China Mobile Limited
Stock Code: 941

4G+ CONNECTING ALL

ANNUAL REPORT 2015

中国移动
China Mobile


4G+

CONTENTS

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 boasts the world's largest mobile network and the world's largest mobile customer base. In 2015, the Company was once again selected as one of the "FT Global 500" by Financial Times and "The World's 2,000 Biggest Public Companies" by Forbes magazine, and recognized again on the Dow Jones Sustainability Emerging Markets Index. Currently, the Company's corporate credit ratings are equivalent to China's sovereign credit ratings, namely, AA-/Outlook Stable from Standard & Poor's and Aa3/Outlook Negative from Moody's.

The Company operates in all 31 provinces, autonomous regions and directly-administered municipalities throughout Mainland China and in Hong Kong Special Administrative Region. The Company owns 100% interest in the following major subsidiaries:

- China Mobile Communication Company Limited ("CMC")
- China Mobile Group Guangdong Company Limited ("Guangdong Mobile")
- China Mobile Group Zhejiang Company Limited ("Zhejiang Mobile")
- China Mobile Group Jiangsu Company Limited ("Jiangsu Mobile")
- China Mobile Group Fujian Company Limited ("Fujian Mobile")
- China Mobile Group Henan Company Limited ("Henan Mobile")
- China Mobile Group Hainan Company Limited ("Hainan Mobile")
- China Mobile Group Beijing Company Limited ("Beijing Mobile")
- China Mobile Group Shanghai Company Limited ("Shanghai Mobile")
- China Mobile Group Tianjin Company Limited ("Tianjin Mobile")
- China Mobile Group Hebei Company Limited ("Hebei Mobile")
- China Mobile Group Liaoning Company Limited ("Liaoning Mobile")
- China Mobile Group Shandong Company Limited ("Shandong Mobile")
- China Mobile Group Guangxi Company Limited ("Guangxi Mobile")
- China Mobile Group Anhui Company Limited ("Anhui Mobile")
- China Mobile Group Jiangxi Company Limited ("Jiangxi Mobile")
- China Mobile Group Chongqing Company Limited ("Chongqing Mobile")
- China Mobile Group Sichuan Company Limited ("Sichuan Mobile")
- China Mobile Group Hubei Company Limited ("Hubei Mobile")
- China Mobile Group Hunan Company Limited ("Hunan Mobile")
- China Mobile Group Shaanxi Company Limited ("Shaanxi Mobile")
- China Mobile Group Shanxi Company Limited ("Shanxi Mobile")
- China Mobile Group Neimenggu Company Limited ("Neimenggu Mobile")
- China Mobile Group Jilin Company Limited ("Jilin Mobile")
- China Mobile Group Heilongjiang Company Limited ("Heilongjiang Mobile")
- China Mobile Group Guizhou Company Limited ("Guizhou Mobile")
- China Mobile Group Yunnan Company Limited ("Yunnan Mobile")
- China Mobile Group Xizang Company Limited ("Xizang Mobile")
- China Mobile Group Gansu Company Limited ("Gansu Mobile")
- China Mobile Group Qinghai Company Limited ("Qinghai Mobile")
- China Mobile Group Ningxia Company Limited ("Ningxia Mobile")
- China Mobile Group Xinjiang Company Limited ("Xinjiang Mobile")
- China Mobile Group Design Institute Company Limited ("Design Institute")
- China Mobile Hong Kong Company Limited ("Hong Kong Mobile")
- China Mobile International Limited ("International Company")
- China Mobile M2M Company Limited ("CM M2M")
- China Mobile (Shenzhen) Limited
- China Mobile Online Services Company Limited
- China Mobile (Suzhou) Software Technology Company Limited

- China Mobile (Hangzhou) Information Technology Company Limited
- MIGU Company Limited ("MIGU")
- China Mobile Internet Company Limited ("CM Internet")
- China Mobile Tietong Company Limited ("CM TieTong")

In addition, the Company owns a 99.97% equity interest in China Mobile Group Device Company Limited ("China Mobile Device"), a 92% equity interest in China Mobile Group Finance Company Limited ("China Mobile Finance"), and a 66.41% equity interest in Aspire Holdings Limited ("Aspire").

As of 31 December 2015, the Group had a total staff of 438,645, and maintained a leading position in Mainland China in terms of customer base which reached 826 million.

