pages 8 to 11 of this annual report and on our website.

Mr. LIU Aili has resigned from his positions as an Executive Director and Vice President of the Company with effect from 29 September 2017 by reason of reassignment of work. Mr. Liu has confirmed that there is no disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

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 2017, 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
INEDs					
Mr. Frank WONG Kwong Shing	4	5	1	1	1
Dr. Moses CHENG Mo Chi	4	5	1	1	1
Mr. Paul CHOW Man Yiu	4	5	1	1	1
Mr. Stephen YIU Kin Wah[4]	4	4	–	–	1
Executive Directors					
Mr. SHANG Bing (Chairman)	4	–	–	–	1
Mr. LI Yue (CEO)	4	–	–	–	1
Mr. LIU Aili[5]	3	–	–	–	1
Mr. XUE Taohai[4]	–	–	–	–	–
Mr. SHA Yuejia	4	–	–	–	1
Mr. DONG Xin[4] (CFO)	4	–	–	–	1

4 With effect from 23 March 2017, (i) Mr. Yiu was appointed as an INED and member of our Audit Committee; (ii) Mr. Dong was appointed as an executive director, vice president and CFO of the Company; and (iii) Mr. Xue resigned from his positions as an Executive Director, Vice President and CFO of the Company. The 4 Board meetings and the AGM in 2017 were held after the above changes of Board members.

5 Mr. Liu resigned from his positions as an executive director and vice president of the Company with effect from 29 September 2017. 3 out of 4 board meetings in 2017 were held while Mr. Liu was still in office.

All board meetings and committee meetings were attended by the directors in person or by telephone or video conferencing. In 2017, the Board has met and discussed the matters relating to the annual results, interim results, continuing connected transactions, annual investment status, adjustments to the composition of the Board and its committees, sustainability report and others. In addition, the Board reviewed and approved our quarterly results by means of written resolutions.

The Board is responsible for performing the corporate governance duties and setting and reviewing the terms of reference on corporate governance functions, which you may review or download on our company website, as well as our corporate governance policies and practices. In 2017, the Board met and discussed our corporate governance report.

The Board has adopted a Board Diversity Policy since 2013. In considering the composition of the Board, diversity will be considered from a number of perspectives in accordance with our business model and specific needs, 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, we have 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 a directors and officers' liabilities insurance on behalf of its directors and officers and reviews the terms of such insurance annually.

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 8 to 11 of this annual report and on the Company's website.

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 2017, we provided internal training for our executive directors and officers, and arranged site visits to our Global Network Center and training on our businesses for our INEDs. All our directors including newly-appointed directors Mr. Dong Xin and Mr. Stephen YIU Kin Wah attended trainings during the year.

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 2017. All directors have confirmed, following specific enquiry by the Company that they have complied with the Model Code during the period between 1 January 2017 and 31 December 2017.

The directors of the Company are responsible for the preparation of the consolidated financial statements of the Company. The Company has received acknowledgments from the directors of their responsibility for preparing the financial statements and the declaration by the auditors of the Company about their reporting responsibilities. For the reporting responsibilities of the auditors with respect to our financial statements, please refer to the Independent Auditor's Report on pages 65 to 70 in this annual report.

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 HKEXnews' 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. The members of our Audit Committee possess professional qualifications in areas including finance, accounting and laws and have many years of experience and expertise in finance, legal and regulatory and/or business management.

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 2017

In 2017, the Audit Committee met on five occasions and the attendance of each member is disclosed on page 44 of this annual report. In addition, the Audit Committee met with the external auditors for three times in 2017 and one of such meeting was held without any executive directors being present.

In 2017, the principal work performed by the Audit Committee includes:

✓ reviewed and approved the financial statements and annual results the report of the directors, financial review and final dividend for the financial year ended 31 December 2016;

✓ reviewed and approved our 2016 Annual Report on Form 20-F, which was filed with the US SEC;

✓ reviewed and approved the 2016 conflict mineral report to be filed with the US SEC;

✓ reviewed and approved the interim results and interim dividend for the six months ended 30 June 2017;

✓ 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 internal control assessment report;

✓ reviewed and approved the report on the revision of the Articles of Internal Audit;

✓ reviewed and approved the 2017 internal audit project plan and budget for external engagements;

✓ reviewed and approved the 2017 overall risk management report;

✓ reviewed and approved the 2016 evaluation report on accounting and financial reporting system;

✓ reviewed and approved the report on compliance with relevant laws and regulations in 2016; and

✓ reviewed and approved various internal audit reports.

In 2017, our Audit Committee has completed its review on risk management and internal control systems and their enforcement, and confirmed its discharge of its duties and responsibilities.

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 2017
In 2017, the Remuneration Committee met once, during which the committee:

✓ considered and approved the remuneration package and other terms of appointment of the newly appointed directors, and

✓ resolved to approve the target and realized amounts of annual appraisal indicators of senior management.

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 2017
In 2017, the Nomination Committee met once, during which the committee approved the selection and nomination procedures, and recommended the Board to approve the appointment of new directors.

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 their experience, 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 9 to the consolidated financial statements on page 95 of this annual report for directors' and senior management's remuneration in 2017.

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. As proposed by the Board, each of Mr. Dong and Mr. Yiu will receive an annual director's fee of HK$180,000 as approved by the shareholders of the Company, and Mr. Yiu will also receive an annual fee of HK$150,000 as a member of the Audit Committee of the Company. Such fees are payable on a time pro-rata basis for any non-full year's service. The remuneration has been determined by the Board with reference to their respective duties, responsibilities and experience, prevailing market conditions and so forth. Mr. Dong has voluntarily waived his annual director's fee of HK$180,000.

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 8 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.

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 2017, the Company continued to implement the "Safeguarding Compliance" program. We refined the compliance management scope of the Audit and Risk Management Committee and demarcated the compliance responsibilities for different levels pursuant to the *China Mobile Compliance Management Measures*. We also organized trainings on compliance risk prevention, which have covered 95% of all legal personnel of the Group. Moreover, we extended our compliance philosophy and initiatives to our business partners by means of due diligence, qualification review, contractual performance control, ex-post evaluation, compliance commitment and others. In addition, we established and furthered company policies on honest practices and punishing corruption such as *Guiding Opinions on the construction of Anti-Corruption Culture in China Mobile, China Mobile Anti-Corruption Commitment, China Mobile Regulations on Staff Discipline and Violations, Administrative Measures of Registration and Turn-in of Gifts Staff received, Accountability Implementation Measures for China Mobile Managers*. We assessed the whole procedure of the entire chain by our 4-in-1 anti-corruption system combining education, prevention, punishment and accountability. Meanwhile, we further strengthened our internal audit 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 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.

INTERNAL AUDIT

IA Dept. conducts independent and objective confirmation and provides consulting services in respect of the appropriateness, compliance and effectiveness of the Company's business activities, internal controls and risk management 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.

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 and the Board, reviews and approves the annual audit plan and resources allocation. The annual audit plan of the internal audit department covers various areas, namely financial, internal controls, information systems and risk assessment audits. For financial audit, the IA Dept. reviews 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 controls 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 information systems audit focuses on reviewing and assessing the information systems, information technology applications, information security and the related internal controls and procedures. 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 2017, we actively promoted our internal audit reform, revised and issued the Articles of Internal Audit with more specific provisions on internal audit definitions and tasks, reporting mechanism, internal audit agency settings and staffing requirements, among others. Audit Divisions directly administered by the Headquarters have been set up in Tianjin, Wuhan and Chengdu and put in full operation, thereby further strengthening the audit function and independence of the Headquarters.

In 2017, focusing on key operational management, we further strengthened our audit on 4G services, home broadband services, business outsourcing, information security, construction investment, infrastructure management and other areas in order to effectively implement our strategic initiatives and improve risk prevention and management. Taking full advantage of big data and cloud computing technologies, our audit capacity, efficiency and coverage have been greatly improved. Moreover, we took effective actions to push forward the relevant units' joint rectification of audit issues, hence further manifesting the outcome of our audit.

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 2017, we focused our audit on the revision report on our Articles of Internal Audit, the main findings of each audit project 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 2018, the IA Dept. will concentrate on new tasks of strategic transformation to further the reform of auditing system throughout the Group with a focus on intensifying our audit work, establishing a smart auditing system and enhancing our auditing capabilities and effectiveness, to find in-depth risk and plug management loopholes, and to promote process control and mechanism optimization so as to further enhance the effectiveness of internal audit.

EXTERNAL AUDITORS

In 2017, 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 2017.

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):

	2016 RMB million	**2017** **RMB million**
Audit fees [6]	103	**107**
Non-audit services fees [7]	10	**15**

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

7 Including the fees for tax compliance and advisory services, risk assessment and compliance advisory services, performance improvement and business process optimization advisory services, and other advisor 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 2017 (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 2017. 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 2017, we were recognized on the Dow Jones Sustainability Emerging Markets Index, and had been on the DJSI family for ten consecutive years. China Mobile was the only company from Mainland China being included in the global carbon disclosure project CDP's 2017 Climate A List.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our Audit Committee under the Board is responsible for conducting annual review 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 2017, our Audit Committee has evaluated the effectiveness of the Group's risk management and internal controls covering all important aspects including financial, operational and compliance, to ensure we provide sufficient resources in accounting, internal audit and financial reporting, staff qualification and experience, staff training courses and related budget. Based on such review, we consider the Group's risk management and internal control systems to be effective and adequate.

The management of the Company reports to Audit Committee annually about the building-up and performance of its risk management and internal controls, including interim and annual evaluation reports, and receives guidance and supervision from Audit Committee. In 2017, the Company has received the management affirmation with respect to the effectiveness of the risk management and internal controls.

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. Based 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 2017, 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 2017, the Company's disclosure controls and procedures were effectively executed at a reasonable assurance level.

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, and established a Disclosure Committee, the members of which include 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 volatility of our share price caused by false market information.