The Company's majority shareholder is China Mobile (Hong Kong) Group Limited ("CMHK (Group)"), which, as of 31 December 2015, indirectly held approximately 72.72% of the total number of issued shares of the Company through a wholly-owned subsidiary, China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)"). The remaining approximately 27.28% was held by public investors.

FINANCIAL HIGHLIGHTS

	2015	2014 As restated[1]
Operating revenue (RMB million)	**668,335**	651,509
Of which: Revenue from telecommunications services (RMB million)	**584,089**	591,602
EBITDA[2] (RMB million)	**240,028**	241,831
EBITDA margin[3]	**35.9%**	37.1%
Profit attributable to equity shareholders (RMB million)	**108,539**	109,218
Margin of profit attributable to equity shareholders[4]	**16.2%**	16.8%
Basic earnings per share (RMB)	**5.30**	5.38
Dividend per share – Interim (HK$)	**1.525**	1.540
– Final (HK$)	**1.196**	1.380
– Full year (HK$)	**2.721**	2.920

1 *In 2015, CM TieTong acquired certain assets and businesses ("Target Assets and Businesses") of China TieTong Telecommunications Corporation. The acquisition of the Target Assets and Businesses was considered as a business combination under common control as CM Tietong and the Target Assets and Businesses are both ultimately controlled by China Mobile Communications Corporation. As a result, the Group has restated the 2014 comparative amounts of the consolidated statement of comprehensive income by including the operating results of Target Assets and Businesses and eliminating its transactions with the Target Assets and Businesses, as if the acquisition had been completed on the earliest date of the periods being presented, i.e., 1 January 2014. The consolidated balance sheet of the Group as at 31 December 2014 was restated to include the assets and liabilities of Target Assets and Businesses. Please refer to note 2(b) to the consolidated financial statements included in this annual report for details.*

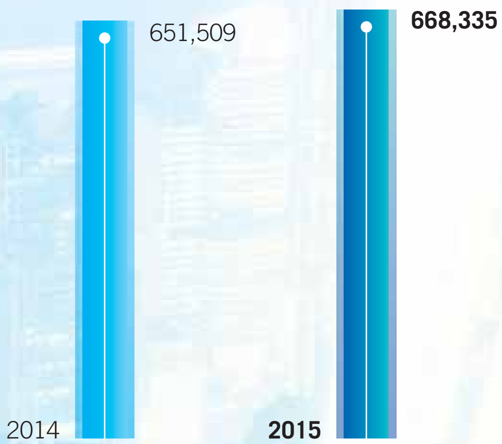
2 *The Company defines EBITDA as profit for the year before taxation, share of profit of investments accounted for using the equity method, finance costs, interest income, other gains, depreciation, amortization of other intangible assets, impairment loss of goodwill and gain on the transfer of Tower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

3 *EBITDA margin = EBITDA/Operating revenue*

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

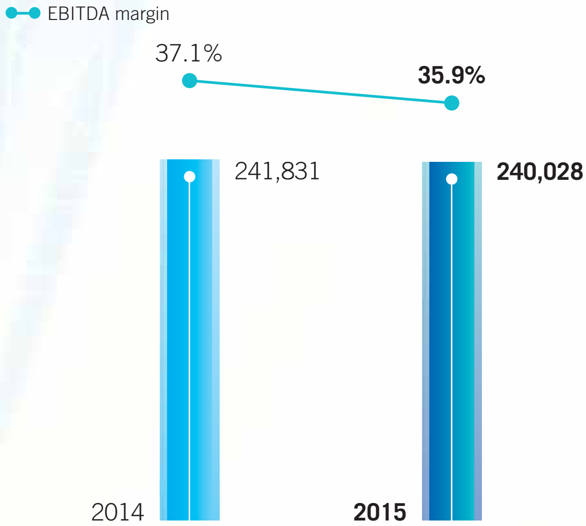
OPERATING REVENUE

(RMB million)



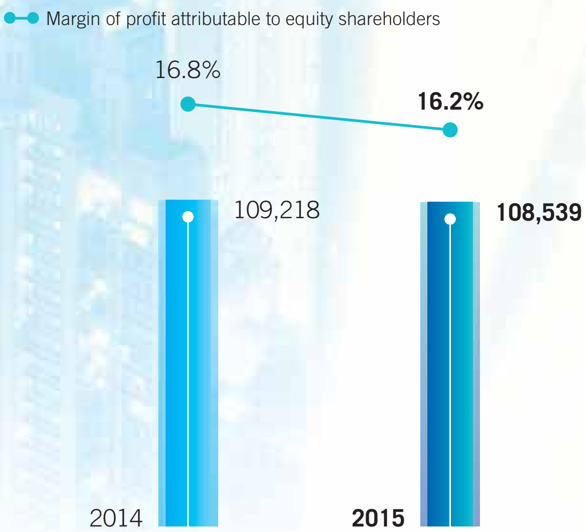
EBITDA

(RMB million)