Under circumstances where any departments or officers are in breach of disclosure procedures and internal controls, 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 for management and the Audit Committee to evaluate. Depending on such reports, our CEO and CFO 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 attaches great importance to the management 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") and others, we formulated *China Mobile Management Method on Inside Information*, setting up rules and black-out periods on directors, management and employees in dealing with the shares of the Company or exercising share options while they are in possession of inside information. Those who may come into possession of inside information in performing their duties are required to sign an undertaking on their 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, 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 is disclosed as below.

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 shall be independent non-executive directors as determined under the Hong Kong Listing Rules. The Company has four (4) independent non-executive directors out of a total of eight (8) 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. According to the Code Provision A.2.7 of the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules, the chairman of a listing company in Hong Kong shall hold meetings at least annually with the non-executive directors (including INEDs) without the presence of executive directors. In 2017, our Audit Committee comprising four INEDs met once with our external auditors without any executive directors present.

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 officer(s), principal financial officer(s), 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 whether 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 2017, our human resources work fully adhered to the deployment of our "Big Connectivity" strategy with "innovation of systems, optimization of structures, reshaping of capabilities and stimulation of vitality" as the central theme, improving our mechanism for selecting and hiring staff, accelerating the adjustments of our organizational and personnel structures, deepening the reform of our manpower and remuneration allocation mechanisms, strengthening the formation of our talent teams and continuing to enhance our organizational capabilities and team vitality, with a view to effectively supporting the execution of our strategy and business development.

In respect of leadership development, first, we improved our systems for the selection, appointment and evaluation of senior management, tightened our selection criteria, standardized our selection procedures and further enhanced the comprehensiveness of our evaluation. Second, we innovated our selection methods, initiated a competitive selection of our senior management and focused on improving the accuracy of selection. Third, we intensified our leadership training for senior management during the transformation period, so as to provide support for our transformation and development.

In respect of talent team structure optimization, first, we insisted on "controlling total volume, adjusting structure and increasing efficiency", increased our human resources investment in new technologies and new businesses, and continued to improve our personnel efficiency. Second, we supported the implementation of our "Big Connectivity" strategy, saw an increase in the proportion of technical personnel and also of personnel with undergraduate or above qualifications, and further improved our team structure. Third, we continued to openly recruit staff and implemented centralized and unified written examinations on campus to further enhance the quality of new employees and our reputation as an employer.

In respect of personnel motivation, first, we strengthened our performance orientation, optimized our labor cost allocation, improved our overall remuneration allocation mechanism, and guided our subsidiaries to improve their performance indicators. Second, we implemented classified management, reinforced our evaluation of and incentives for traditional business units, and built new mechanisms for new business companies to support the integrated development of the "four growth engines". Third, we incentivized our key backbone personnel by awarding them for carrying out special projects on scientific and technological innovation, patent invention and innovative incubation, so as to further stimulate entrepreneurship and innovation among staff teams.

In respect of remuneration incentives, we insisted on performance orientation and built a hierarchical and classified incentive system. We adjusted the remuneration structure, increased the proportion of discretionary income, and strengthened our performance orientation. For our front-line staff, we implemented quantitative performance-based remuneration and promoted "more pay for more work"; we also tilted our remuneration resources to key positions and backbone personnel essential for our transformation and development, and encouraged employees to innovate and create.

In respect of staff training, in line with our development strategy, we focused on areas such as leadership development and the reshaping of technical and business backbone capabilities, and organized seminars for our senior management, special training for middle-aged and young managers, advanced technical training for business support experts and training for customer managers, thereby comprehensively supporting our strategic transformation and innovative development. In 2017, the total number of China Mobile Online University users reached 405,000, of whom mobile learning users reached 291,000, and spent 50 hours per user on average. In the same year, China Mobile University was awarded "China's Best Enterprise University", "Excellent Corporate University Award in China Corporate Talent Development" and other awards, receiving high recognition and wide acclaim for our training and development work.

Report of Directors

The directors take pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2017.

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 2017.

Purchases from the largest supplier for the year represented 15% of the Group's total purchases. The five largest suppliers accounted for an aggregate of 43% of the Group's purchases in 2017. 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 2017 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 2017 are set out in notes 17 and 18, 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 2017 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 133.

DIVIDENDS

The Board recommends a final dividend payment of HK$1.582 per share for the year ended 31 December 2017, or a full-year dividend payout ratio of 48%. Together with the interim dividend payment of HK$1.623 per share, and a special dividend payment of HK$3.200 per share to celebrate the 20th anniversary of our IPO paid earlier, the total dividend payment for the 2017 financial year amounted to HK$6.405 per share. Taking into consideration the Company's financial position, its ability to generate cash flow and its future development needs, the Company will maintain a stable dividend payout ratio for 2018 and strive to attain a stable-to-rising dividend payout ratio. The Board believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for the Company's future development while continuing to create higher value for our shareholders.

DONATIONS

Donations made by the Group during the year amounted to RMB89,532,505 (2016: RMB66,762,930).

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 33 to the consolidated financial statements.

BONDS

Details of the bonds of the Group are set out in note 29 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 33 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 *(resigned on 29 September 2017)*
XUE Taohai *(resigned on 23 March 2017)*
SHA Yuejia
DONG Xin *(appointed on 23 March 2017)*

Independent Non-Executive Directors:
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 95 of the Company's Articles of Association, Mr. SHANG Bing, Mr. LI Yue and Mr. SHA Yuejia 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 8 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.

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. All of the Directors for Re-election have voluntarily waived their directors' 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 and experience, and to prevailing market conditions. Details of the remuneration of the directors of the Company are set out in note 9 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, any of its holding companies or subsidiaries, or any of its holding companies' 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 2017 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	300,000	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 2017, and rounded off to two decimal places.

Apart from those disclosed herein, as at 31 December 2017, 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.

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

At no time during the year ended 31 December 2017 was the Company, any of its holding companies or subsidiaries, or any of its holding companies' 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 2017 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 directly	Ordinary shares held indirectly	Percentage of total number of issued shares
(i) China Mobile Communications Group Co., Ltd. (formerly known as 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 2017, 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 35 to the consolidated financial statements.

For the financial year ended 31 December 2017, 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 RMB2,200 million. The charges payable by the Group in respect of properties owned by CMCC and its subsidiaries are determined with reference to any one of the following benchmarks: (i) the value determined by independent intermediaries; (ii) applicable market rates or charges which are publicly published; or (iii) rates charged by CMCC or its subsidiaries to independent third parties, 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) 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 RMB4,000 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

(3) leasing fees paid by the Company to CMCC for the leasing of telecommunications network operation assets by the Company from CMCC did not exceed RMB5,000 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 2017-2019 property leasing and management services agreement dated 11 August 2016 between the Company and CMCC (the "2017-2019 Property Leasing Agreement"). The Company announced the entering into and the terms of the 2017-2019 Property Leasing Agreement on 11 August 2016. The 2017-2019 Property Leasing Agreement 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 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; (viii) on 11 August 2016 for a period of one year from 1 January 2017; and (ix) on 10 August 2017 for a period of one year from 1 January 2018.

The transactions referred to in paragraph (3) 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; (vi) on 11 August 2016 for a period of one year from 1 January 2017; and (vii) on 10 August 2017 for a period of one year from 1 January 2018.

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 (3) above constitute connected transactions for the Company under the Hong Kong Listing Rules.

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 2017 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 2017.

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 2017.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2017 are set out in note 29 to the consolidated financial statements.

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 134 to 136 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 2017, 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.

LIST OF DIRECTORS OF SUBSIDIARIES

A list of directors of the Group's subsidiaries is set out on the Company's website.

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, 22 March 2018

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, 17 May 2018 at 10:00 a.m. in the Conference Room, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, 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 2017.

2. To declare a final dividend for the year ended 31 December 2017.

3. To re-elect executive directors.

4. 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

5. "**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."

6. "**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."

7. "**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 6 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

13 April 2018

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$1.582 per share for the year ended 31 December 2017 and, if such dividend is declared by the members passing resolution number 2, it is expected to be paid on or about 27 June 2018 to those shareholders whose names appear on the Company's register of members on 30 May 2018. Shareholders should read the announcement issued by the Company on 22 March 2018 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 2017 final dividend.

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 11 May 2018 to 17 May 2018 (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 10 May 2018.

   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 28 May 2018 to 30 May 2018 (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 25 May 2018.

5. Concerning resolution number 5 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 2017 Annual 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 133, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, 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 ("HKSAs") 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.

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 non-current assets
- Leasing arrangement

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Note 2 – Significant accounting policies (r) and Note 4 – Operating revenue to the consolidated financial statements. 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.	In response to this key audit matter, our audit work included controls testing and substantive procedures: • 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. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on the non-current assets	
Refer to Note 2 – Significant accounting policies (i) and Note 39 – Accounting estimates and judgements to the consolidated financial statements. The Group held various non-current assets such as property, plant and equipment (Note 13) and investments accounted for using the equity method (Note 18). In accordance with IAS/HKAS 36 "Impairment of Assets", where an indication of impairment on these assets exists, the Group will estimate the recoverable amounts of the relevant assets, which are the higher of the value in use and the fair value less costs of disposal. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. As a result of the optimization of 4G network coverage, the continuing impact of the mobile Internet substitution effect, and particularly, the significant progress of Voice over LTE ("VoLTE") business services this year, the usage and utilization of the Group's 2G network has been decreasing rapidly. Meanwhile, due to the further decline of voice tariff, the revenue from voice services dropped even faster. Accordingly, the management identified impairment indicator for the 2G wireless and related assets ("2G Network Assets"). In addition, due to the capital market fluctuation, the Group identified the carrying amount of an investment in one of the associates exceeded its market value. Hence, the Group performed impairment assessments on the 2G Network Assets and the investment in associate by calculating their recoverable amounts based on value-in-use as determined by the discounted cash flow model. In the impairment assessment, judgements were required in the assessment of key assumptions, as they are sensitive to the discounted cash flow model.	In response to this key audit matter, we performed the following procedures: • 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 reasonableness of management's identification on the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit); • assessed the recoverable amount based on its value-in-use as determined by the discounted cash flow model, reviewed documentation supporting key judgements and assumptions on the cash flow, considered external evidence and historical accuracy of management's assumptions and forecasts, including 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 discounted 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 affect the non-current assets 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Leasing arrangement	

Refer to Note 2 – Significant accounting policies (h) and Note 39 – Accounting estimates and judgements to the consolidated financial statements.
 	
In accordance with IAS/HKAS 17 "Leases", the management assessed the classification of 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.
	In response to this key audit matter, we performed the following procedures to assess the management's classification of leases:
	
	• 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:
	
	    • 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.
	
	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.

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.

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 HKSAs 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 HKSAs, 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.

- 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, 22 March 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017 (Expressed in Renminbi ("RMB"))

	Note	2017 Million	2016 Million
Operating revenue	4		
Revenue from telecommunications services		**668,351**	623,422
Revenue from sales of products and others		**72,163**	84,999
		740,514	708,421
Operating expenses			
Leased lines and network assets		**46,336**	39,083
Interconnection		**21,762**	21,779
Depreciation		**149,780**	138,090
Employee benefit and related expenses	5	**85,513**	79,463
Selling expenses		**61,086**	57,493
Cost of products sold		**73,668**	87,352
Other operating expenses	6	**182,243**	167,073
		620,388	590,333
Profit from operations		**120,126**	118,088
Other gains	7	**2,389**	1,968
Interest income		**15,883**	16,005
Finance costs	8	**(210)**	(235)
Share of profit of investments accounted for using the equity method		**9,949**	8,636
Profit before taxation		**148,137**	144,462
Taxation	11(a)	**(33,723)**	(35,623)
PROFIT FOR THE YEAR		**114,414**	108,839
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		**(5)**	24
Exchange differences on translation of financial statements of overseas entities		**(735)**	774
Share of other comprehensive loss of investments accounted for using the equity method		**(1,038)**	(1,043)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,636**	108,578

for the year ended 31 December 2017 (Expressed in RMB)

	Note	2017 Million	2016 Million
Profit attributable to:			
Equity shareholders of the Company		**114,279**	108,741
Non-controlling interests		**135**	98
PROFIT FOR THE YEAR		**114,414**	108,839
Total comprehensive income attributable to:			
Equity shareholders of the Company		**112,501**	108,480
Non-controlling interests		**135**	98
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,636**	108,578
Earnings per share – Basic and diluted	12	**RMB5.58**	RMB5.31

The notes on pages 78 to 133 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 December 2017 (Expressed in RMB)

	Note	As at 31 December 2017 Million	As at 31 December 2016 Million
Assets			
Non-current assets			
Property, plant and equipment	13	**648,029**	622,356
Construction in progress	14	**78,112**	89,853
Land lease prepayments and others	15	**28,322**	26,720
Goodwill	16	**35,343**	35,343
Other intangible assets		**1,721**	1,708
Investments accounted for using the equity method	18	**132,499**	124,039
Deferred tax assets	19	**33,343**	29,767
Available-for-sale financial assets	20	**44**	35
Restricted bank deposits	21	**6,504**	4,528
		963,917	934,349
Current assets			
Inventories	22	**10,222**	8,832
Accounts receivable	23	**24,153**	19,045
Other receivables	24	**31,201**	25,693
Proceeds receivable for the transfer of Tower Assets	25	**–**	57,152
Prepayments and other current assets	24	**24,552**	16,801
Amount due from ultimate holding company	26	**221**	221
Tax recoverable		**1,519**	1,097
Available-for-sale financial assets	20	**65,630**	31,897
Restricted bank deposits	21	**691**	197
Bank deposits	27	**279,371**	335,297
Cash and cash equivalents	28	**120,636**	90,413
		558,196	586,645
Total assets		**1,522,113**	1,520,994
Equity and liabilities			
Liabilities			
Current liabilities			
Interest-bearing borrowings	29	**–**	4,998
Accounts payable	30	**233,169**	250,838
Bills payable		**3,303**	1,206
Deferred revenue	31	**85,282**	84,289
Accrued expenses and other payables	32	**190,866**	180,950
Amount due to ultimate holding company	26	**8,646**	5,563
Current taxation		**8,716**	8,545
		529,982	536,389

CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 31 December 2017 (Expressed in RMB)

	Note	As at 31 December 2017 Million	As at 31 December 2016 Million
Non-current liabilities			
Deferred revenue – non-current	31	**2,888**	2,175
Deferred tax liabilities	19	**362**	292
		3,250	2,467
Total liabilities		**533,232**	538,856
Equity			
Share capital	33(a)	**402,130**	402,130
Reserves		**583,506**	576,891
Total equity attributable to equity shareholders of the Company		**985,636**	979,021
Non-controlling interests		**3,245**	3,117
Total equity		**988,881**	982,138
Total equity and liabilities		**1,522,113**	1,520,994

The financial statements on pages 71 to 133 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf.

Li Yue
Name of Director

Dong Xin
Name of Director

The notes on pages 78 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017 (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million	Total Million	Non-controlling interests Million	Total equity Million
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 33(b)(ii))	–	–	–	–	–	(20,764)	(20,764)	(13)	(20,777)
Dividends declared in respect of current year (note 33(b)(i))	–	–	–	–	–	(26,227)	(26,227)	–	(26,227)
Transfer to PRC statutory reserves (note 33(d)(ii))	–	–	–	–	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
As at 1 January 2017	**402,130**	**(265,308)**	**72**	**609**	**305,205**	**536,313**	**979,021**	**3,117**	**982,138**
Changes in equity for 2017:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**114,279**	**114,279**	**135**	**114,414**
Change in value of available-for-sale financial assets	**–**	**(5)**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Currency translation differences	**–**	**–**	**–**	**(735)**	**–**	**–**	**(735)**	**–**	**(735)**
Share of other comprehensive loss of investments accounted for using the equity method	**–**	**(1,038)**	**–**	**–**	**–**	**–**	**(1,038)**	**–**	**(1,038)**
Total comprehensive income for the year	**–**	**(1,043)**	**–**	**(735)**	**–**	**114,279**	**112,501**	**135**	**112,636**
Dividends approved in respect of previous year (note 33(b)(ii))	**–**	**–**	**–**	**–**	**–**	**(22,204)**	**(22,204)**	**(7)**	**(22,211)**
Dividends declared in respect of current year (note 33(b)(i))	**–**	**–**	**–**	**–**	**–**	**(83,832)**	**(83,832)**	**–**	**(83,832)**
Transfer to PRC statutory reserves (note 33(d)(ii))	**–**	**–**	**–**	**–**	**21,958**	**(21,808)**	**150**	**–**	**150**
As at 31 December 2017	**402,130**	**(266,351)**	**72**	**(126)**	**327,163**	**522,748**	**985,636**	**3,245**	**988,881**

The notes on pages 78 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017 (Expressed in RMB)

	Note	2017 Million	2016 Million
Operating activities			
Profit before taxation		**148,137**	144,462
Adjustments for:			
– Depreciation of property, plant and equipment		**149,780**	138,090
– Amortization of other intangible assets	6	**515**	499
– Amortization of land lease prepayments	15	**446**	443
– Loss/(gain) on disposal of property, plant and equipment	6	**8**	(180)
– Write-off and impairment of property, plant and equipment	6	**12,593**	7,216
– Impairment loss of doubtful accounts	6	**3,392**	3,734
– Write-down of inventories	6	**297**	282
– Interest income		**(15,883)**	(16,005)
– Finance costs	8	**210**	235
– Share of profit of investments accounted for using the equity method		**(9,949)**	(8,636)
– Unrealized exchange (gain)/loss, net		**(27)**	115
Operating cash flows before changes in working capital		**289,519**	270,255
(Increase)/decrease in inventories		**(1,690)**	886
Increase in accounts receivable		**(8,367)**	(4,930)
Decrease/(increase) in other receivables		**648**	(4,668)
Increase in prepayments and other current assets		**(6,330)**	(5,071)
Decrease in amount due from ultimate holding company		**–**	26
Increase in deposited customer reserves	21	**(3,047)**	–
(Decrease)/increase in accounts payable		**(1,246)**	11,931
Increase in bills payable		**1,695**	227
Increase in deferred revenue		**1,811**	7,231
Increase in accrued expenses and other payables		**9,956**	17,545
Increase in amount due to ultimate holding company		**24**	10
Cash generated from operations		**282,973**	293,442
Tax paid			
– Hong Kong profits tax paid		**(135)**	(236)
– PRC enterprise income tax paid		**(37,324)**	(39,505)
Net cash generated from operating activities		**245,514**	253,701

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2017 (Expressed in RMB)

	Note	2017 Million	2016 Million
Investing activities			
Capital expenditure		**(193,015)**	(188,209)
Land lease prepayments and others		**(590)**	(1,157)
Acquisition of other intangible assets		**(638)**	(1,399)
Proceeds from disposal of property, plant and equipment		**287**	564
Decrease/(increase) in bank deposits		**53,889**	(11,967)
Decrease/(increase) in restricted bank deposits (excluding deposited customer reserves)	21	**578**	(135)
Interest received		**15,204**	13,862
Payment for investment accounted for using the equity method		**(168)**	(2,451)
Dividends received from investments accounted for using the equity method	18	**847**	1,944
Purchase of available-for-sale financial assets		**(106,296)**	(77,320)
Maturity of available-for-sale financial assets		**75,550**	65,881
Short-term loans granted by China Mobile Finance and payment for other investments		**(14,417)**	(1,650)
Maturity of short-term loans granted by China Mobile Finance and other investments		**4,650**	2,500
Receipt of consideration from China Tower	25	**57,585**	5,000
Others		**1**	14
Net cash used in investing activities		**(106,533)**	(194,523)
Financing activities			
Interest paid		**(247)**	(232)
Dividends paid to the Company's equity shareholders	33(b)	**(106,036)**	(46,991)
Dividends paid to non-controlling shareholders of subsidiaries		**(7)**	(13)
Short-term deposits placed by ultimate holding company	35(a)	**8,611**	5,552
Repayment of short-term deposits placed by ultimate holding company	35(a)	**(5,552)**	(7,274)
Repayment of bonds	29	**(5,000)**	–
Net cash used in financing activities		**(108,231)**	(48,958)
Net increase in cash and cash equivalents		**30,750**	10,220
Cash and cash equivalents at beginning of year		**90,413**	79,842
Effect of changes in foreign exchange rate		**(527)**	351
Cash and cash equivalents at end of year	28	**120,636**	90,413

Significant non-cash transactions

The Group recorded payables of RMB100,584,000,000 (2016: RMB103,940,000,000) to equipment suppliers as at 31 December 2017 for additions of construction in progress during the year then ended.