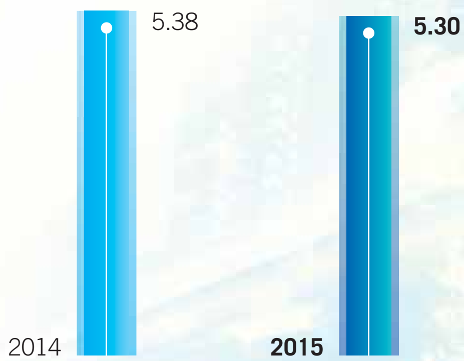
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

(RMB million)



BASIC EARNINGS PER SHARE

(RMB)



2015 MILESTONES

15 JANUARY 2015

MIGU, China Mobile's first subsidiary specializing in mobile internet operations, held its opening ceremony in Beijing, marking the commencement of China Mobile's specialized operation in digital content services.

15 MAY 2015

As a response to society's rising expectations and the government's advocacy of "speed upgrade & tariff reduction", the Group announced 12 new measures including 8 for tariff reduction and 4 for speed upgrade. With the implementation of these measures, in 2015, handset data tariff decreased by 43% compared to the previous year, while network capabilities and network speed increased significantly.

10 SEPTEMBER 2015

Following the resignation of Mr. Xi Guohua from the positions of Executive Director and Chairman of the Company with effect from 24 August 2015, as proposed by the Nomination Committee of the Company, and after review and approval by the Board, Mr. Shang Bing was appointed as an Executive Director and the Chairman of the Company.

14 OCTOBER 2015

The Company entered into a transaction agreement with China Tower on 14 October 2015. Completion of the transaction took place on 31 October whereby the Company completed its transfer of existing telecommunications towers and related assets to China Tower. After China Tower's issue of new shares to the Company pursuant to the transaction agreement, the Company, through its subsidiary, holds a 38.0% shareholding interest in China Tower.

27 NOVEMBER 2015

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

14 DECEMBER 2015

CM Internet, a subsidiary of the Group specializing in internet business operations, held its opening ceremony in Guangzhou, marking the commencement of China Mobile's specialized operation in internet businesses.

AWARDS & RECOGNITION

IN 2015, THE COMPANY'S OUTSTANDING PERFORMANCE HAS WON POPULAR RECOGNITION AND ACCLAIM:

The Company was ranked 20th by Forbes Magazine in the 2015 "Forbes Global 2000", and came first among all telecommunications companies.

The Company was again selected as one of the "FT Global 500" companies by the Financial Times in 2015 and ranked 11th on the list.

The Company was listed in the Dow Jones Sustainability Indices for the eighth consecutive year.


2015 INTERNATIONAL
ARC AWARDS
29th ANNUAL CELEBRATION
SILVER WINNER


2015 INTERNATIONAL
ARC AWARDS
29th ANNUAL CELEBRATION
BRONZE WINNER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2015 INTERNATIONAL
ARC AWARDS
29th ANNUAL CELEBRATION
BRONZE WINNER


2015 INTERNATIONAL
ARC AWARDS
SILVER WINNER

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Dr. LO Ka Shui
Mr. Frank WONG Kwong Shing
Dr. Moses CHENG Mo Chi
Mr. Paul CHOW Man Yiu

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Dr. LO Ka Shui (Chairman)
Mr. Frank WONG Kwong Shing
Dr. Moses CHENG Mo Chi

Nomination Committee

Dr. LO Ka Shui (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

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-BNY-ADRS (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 will file an annual report on Form 20-F with the United States Securities and Exchange Commission ("US SEC") before 30 April 2016. 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
Depositary Receipts
101 Barclay Street, 22/F
New York, NY 10286
USA

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. SHANG BING

Age 60, 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 China Mobile Communications Corporation ("CMCC") and China Mobile Communication Company Limited ("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, Vice President 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. 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, has long-term experience in the operations and management in basic telecommunications enterprises, with extensive experience in enterprise management and telecommunications industry. Save as above stated, Mr. Shang has not held any other directorships in any listed public companies in the last three years.