Changes in liabilities arising from financing activities

There are no changes in liabilities arising from financing activities other than the placement and repayment of short-term deposits of ultimate holding company (note 26) and the repayment of bonds (note 29).

The notes on pages 78 to 133 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 Group Co., Ltd. ("CMCC", formerly known as "China Mobile Communications Corporation"). 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 that 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 2017 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 39.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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 the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

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 are recognized as an expense in the period in which they were incurred.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments accounted for using the equity method (Continued)

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.

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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (Continued)

(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.

(i) Impairment of assets

(i) Impairment of investments accounted for using the equity method, available-for-sale financial assets and receivables

Investments accounted for using the equity method, 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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(i) Impairment of investments accounted for using the equity method, available-for-sale financial assets and receivables (Continued)

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.

– 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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(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 other 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.

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 higher 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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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(i)), 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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 deducted from revenue and 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

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.

(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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

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

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.

(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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 majority of the entities within the Group is RMB. The Group adopted RMB as its presentation currency in the preparation of the consolidated 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.

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.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS/HKFRS and IAS/HKAS effective for the financial year beginning on 1 January 2017 do not have a material impact on the Group.

The Group did not apply any other amendments, new standards or interpretation that is not yet effective for the current accounting year (see note 40).

4 OPERATING REVENUE

	2017 Million	2016 Million
Revenue from telecommunications services		
Voice services	156,918	209,949
Data services	493,350	394,937
Others	18,083	18,536
	668,351	623,422
Revenue from sales of products and others	72,163	84,999
	740,514	708,421

5 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2017 Million	2016 Million
Salaries, wages, labor service expenses and other benefits	74,427	69,546
Retirement costs: contributions to defined contribution retirement plans	11,086	9,917
	85,513	79,463

(Expressed in RMB unless otherwise indicated)

6 OTHER OPERATING EXPENSES

	Note	2017 Million	2016 Million
Maintenance		55,737	53,852
Impairment loss of doubtful accounts		3,392	3,734
Write-down of inventories		297	282
Amortization of other intangible assets		515	499
Operating lease charges			
– land and buildings		11,453	11,628
– others	(i)	3,698	4,248
Loss/(gain) on disposal of property, plant and equipment		8	(180)
Write-off and impairment of property, plant and equipment (note 13)		12,593	7,216
Power and utilities expenses		30,518	29,461
Operation support and research and development expenses	(ii)	38,016	32,296
Auditors' remuneration			
– audit services	(iii)	107	103
– tax services		3	1
– other services		12	9
Others	(iv)	25,894	23,924
		182,243	167,073

Note:

(i) Other operating lease charges represent the operating lease charges for motor vehicles, computer and other office equipment.

(ii) Operation support and research and development expenses mainly include support expenses for new business operation, research and development cost for new technology evolution, amortization of testing equipment, and other related costs.

(iii) 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 (2016: RMB22,000,000).

(iv) Others consist of administrative expenses, property management expenses, taxes and surcharges, and other miscellaneous expenses.

7 OTHER GAINS

	2017 Million	2016 Million
Penalty and compensation income	1,118	764
Others	1,271	1,204
	2,389	1,968

(Expressed in RMB unless otherwise indicated)

8 FINANCE COSTS

	2017 Million	2016 Million
Interest on bonds	187	228
Interest on bank deposits received (note 35(a))	21	7
Others	2	–
	210	235

9 DIRECTORS' REMUNERATION

Directors' remuneration during 2017 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2017 Total '000
Executive directors (Expressed in RMB)				
SHANG Bing	–	781	123	904
LI Yue (Chief Executive Officer)	–	781	151	932
LIU Aili*	–	592	110	702
SHA Yuejia	–	702	148	850
DONG Xin**	–	695	145	840
	–	3,551	677	4,228
Independent non-executive directors (Expressed in Hong Kong dollar)				
WONG Kwong Shing, Frank	470	–	–	470
CHENG Mo Chi, Moses	460	–	–	460
CHOW Man Yiu, Paul	455	–	–	455
YIU Kin Wah, Stephen***	255	–	–	255
	1,640	–	–	1,640

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' REMUNERATION (CONTINUED)

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#	–	498	122	620
LI Yue (Chief Executive Officer)	–	717	147	864
LIU Aili	–	662	141	803
XUE Taohai##	–	646	143	789
SHA Yuejia	–	662	141	803
	–	3,185	694	3,879
Independent non-executive directors (Expressed in Hong Kong dollar)				
LO Ka Shui###	130	–	–	130
WONG Kwong Shing, Frank	470	–	–	470
CHENG Mo Chi, Moses	452	–	–	452
CHOW Man Yiu, Paul	405	–	–	405
	1,457	–	–	1,457

* Mr. LIU Aili resigned from the position as executive director of the Company with effect from 29 September 2017.

** Mr. DONG Xin was appointed as an executive director of the Company with effect from 23 March 2017.

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

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.

In 2017 and 2016, executive directors of the Company voluntarily waived their directors' fees.

The unpaid portion of executive directors' performance related bonuses for 2017 will be determined based on the evaluation conducted in 2018, and the additional bonuses related to their term of service will be determined based on the evaluation conducted upon the completion of three-year evaluation period.

(Expressed in RMB unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments payable to the five individuals with highest emoluments during 2017 and 2016 are as follows:

	2017	2016
	'000	'000
Salaries, allowances and benefits in kind	**5,259**	5,602
Performance related bonuses	**4,014**	2,029
Retirement scheme contributions	**158**	157
	9,431	7,788

The emoluments fell within the following bands:

	2017 Number of individuals	2016 Number of individuals
Emolument bands		
1,500,001–2,000,000	**3**	5
2,000,001–2,500,000	**2**	–

11 TAXATION

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

	Note	**2017 Million**	2016 Million
Current tax			
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(i)	**260**	193
Provision for the PRC enterprise income tax on the estimated taxable profits for the year	(ii)	**36,945**	39,709
		37,205	39,902
Deferred tax			
Origination and reversal of temporary differences (note 19)	(iii)	**(3,482)**	(4,279)
		33,723	35,623

Note:

(i) The provision for Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year ended 31 December 2017.

(ii) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2016: 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 2017. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2016: 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.

(Expressed in RMB unless otherwise indicated)

11 TAXATION (CONTINUED)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2017 Million	2016 Million
Profit before taxation	**148,137**	144,462
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (Note)	**37,034**	36,116
Tax effect of non-taxable items		
– Share of profit of investments accounted for using the equity method	**(2,487)**	(2,159)
– Interest income	**(41)**	(22)
Tax effect of non-deductible expenses on the PRC operations	**772**	798
Tax effect of non-deductible expenses on Hong Kong operations	**70**	76
Rate differential of certain PRC operations (note 11(a)(ii))	**(2,317)**	(1,580)
Rate differential on Hong Kong operations (note 11(a)(i))	**(182)**	(133)
Tax effect of deductible temporary difference for which no deferred tax asset was recognized	**154**	1,562
Tax effect of deductible tax loss for which no deferred tax asset was recognized	**818**	1,349
Others	**(98)**	(384)
Taxation	**33,723**	35,623

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 credited/(charged) relating to components of other comprehensive income is as follows:

	2017 Before tax Million	2017 Tax credited Million	2017 After tax Million	2016 Before tax Million	2016 Tax charged Million	2016 After tax Million
Change in value of available-for-sale financial assets	**(7)**	**2**	**(5)**	32	(8)	24
Currency translation differences	**(735)**	**–**	**(735)**	774	–	774
Share of other comprehensive loss of investments accounted for using the equity method	**(1,038)**	**–**	**(1,038)**	(1,059)	–	(1,059)
Other comprehensive loss	**(1,780)**	**2**	**(1,778)**	(253)	(8)	(261)
Current tax		**–**			–	
Deferred tax		**2**			(8)	
		2			(8)	

12 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 RMB114,279,000,000 (2016: RMB108,741,000,000) and the weighted average number of 20,475,482,897 shares (2016: 20,475,482,897 shares) in issue during the year.

In 2017 and 2016, there was no dilutive potential ordinary shares of the Company outstanding. Therefore, there was no dilution impact on weighted average number of shares (diluted) of the Company.