MR. LI YUE

Age 56, Executive Director and Chief Executive Officer of the Company, in charge of the operation and management 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. XUE TAOHAI

Age 59, Executive Director, Vice President and Chief Financial Officer of the Company, principally in charge of the corporate affairs, finance and internal audit of the Company, joined the Board of Directors of the Company in July 2002. He is also a Vice President of CMCC, a director of CMC, and director and Chairman of China Mobile Finance. Mr. Xue previously served as the Deputy Director General of the Finance Department of the former Ministry of Posts and Telecommunications, Deputy Director General of the Department of Financial Adjustment and Clearance of the MII and Deputy Director General of the former Directorate General of Telecommunications. He graduated from Henan University and received an EMBA degree from Peking University. Mr. Xue is a senior accountant with many years of experience in the telecommunications industry and financial management.

MR. SHA YUEJIA

Age 57, Executive Director and Vice President of the Company, principally in charge of marketing, data business, 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 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 Beijing Mobile. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LIU AILI

Age 52, Executive Director and Vice President of the Company, principally in charge of planning and construction, network operation and business support of the Company, joined the Board of Directors of the Company in March 2006. He is also a Vice President of CMCC, a director of CMC and a Vice President of China Internet Infrastructure Resources Association. Mr. Liu has been appointed as the Chairman of China Tower Corporation Limited (formerly known as China Communications Facilities Services Corporation Limited) with effect from July 2014. Since November 2012, He ceased to be a non-executive director of China Communications Services Corporation Limited, a company listed in Hong Kong. He previously served as Deputy Director General of Shandong Mobile Telecommunications Administration, Director General of Shandong Mobile Telecommunications Administration and General Manager of Shandong Mobile Communications Enterprises, Vice President of Shandong Mobile Communications Company, Director-General of Network Department of CMCC, Chairman and President of Shandong Mobile and Zhejiang Mobile, and Chairman of CMPak Limited. Mr. Liu graduated from Heilongjiang Posts and Telecommunications School with an associate degree. Mr. Liu also received a Master of Management degree from Norwegian School of Management BI and a Doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.

DR. LO KA SHUI

Age 69, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in April 2001. He was appointed as the Chairman of Remuneration Committee and Nomination Committee of the Company. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the Chairman and a Non-Executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is an Independent Non-Executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and City e-Solutions Limited. Dr. Lo is a vice president of the Real Estate Developers Association of Hong Kong, a trustee of the Hong Kong Centre for Economic Research, a vice chairman of The Chamber of Hong Kong Listed Companies and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo graduated from McGill University with a Bachelor of Science degree and from Cornell University with a Doctor of Medicine (M.D.) degree. He was certified in internal medicine and cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