(Expressed in RMB unless otherwise indicated)

13 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 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
As at 1 January 2017	**136,923**	**1,286,267**	**22,991**	**1,446,181**
Transferred from construction in progress	**10,577**	**174,250**	**833**	**185,660**
Other additions	**820**	**962**	**1,193**	**2,975**
Disposals	**(72)**	**(181)**	**(109)**	**(362)**
Assets written-off	**(331)**	**(38,971)**	**(1,117)**	**(40,419)**
Exchange differences	**(141)**	**(359)**	**(4)**	**(504)**
As at 31 December 2017	**147,776**	**1,421,968**	**23,787**	**1,593,531**
Accumulated depreciation and impairment:				
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
As at 1 January 2017	**41,502**	**766,221**	**16,102**	**823,825**
Charge for the year	**5,695**	**143,026**	**1,227**	**149,948**
Written back on disposals	**(58)**	**(45)**	**(105)**	**(208)**
Assets written-off and impairment loss	**(299)**	**(26,465)**	**(1,068)**	**(27,832)**
Exchange differences	**(20)**	**(208)**	**(3)**	**(231)**
As at 31 December 2017	**46,820**	**882,529**	**16,153**	**945,502**
Net book value:				
As at 31 December 2017	**100,956**	**539,439**	**7,634**	**648,029**
As at 31 December 2016	95,421	520,046	6,889	622,356

(Expressed in RMB unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As a result of the optimization of 4G network coverage, the continuing impact of the mobile Internet substitution effect, and particularly, the significant progress of Voice over LTE ("VoLTE") business services this year, the usage and utilization of the Group's 2G network has been decreasing rapidly. Meanwhile, due to the further decline of voice tariff, the revenue from voice services dropped even faster and the management anticipates more pressure on the profitability of 2G wireless and related assets ("2G Network Assets"). Therefore, management performed impairment test on the 2G Network Assets as at 31 December 2017. For the impairment testing purpose, the recoverable amounts (note 2(i)(ii)) of 2G Network Assets was determined based on value-in-use ("VIU") calculations, i.e. the present value of estimated future net cash flows expected to arise from the continuing use of the 2G Network Assets. After considering the historical results, the prevailing market trends and the expected remaining useful lives of 2G Network Assets, the Group has made key assumptions and estimates on the period covered by the cash flow forecast and the estimated future revenue of 2G Network Assets to estimate the present value of future net cash flows applying the pre-tax discount rate of 11%. Based on the impairment test results, the Group recognized an impairment loss of RMB10,450,000,000 for the year ended 31 December 2017 (2016: nil).

14 CONSTRUCTION IN PROGRESS

	2017 Million	2016 Million
As at 1 January	**89,853**	88,012
Additions	**173,919**	185,086
Transferred to property, plant and equipment	**(185,660)**	(183,245)
As at 31 December	**78,112**	89,853

As at 31 December 2017, construction in progress primarily comprises expenditure incurred on the network expansion projects but not yet completed.

15 LAND LEASE PREPAYMENTS AND OTHERS

For the year ended 31 December 2017, the amortization of land lease prepayments expensed in the profit or loss amounted to approximately RMB446,000,000 (2016: approximately RMB443,000,000).

16 GOODWILL

	2017 Million	2016 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.

(Expressed in RMB unless otherwise indicated)

16 GOODWILL (CONTINUED)

As at 31 December 2017, 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 VIU 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 2022 with subsequent transition to perpetuity. For the five years ending 31 December 2022, the average growth rate is assumed 1.5% while for the years beyond 31 December 2022, 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 11%. 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.

17 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 Held by the Company	Held by a subsidiary	Principal activity
China Mobile Communication (BVI) Limited	British Virgin Islands ("BVI")	HK$1	100%	–	Investment holding company
China Mobile Communication Co., Ltd. ("CMC")**	Mainland China	RMB1,641,848,326	–	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. ("Guangdong Mobile")	Mainland China	RMB5,594,840,700	–	100%	Telecommunications operator
China Mobile Group Zhejiang Co., Ltd.	Mainland China	RMB2,117,790,000	–	100%	Telecommunications operator
China Mobile Group Jiangsu Co., Ltd.	Mainland China	RMB2,800,000,000	–	100%	Telecommunications operator
China Mobile Group Fujian Co., Ltd.	Mainland China	RMB5,247,480,000	–	100%	Telecommunications operator
China Mobile Group Henan Co., Ltd.	Mainland China	RMB4,367,733,641	–	100%	Telecommunications operator
China Mobile Group Hainan Co., Ltd.	Mainland China	RMB643,000,000	–	100%	Telecommunications operator
China Mobile Group Beijing Co., Ltd.	Mainland China	RMB6,124,696,053	–	100%	Telecommunications operator
China Mobile Group Shanghai Co., Ltd.	Mainland China	RMB6,038,667,706	–	100%	Telecommunications operator

(Expressed in RMB unless otherwise indicated)

17 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activity
China Mobile Group Tianjin Co., Ltd.	Mainland China	RMB2,151,035,483	–	100%	Telecommunications operator
China Mobile Group Hebei Co., Ltd.	Mainland China	RMB4,314,668,600	–	100%	Telecommunications operator
China Mobile Group Liaoning Co., Ltd.	Mainland China	RMB5,140,126,680	–	100%	Telecommunications operator
China Mobile Group Shandong Co., Ltd.	Mainland China	RMB6,341,851,146	–	100%	Telecommunications operator
China Mobile Group Guangxi Co., Ltd.	Mainland China	RMB2,340,750,100	–	100%	Telecommunications operator
China Mobile Group Anhui Co., Ltd.	Mainland China	RMB4,099,495,494	–	100%	Telecommunications operator
China Mobile Group Jiangxi Co., Ltd.	Mainland China	RMB2,932,824,234	–	100%	Telecommunications operator
China Mobile Group Chongqing Co., Ltd.	Mainland China	RMB3,029,645,401	–	100%	Telecommunications operator
China Mobile Group Sichuan Co., Ltd.	Mainland China	RMB7,483,625,572	–	100%	Telecommunications operator
China Mobile Group Hubei Co., Ltd.	Mainland China	RMB3,961,279,556	–	100%	Telecommunications operator
China Mobile Group Hunan Co., Ltd.	Mainland China	RMB4,015,668,593	–	100%	Telecommunications operator
China Mobile Group Shaanxi Co., Ltd.	Mainland China	RMB3,171,267,431	–	100%	Telecommunications operator
China Mobile Group Shanxi Co., Ltd.	Mainland China	RMB2,773,448,313	–	100%	Telecommunications operator
China Mobile Group Neimenggu Co., Ltd.	Mainland China	RMB2,862,621,870	–	100%	Telecommunications operator
China Mobile Group Jilin Co., Ltd.	Mainland China	RMB3,277,579,314	–	100%	Telecommunications operator
China Mobile Group Heilongjiang Co., Ltd.	Mainland China	RMB4,500,508,035	–	100%	Telecommunications operator

(Expressed in RMB unless otherwise indicated)

17 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activity
China Mobile Group Guizhou Co., Ltd.	Mainland China	RMB2,541,981,749	–	100%	Telecommunications operator
China Mobile Group Yunnan Co., Ltd.	Mainland China	RMB4,137,130,733	–	100%	Telecommunications operator
China Mobile Group Xizang Co., Ltd.	Mainland China	RMB848,643,686	–	100%	Telecommunications operator
China Mobile Group Gansu Co., Ltd.	Mainland China	RMB1,702,599,589	–	100%	Telecommunications operator
China Mobile Group Qinghai Co., Ltd.	Mainland China	RMB902,564,911	–	100%	Telecommunications operator
China Mobile Group Ningxia Co., Ltd.	Mainland China	RMB740,447,232	–	100%	Telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	Mainland China	RMB2,581,599,600	–	100%	Telecommunications operator
China Mobile Group Design Institute Co., Ltd.	Mainland China	RMB160,232,500	–	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited**	Mainland China	US$30,000,000	100%	–	Investment holding company
China Mobile (Shenzhen) Limited**	Mainland China	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**#	Mainland China	US$10,000,000	–	100%	Technology platform development and maintenance
Aspire Information Network (Shenzhen) Limited**#	Mainland China	US$5,000,000	–	100%	Provision of mobile data solutions, system integration and development

(Expressed in RMB unless otherwise indicated)

17 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activity
Aspire Information Technologies (Beijing) Limited**#	Mainland China	US$5,000,000	–	100%	Technology platform development and maintenance
Fujian FUNO Mobile Communication Technology Company Limited***	Mainland China	US$3,800,000	–	51%	Network construction and maintenance, network planning and optimizing, training and communication services
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$16,495,670,000	100%	–	Investment holding company
China Mobile International Limited	Hong Kong	HK$6,400,000,000	–	100%	Provision of voice and roaming clearance services, Internet services and value-added services
China Mobile Group Device Co., Ltd.	Mainland China	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")	Mainland China	RMB11,627,783,669	–	92%	Provision of non-banking financial services
China Mobile IoT Company Limited	Mainland China	RMB1,000,000,000	–	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	Mainland China	RMB980,000,000	–	100%	Provision of computer hardware and software research and development services

(Expressed in RMB unless otherwise indicated)

17 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activity
China Mobile (Hangzhou) Information Technology Co., Ltd.	Mainland China	RMB1,150,000,000	–	100%	Provision of computer hardware and software research and development services
China Mobile Online Services Co., Ltd.	Mainland China	RMB50,000,000	–	100%	Provision of call center services
MIGU Company Limited	Mainland China	RMB7,000,000,000	–	100%	Provision of Mobile Internet digital content services
China Mobile TieTong Company Limited	Mainland China	RMB31,880,000,000	–	100%	Provision of telecommunications services
China Mobile Internet Company Limited	Mainland China	RMB2,000,000,000	–	100%	Provision of value added telecommunications services
China Mobile Investment Holdings Company Limited	Mainland China	RMB330,000,000	–	100%	Investment holding company
China Mobile Quantong System Integration Co., Ltd.	Mainland China	RMB550,000,000	–	100%	Provision of computer system integration, construction, maintenance and related technology development services

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

** Companies registered as wholly owned foreign enterprises in the Mainland China.

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

\# Effective interest held by the Group is 66.41%.

(Expressed in RMB unless otherwise indicated)

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December 2017 Million	As at 31 December 2016 Million
Associates	131,636	123,255
Joint ventures	863	784
	132,499	124,039

Details of major associates are as follows:

Name of associate	Place of incorporation/ establishment and operation	Proportion of ownership interest held by the Company or its subsidiary	Principal activity
Unlisted company			
China Tower Corporation Limited ("China Tower")	PRC	38%	Construction, maintenance and operation of telecommunications towers
Listed company			
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank") (Note)	PRC	18%	Provision of banking services
IFLYTEK Co., Ltd. ("IFLYTEK")	PRC	13%	Provision of Chinese speech and language technology products and services
True Corporation Public Company Limited ("True Corporation")	Thailand	18%	Provision of telecommunications services

Note: The Group's shareholding percentage in SPD Bank has been diluted from 18.98% to 18.18% as a result from SPD Bank's issuance of new ordinary shares to other companies in 2017. Up to the release day of these financial statements, SPD Bank has not yet announced its audited annual results for the year ended 31 December 2017, therefore, the Group has recognized its share of SPD Bank's comprehensive income for the year 2017 based on the unaudited financial information which was released by SPD Bank and publicly disclosed, with some information such as total liabilities and total equity not provided.

(Expressed in RMB unless otherwise indicated)

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Summary financial information on principal associates:

	SPD Bank As at 31 December	
	2017	2016
	Million	Million
Total assets	**6,135,061**	5,857,263
Total liabilities	**–**	5,484,329
Total equity	**–**	372,934
Total equity attributable to ordinary equity shareholders	**395,466**	338,027
Percentage of ownership of the Group	**18%**	19%
Total equity attributable to the Group	**71,896**	64,158
The impact of fair value adjustments at the time of acquisition and goodwill	**6,663**	7,780
Interest in associates	**78,559**	71,938

	IFLYTEK As at 31 December		True Corporation As at 31 December		China Tower As at 31 December	
	2017	2016	**2017**	2016	**2017**	2016
	Million	Million	**Million**	Million	**Million**	Million
Total current assets	**7,329**	5,533	**23,566**	23,135	**30,517**	39,565
Total non-current assets	**6,151**	4,881	**69,511**	61,532	**292,125**	272,103
Total current liabilities	**4,428**	2,521	**39,589**	30,333	**150,438**	171,568
Total non-current liabilities	**1,042**	674	**26,643**	29,492	**44,710**	14,548
Total equity	**8,010**	7,219	**26,845**	24,842	**127,494**	125,552
Total equity attributable to equity shareholders	**7,759**	7,061	**26,711**	24,714	**127,494**	125,552
Percentage of ownership of the Group	**13%**	14%	**18%**	18%	**38%**	38%
Total equity attributable to the Group	**1,047**	962	**4,808**	4,449	**48,448**	47,710
The impact of fair value adjustments at the time of acquisition and goodwill	**805**	814	**2,664**	2,847	**–**	–
Elimination of unrealized profits resulting from the transfer of Tower Assets and its realization	**–**	–	**–**	–	**(4,856)**	(5,474)
Interest in associates	**1,852**	1,776	**7,472**	7,296	**43,592**	42,236

(Expressed in RMB unless otherwise indicated)

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Summary financial information on principal associates (continued):

	SPD Bank		IFLYTEK	
	2017	2016	**2017**	2016
	Million	Million	**Million**	Million
Revenue	**168,619**	160,792	**5,458**	3,320
Profit before taxation	**69,785**	69,975	**584**	561
Profit attributable to ordinary equity shareholders for the year	**52,515**	51,374	**428**	484
Other comprehensive loss	**(5,568)**	(5,480)	**–**	–
Total comprehensive income	**46,947**	45,894	**428**	484
Dividends received from associates	**821**	1,921	**18**	18

	True Corporation		China Tower	
	2017	2016	**2017**	2016
	Million	Million	**Million**	Million
Revenue	**28,262**	23,520	**68,665**	54,474
Profit/(loss) before taxation	**726**	(437)	**2,685**	(776)
Profit/(loss) for the year	**465**	(531)	**1,943**	(575)
Other comprehensive income/(loss)	**32**	(87)	**–**	–
Total comprehensive income/(loss)	**497**	(618)	**1,943**	(575)
Dividends received from associates	**–**	5	**–**	–

(ii) The fair values of the interests 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 and disclosed as follows:

	As at 31 December 2017		As at 31 December 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	Million	**Million**	Million	Million
SPD Bank	**78,559**	**67,166**	71,938	66,522
IFLYTEK	**1,852**	**10,598**	1,776	4,854
True Corporation	**7,472**	**7,450**	7,296	8,297
Interest in listed associates	**87,883**	**85,214**	81,010	79,673

(Expressed in RMB unless otherwise indicated)

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

As at 31 December 2017, the fair value of investment in SPD Bank was RMB67,166,000,000 (2016: RMB66,522,000,000), below its carrying amount by approximately 14.5% (2016: approximately 7.5%). Management performed impairment test accordingly considering such impairment indicator. The recoverable amount of the interest in SPD Bank is determined by VIU. The calculation used pre-tax cash flow projections for the five years ending 31 December 2022 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 2017. Reasonably possible changes in key assumptions will not lead to the impairment loss.

As at 31 December 2017, the fair value of investment in True Corporation was RMB7,450,000,000 (2016: RMB8,297,000,000), below its carrying amount by approximately 0.3% (2016: exceeding by approximately 13.7%). Since the decline in the fair value of interest in True Corporation is not significant or prolonged, there was no objective evidence of impairment as at 31 December 2017.

The management has determined that there was no impairment indicator of the Group's interests in other associates as at 31 December 2017 and 2016.

Details of major joint venture are as follows:

In 2015, CMC, a wholly-owned subsidiary of the Company, 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 50% equity interest in the Fund. As at 31 December 2017, CMC has contributed RMB759,000,000 (2016: RMB721,000,000) to the Fund and has a commitment to invest RMB741,000,000 (2016: RMB779,000,000) to the Fund upon the request by the Fund. There are no contingent liabilities relating to the Group's interest in the joint venture.

(Expressed in RMB unless otherwise indicated)

19 DEFERRED TAX ASSETS AND LIABILITIES

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

	As at 31 December 2017 Million	As at 31 December 2016 Million
Deferred tax assets:		
– Deferred tax asset to be recovered after 12 months	8,236	6,607
– Deferred tax asset to be recovered within 12 months	25,107	23,160
	33,343	29,767
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after 12 months	(258)	(248)
– Deferred tax liabilities to be settled within 12 months	(104)	(44)
	(362)	(292)

Deferred tax assets and liabilities recognized and the movements during 2017

	As at 1 January 2017 Million	(Charged)/ credited to profit or loss Million	Credited to other comprehensive income Million	Exchange differences Million	As at 31 December 2017 Million
Deferred tax assets arising from:					
Write-down for obsolete inventories	175	(55)	–	–	120
Write-off and impairment of certain network equipment and related assets	4,538	2,544	–	–	7,082
Accrued operating expenses	17,969	965	–	–	18,934
Deferred revenue from Reward Program	5,796	147	–	–	5,943
Impairment loss for doubtful accounts	1,297	(27)	–	–	1,270
Change in value of available-for-sale financial assets	(8)	–	2	–	(6)
	29,767	3,574	2	–	33,343
Deferred tax liabilities arising from:					
Depreciation allowance in excess of related depreciation	(292)	(92)	–	22	(362)
Total	29,475	3,482	2	22	32,981

(Expressed in RMB unless otherwise indicated)

19 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 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 RMB1,716,000,000 (2016: RMB1,562,000,000) and RMB2,079,000,000 (2016: RMB1,349,000,000) in respect of deductible temporary differences and tax losses amounting to RMB6,885,000,000 (2016: RMB6,249,000,000) and RMB8,713,000,000 (2016: RMB5,504,000,000) respectively that can be carried forward against future taxable income as at 31 December 2017. The deductible tax losses are allowed to be carried forward in next five years against the future taxable profits.

(Expressed in RMB unless otherwise indicated)

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**As at 31 December 2017 Million**	As at 31 December 2016 Million
Equity investments	(i)	**44**	35
Wealth management products issued by banks	(ii)	**65,630**	31,897
		65,674	31,932
Less: current portion		**(65,630)**	(31,897)
Non-current portion		**44**	35

Note:

(i) The equity investments represent the Group's investments in other companies at fair values (level 1: quoted price (unadjusted) in active markets; or level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)) through other comprehensive income as at 31 December 2017.

(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 2017, the carrying amount approximated the fair value (level 3 of fair value hierarchy). The fair values are based on cash flow discounted assuming the expected return will be obtained upon maturity.

21 RESTRICTED BANK DEPOSITS

	As at 31 December 2017			As at 31 December 2016		
	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)	**3,453**	**–**	**3,453**	4,527	–	4,527
– Deposited customer reserves (Note)	**3,047**	**–**	**3,047**	–	–	–
– Pledged bank deposits	**4**	**691**	**695**	1	197	198
	6,504	**691**	**7,195**	4,528	197	4,725

Note: The statutory deposit reserves and the deposited customer reserves are deposited by China Mobile Finance and China Mobile E-Commerce Co., Ltd., a wholly-owned subsidiary of the Company, respectively, in accordance with relevant requirements of the People's Bank of China ("PBOC"), which are not available for use in the Group's daily operations.

(Expressed in RMB unless otherwise indicated)

22 INVENTORIES

	As at 31 December 2017 Million	As at 31 December 2016 Million
SIM cards, handsets and other terminals	**8,357**	7,696
Other consumables	**1,865**	1,136
	10,222	8,832

23 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 2017 Million	As at 31 December 2016 Million
Within 30 days	**13,711**	10,974
31–60 days	**3,002**	2,726
61–90 days	**1,798**	1,540
Over 90 days	**5,642**	3,805
	24,153	19,045

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

Accounts receivable are expected to be recovered within one year.

(Expressed in RMB unless otherwise indicated)

23 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:

	2017 **Million**	2016 Million
As at 1 January	**5,762**	6,549
Impairment loss recognized	**3,415**	3,797
Accounts receivable written off	**(3,509)**	(4,584)
As at 31 December	**5,668**	5,762

(c) Past due but not impaired

The aging analysis of the accounts receivable that are past due but not impaired is as follows:

	As at **31 December** **2017** **Million**	As at 31 December 2016 Million
Past due within 1 month	**848**	577

As at 31 December 2017, accounts receivable of RMB848,000,000 (2016: RMB577,000,000) were past due but not impaired. 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.

Remaining receivables that were neither past due nor impaired relate to a wide range of customers for which there was no recent history of default. The Group does not hold any collateral over these balances.

24 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 RMB13,650,000,000 (2016: RMB4,650,000,000) 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 2017 and 2016, there were no significant overdue amounts for other receivables.

(Expressed in RMB unless otherwise indicated)

25 PROCEEDS RECEIVABLE FOR THE TRANSFER OF TOWER ASSETS

On 31 October 2015, CMC completed the transfer of telecommunications towers and related assets ("Tower Assets") to China Tower. In return, China Tower issued equity shares to CMC and shall pay CMC the remaining cash consideration. The first payment of RMB5,000,000,000 has been made in February 2016 and the remaining balance of cash consideration was settled in December 2017.

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 2017, amount due to ultimate holding company comprises the short-term deposits of CMCC and its subsidiaries ("CMCC Group") in China Mobile Finance amounting to RMB8,611,000,000 (2016: RMB5,552,000,000) 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 or with reference to the market interest rate.

28 CASH AND CASH EQUIVALENTS

	As at 31 December 2017 Million	As at 31 December 2016 Million
Bank deposits with original maturity within three months	**5,907**	15,115
Cash at banks and in hand	**114,729**	75,298
	120,636	90,413

29 INTEREST-BEARING BORROWINGS

	As at 31 December 2017 Million	As at 31 December 2016 Million
Bonds	**–**	4,998

As at 31 December 2016, the bonds represented the balance of fifteen-year guaranteed bonds issued by Guangdong Mobile, a wholly-owned 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 were unsecured and bear interest at the rate of 4.5% per annum which was payable annually. The bonds was repaid on 28 October 2017.

(Expressed in RMB unless otherwise indicated)

30 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

	As at 31 December 2017 Million	As at 31 December 2016 Million
Payable in the periods below:		
Within 1 month or on demand	**201,429**	215,775
After 1 month but within 3 months	**13,086**	14,677
After 3 months but within 6 months	**7,660**	8,231
After 6 months but within 9 months	**2,761**	4,342
After 9 months but within 12 months	**8,233**	7,813
	233,169	250,838

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

31 DEFERRED REVENUE

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

	2017 Million	2016 Million
As at 1 January		
– Current portion	**84,289**	78,100
– Non-current portion	**2,175**	1,291
Additions during the year	**352,011**	359,626
Recognized in the consolidated statement of comprehensive income	**(350,305)**	(352,553)
As at 31 December	**88,170**	86,464
Less: Current portion	**(85,282)**	(84,289)
Non-current portion	**2,888**	2,175

32 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2017 Million	As at 31 December 2016 Million
Receipts-in-advance	**73,583**	75,819
Other payables	**26,643**	24,523
Accrued salaries, wages, labor service expenses and other benefits	**6,535**	6,241
Accrued expenses	**84,105**	74,367
	190,866	180,950

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Ordinary shares, issued and fully paid:

	Number of shares	HK$ Million	Equivalent RMB Million
As at 1 January and 31 December 2017 and 2016	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.

(b) Dividends

(i) Dividends attributable to the year:

	2017 Million	2016 Million
Ordinary interim dividend declared and paid of HK$1.623 (equivalent to approximately RMB1.409) (2016: HK$1.489 (equivalent to approximately RMB1.273)) per share	28,211	26,227
Special dividend declared and paid of HK$3.200 (equivalent to approximately RMB2.777) per share	55,621	–
Ordinary final dividend proposed after the balance sheet date of HK$1.582 (equivalent to approximately RMB1.322) (2016: HK$1.243 (equivalent to approximately RMB1.112)) per share	27,077	22,766
	110,909	48,993

The proposed ordinary final dividend which is declared in Hong Kong dollar is translated into RMB with reference to the rate HK$1 = RMB0.83591, being the rate announced by the State Administration of Foreign Exchange in the PRC on 29 December 2017. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as at 31 December 2017.

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 at 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:

	2017 Million	2016 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.243 (equivalent to approximately RMB1.112) (2016: HK$1.196 (equivalent to approximately RMB1.002)) per share	22,204	20,764

(Expressed in RMB unless otherwise indicated)

33 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) 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	General reserve Million	Retained profits Million	Total Million
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 33(b)(ii))	–	–	(20,764)	(20,764)
Dividends declared in respect of current year (note 33(b)(i))	–	–	(26,227)	(26,227)
As at 31 December 2016	402,130	72	81,817	484,019
As at 1 January 2017	**402,130**	**72**	**81,817**	**484,019**
Changes in equity for 2017:				
Profit for the year	**–**	**–**	**111,333**	**111,333**
Total comprehensive income for the year	**–**	**–**	**111,333**	**111,333**
Dividends approved in respect of previous year (note 33(b)(ii))	**–**	**–**	**(22,204)**	**(22,204)**
Dividends declared in respect of current year (note 33(b)(i))	**–**	**–**	**(83,832)**	**(83,832)**
As at 31 December 2017	**402,130**	**72**	**87,114**	**489,316**

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

- 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;
- Share of other comprehensive income/(loss) of investments accounted for using the equity method;
- 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

33 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(i) Capital reserve (Continued)

- The difference between the consideration and the aggregate carrying amounts of certain assets, businesses and related liabilities as well as its related employees in relation to the fixed-line telecommunications operations acquired from the controlling party under business combinations under common control.

(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 Mainland 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 2017, the Group's total debt-to-book capitalization ratio was nil (2016: 0.5%).

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

(Expressed in RMB unless otherwise indicated)

34 BALANCE SHEET OF THE COMPANY

	Note	**As at 31 December 2017 Million**	As at 31 December 2016 Million
Assets			
Non-current assets			
Investments in subsidiaries		**490,256**	487,290
		490,256	487,290
Current assets			
Amounts due from subsidiaries		**1,346**	1,346
Other receivables		**7**	2
Bank deposits		**811**	–
Cash and cash equivalents		**554**	796
		2,718	2,144
Total assets		**492,974**	489,434
Equity and liabilities			
Liabilities			
Current liabilities			
Amount due to a subsidiary		**3,628**	5,404
Accrued expenses and other payables		**16**	10
Current taxation		**14**	1
		3,658	5,415
Total liabilities		**3,658**	5,415
Equity			
Share capital	33(a)	**402,130**	402,130
Reserves	33(c)	**87,186**	81,889
Total equity		**489,316**	484,019
Total equity and liabilities		**492,974**	489,434

The balance sheet of the Company was approved by the Board of Directors on 22 March 2018 and was signed on its behalf.

Li Yue
Name of Director

Dong Xin
Name of Director

(Expressed in RMB unless otherwise indicated)

35 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 Group, for the years ended 31 December 2017 and 2016. 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	2017 Million	2016 Million
Telecommunications services revenue	(i)	**47**	159
Property leasing and management services revenue	(ii)	**188**	197
Property leasing and management services charges	(ii)	**999**	976
Network assets leasing charges	(iii)	**2,494**	2,738
Network capacity leasing charges	(iii)	**1,047**	2,696
Short-term bank deposits received	(iv)	**8,611**	5,552
Short-term bank deposits repaid	(iv)	**5,552**	7,274
Interest expenses	(iv)	**21**	7

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, and telecommunications line maintenance services.

(ii) The amount represents the rental and property management fees received/receivable from or paid/payable to CMCC Group in respect of offices, retail outlets and warehouses.

(iii) The amounts represent the network assets leasing settlement 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 bank deposits received from or repaid to CMCC Group and interest expenses paid/payable to CMCC Group in respect of the deposits.

(Expressed in RMB unless otherwise indicated)

35 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 2017 Million	As at 31 December 2016 Million
Accounts receivable	**301**	354
Other receivables	**116**	105
Accounts payable	**4,580**	4,251
Accrued expenses and other payables	**131**	88

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 and joint venture of the Group and of CMCC Group

The Group has entered into transactions with associates and joint venture of the Group or CMCC Group. The major transactions entered into by the Group and these companies and amounts due from/to these companies are as follows:

	Note	As at 31 December 2017 Million	As at 31 December 2016 Million
Accounts receivable	(i)	**313**	29
Interest receivable	(ii)	**997**	2,134
Other receivables	(iii)	**12,565**	9,862
Proceeds receivable for the transfer of Tower Assets (note 25)		**–**	57,152
Prepayments and other current assets		**51**	17
Available-for-sale financial assets	(iii)	**31,778**	17,222
Bank deposits	(iii)	**62,969**	37,631
Accounts payable	(iv)	**4,479**	4,076
Accrued expenses and other payables	(iv)	**5,429**	4,185

	Note	2017 Million	2016 Million
Telecommunications services revenue	(i)	**828**	637
Telecommunications services charges	(v)	**–**	422
Property leasing and management services revenue	(vi)	**99**	1
Charges for use of tower assets	(iv)	**36,335**	28,144
Interest income	(ii)	**4,807**	4,140
Dividend income		**847**	1,944

35 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Note:

(i) The amounts represent the telecommunications services revenue received/receivable from the Group's associates.

(ii) The amounts primarily represent interest received/receivable from deposits placed with SPD Bank, short-term loans granted by China Mobile Finance to SPD Bank and China Tower, and the proceeds receivable for the transfer of Tower Assets. The interest rate of deposits placed with SPD Bank is determined in accordance with the benchmark interest rate published by PBOC.

(iii) Other receivables primarily represent the short-term loans granted by China Mobile Finance to SPD Bank and China Tower, and withholding power and utilities expenses and lease charges due from China Tower, etc.. The loans will mature by or before December 2018. Available-for-sale financial assets represent the wealth management products purchased from SPD Bank and bank deposits represent the deposits placed with SPD Bank.

(iv) The amounts primarily represent the charges paid/payable to China Tower for the use of telecommunications towers and related assets and the services ("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 entered 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. On 31 January 2018, CMC and China Tower unanimously agreed on supplementary provisions to the Lease Agreement ("Supplementary Agreement"). The Supplementary Agreement mainly included: the adjustments to the pricing of tower products, the term of the agreement shall be 5 years, effective from 1 January 2018 and expiring on 31 December 2022. The Supplementary Agreement will not affect the Group's judgement on operating lease aforementioned.

(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 revenue received/receivable from SPD Bank and China Tower.

(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 35(a)), associates and joint venture (note 35(c)) and the transaction to increase contribution to the Fund (note 18), 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 based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. 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 9.

(Expressed in RMB unless otherwise indicated)

36 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 and other receivables. 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, rental deposits and short-term loans granted to other companies through China Mobile Finance. 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.

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 23(c).

(Expressed in RMB unless otherwise indicated)

36 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 2017		
	Carrying amount Million	**Total contractual undiscounted cash flow Million**	**Within 1 year or on demand Million**
Accounts payable	**233,169**	**233,169**	**233,169**
Bills payable	**3,303**	**3,303**	**3,303**
Accrued expenses and other payables	**190,866**	**190,866**	**190,866**
Amount due to ultimate holding company	**8,646**	**8,646**	**8,646**
	435,984	**435,984**	**435,984**

	As at 31 December 2016		
	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 year or on demand 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

(Expressed in RMB unless otherwise indicated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates in managing the interest rate risk on a reasonable level. As at 31 December 2017, the Group did not have any interest-bearing borrowings at variable rates, but had RMB8,611,000,000 of short-term bank deposits placed by CMCC (2016: RMB5,552,000,000 and RMB5,000,000,000 of bonds (note 29)), which was 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 2017, total cash and bank balances of the Group amounted to RMB407,202,000,000 (2016: RMB430,435,000,000), and interest-bearing receivables amounted to RMB13,650,000,000 (2016: RMB62,235,000,000). The interest income for 2017 was RMB15,883,000,000 (2016: RMB16,005,000,000) and the average interest rate was 3.13% (2016: 3.44%). 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 RMB3,182,000,000 (2016: RMB3,695,000,000).

(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 2.5% (2016: 1.2%) 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 at the balance sheet dates.

(Expressed in RMB unless otherwise indicated)

37 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:

	2017 Million	2016 Million
Land and buildings	10,950	8,788
Telecommunications equipment	32,112	26,147
	43,062	34,935

(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 2017				
Within one year	10,344	46,730	1,023	58,097
After one year but within five years	20,372	112,465	961	133,798
After five years	4,831	1,183	58	6,072
	35,547	160,378	2,042	197,967
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

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 18).

(Expressed in RMB unless otherwise indicated)

38 POST BALANCE SHEET EVENT

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended 31 December 2017. Further details are disclosed in note 33(b)(i).

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 16 contains information about the assumptions relating to goodwill impairment, and note 35 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.

(Expressed in RMB unless otherwise indicated)

39 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 13, 16 and 18, respectively.

Classification of leases

The Group has a number of lease arrangements. The Group follows the guidance of IAS/HKAS 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.

(Expressed in RMB unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 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 9 "Financial Instrument"	1 January 2018
IFRS/HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Annual Improvement to IFRSs/HKFRSs 2014-2016 cycle*	1 January 2018
IFRIC/HK(IFRIC) – Int 22, "Foreign Currency Transactions and Advance Consideration"	1 January 2018
IFRS/HKFRS 16 "Leases"	1 January 2019
IFRIC/HK(IFRIC) – Int 23, "Uncertainty over Income Tax Treatments"	1 January 2019
Annual Improvement to IFRSs/HKFRSs 2015-2017 cycle	1 January 2019
Amendment to IFRS/HKFRS 10, "Consolidated Financial Statements"	To be determined
Amendment to IAS/HKAS 28, "Investments in Associates and Joint Ventures"	To be determined

* It included amendment to IFRS/HKFRS 12 which was effective in 1 January 2017 and does not have a material impact on the Group.

(Expressed in RMB unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (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 reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

Management anticipates the application of IFRS/HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and have an impact on amounts reported in respect of the Group's wealth management products issued by banks and certain equity investments. The equity investments and the wealth management products issued by banks that were accounted for as available-for-sale financial assets and the short-term financial assets held by China Mobile Finance will be reclassified to financial assets at fair value through profit or loss. Related fair value changes will be transferred from the capital reserve to retained earnings on 1 January 2018. Subsequent changes of fair value will be recorded in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS/HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

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. It applies to financial assets classified at amortized cost, contract assets under IFRS/HKFRS 15 "Revenue from Contracts with Customers", trade debtors and certain other financial assets. Based on the assessments undertaken to date, the Group expects no material impact on the loss allowance for the aforementioned assets.

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 is mandatory for financial years commencing on or after 1 January 2018. The Group adopted the IFRS/HKFRS 9 from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(Expressed in RMB unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS/HKFRS 15 "Revenue from Contracts with Customers"

IFRS/HKFRS 15 replaces 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 finished analysis on the impact of the new standard on the Group's financial statements and has identified areas which will be affected as follows.

IFRS/HKFRS 15 requires the identification of the distinct deliverables in contracts with customers that qualify as separate "performance obligation" and the allocation of the transaction price receivables from customers to each "performance obligation" on relative stand-alone selling price basis. Upon the completion of the principal or agent analysis under the new standard, the Group will allocate the total consideration to each "performance obligation", including telecommunications services, handsets and customer point rewards and other promotional goods or services. The current accounting policy for telecommunications services, handsets, customer points rewards is disclosed in note 2(r), and promotional items are accounted for as selling expenses under the existing treatment.

IFRS/HKFRS 15 requires customer acquisition cost to be capitalized as an asset and amortized on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates. The Group considers that certain types of sales commissions will be capitalized and amortized on a straight-line basis over the period under the new standards. The change will impact on the timing of the expense recognition.

The Group has assessed the static impact on the Group's consolidated financial statements for the year ended 31 December 2017 if IFRS/HKFRS 15 was applied, and the Group expected the operating revenue would decrease by approximately 2.2% while the revenue from telecommunications services would decrease by approximately 3.2% in 2017. However, the adoption of IFRS/HKFRS 15 is not expected to have a significant impact on profit from operations in the long-term.

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 has finished the upgrade of the accounting systems and the processes of the business, and adopted the IFRS/HKFRS 15 from 1 January 2018 with modified retrospective approach.

(Expressed in RMB unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

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 preliminary 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 finance costs.

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.

Management is assessing the impact of the rest new standards, amendments to standards and will adopt the relevant standards, amendments to standards in the subsequent periods as required.

Financial Summary

(Expressed in RMB)

RESULTS

	2017 Million	2016 Million	2015 Million	2014 Million	2013 Million
Operating revenue					
Revenue from telecommunications services	**668,351**	623,422	584,089	591,602	600,424
Revenue from sales of products and others	**72,163**	84,999	84,246	59,907	39,624
	740,514	708,421	668,335	651,509	640,048
Operating expenses					
Leased lines and network assets	**46,336**	39,083	20,668	15,843	14,816
Interconnection	**21,762**	21,779	21,668	23,502	25,983
Depreciation	**149,780**	138,090	136,832	122,805	111,493
Employee benefit and related expenses	**85,513**	79,463	74,805	70,385	66,681
Selling expenses	**61,086**	57,493	59,850	75,655	91,719
Cost of products sold	**73,668**	87,352	89,297	74,495	61,409
Other operating expenses	**182,243**	167,073	162,293	151,504	136,523
	620,388	590,333	565,413	534,189	508,624
Profit from operations	**120,126**	118,088	102,922	117,320	131,424
Gain on the transfer of Tower Assets	**–**	–	15,525	–	–
Other gains	**2,389**	1,968	1,800	1,171	989
Interest income	**15,883**	16,005	15,852	16,270	15,368
Finance costs	**(210)**	(235)	(455)	(487)	(1,195)
Share of profit of investments accounted for using the equity method	**9,949**	8,636	8,090	8,248	7,063
Profit before taxation	**148,137**	144,462	143,734	142,522	153,649
Taxation	**(33,723)**	(35,623)	(35,079)	(33,179)	(36,746)
PROFIT FOR THE YEAR	**114,414**	108,839	108,655	109,343	116,903

(Expressed in RMB)

RESULTS (CONTINUED)

	2017 Million	2016 Million	2015 Million	2014 Million	2013 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	(5)	24	–	–	–
Exchange differences on translation of financial statements of overseas entities	(735)	774	603	(169)	(176)
Share of other comprehensive (loss)/ income of investments accounted for using the equity method	(1,038)	(1,043)	901	1,224	(767)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	112,636	108,578	110,159	110,398	115,960
Profit attributable to:					
Equity shareholders of the Company	114,279	108,741	108,539	109,218	116,791
Non-controlling interests	135	98	116	125	112
PROFIT FOR THE YEAR	114,414	108,839	108,655	109,343	116,903
Total comprehensive income attributable to:					
Equity shareholders of the Company	112,501	108,480	110,043	110,273	115,849
Non-controlling interests	135	98	116	125	111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	112,636	108,578	110,159	110,398	115,960

(Expressed in RMB)

ASSETS AND LIABILITIES

	As at 31 December 2017 Million	As at 31 December 2016 Million	As at 31 December 2015 Million	As at 31 December 2014 Million	As at 31 December 2013 Million
Property, plant and equipment	**648,029**	622,356	585,631	605,023	520,571
Construction in progress	**78,112**	89,853	88,012	95,110	91,600
Land lease prepayments and others	**28,322**	26,720	26,773	24,883	19,784
Goodwill	**35,343**	35,343	35,343	35,343	36,937
Other intangible assets	**1,721**	1,708	768	787	1,090
Investments accounted for using the equity method	**132,499**	124,039	115,933	70,451	53,946
Deferred tax assets	**33,343**	29,767	25,423	20,654	17,522
Available-for-sale financial assets	**44**	35	3	128	128
Proceeds receivable for the transfer of Tower Assets	**–**	–	56,737	–	–
Restricted bank deposits	**6,504**	4,528	4,575	8,731	6,816
Current assets	**558,196**	586,645	488,697	486,925	474,290
Total assets	**1,522,113**	1,520,994	1,427,895	1,348,035	1,222,684
Current liabilities	**529,982**	536,389	501,038	452,492	394,281
Interest-bearing borrowings – non-current	**–**	–	4,995	4,992	5,989
Deferred revenue – non-current	**2,888**	2,175	1,291	1,470	1,187
Deferred tax liabilities	**362**	292	203	98	104
Total liabilities	**533,232**	538,856	507,527	459,052	401,561
Total equity	**988,881**	982,138	920,368	888,983	821,123

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