MR. FRANK WONG KWONG SHING

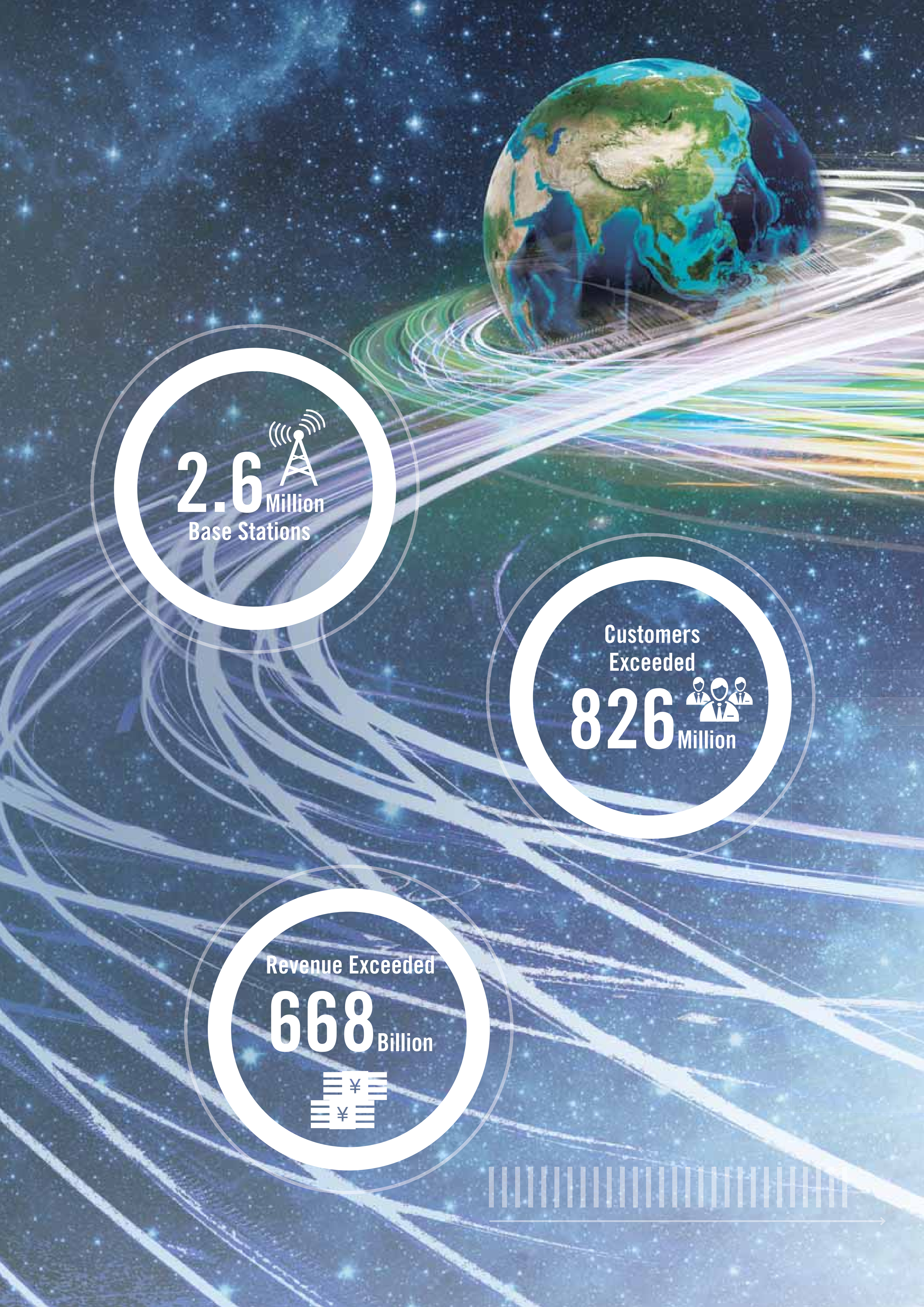
Age 68, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in August 2002. He was appointed as the Chairman of the Audit Committee in May 2013. He currently also serves as the Chairman and Independent Non-Executive Director of Mapletree Greater China Commercial Trust Management Ltd, Non-Executive Director of PSA International Pte Ltd and PSA Corporation Limited in Singapore. He previously served as Vice Chairman of DBS Bank, Chairman of DBS Bank (Hong Kong) and DBS Bank (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 an Independent Non-Executive Director of Industrial and Commercial Bank of China Limited (China), Mapletree Investments Pte Ltd and National Healthcare Group Pte Ltd in Singapore. Committed to public service, he had held various positions with Hong Kong government bodies including Chairman of the Hong Kong Futures Exchange between 1993 and 1998 and member of HKSAR's Financial Services Development Council between 2013 and 2015.

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

Age 66, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in March 2003. Dr. Cheng is a practising solicitor and a consultant of Messrs. P.C. Woo & Co. after serving as its Senior Partner from 1994-2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng currently holds directorships in Liu Chong Hing Investment Limited, China Resources Beer (Holdings) Company Limited, Towngas China Company Limited, Kader Holdings Company Limited, K. Wah International Holdings Limited, Guangdong Investment Limited and Tian An China Investments Company Limited, all of which are public listed companies in Hong Kong. He is also an independent non-executive director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited. His other directorships in public listed companies in the last 3 years includes Hong Kong Television Network Limited (formerly known as City Telecom (H.K.) Limited).

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

Age 69, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in May 2013. He was an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010. Hong Kong Exchanges and Clearing Limited is listed on the Main Board of HKEx. Mr. Chow also served as the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003. Mr. Chow currently serves as the Chairman of Hong Kong Cyberport Management Company Limited, a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region, a member of the Asian Advisory Council of AustralianSuper, an independent non-executive director of Bank of China Limited (a company listed on the Main Board of HKEx), Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd, and CITIC Limited.


2.6 Million
Base Stations
Customers Exceeded
826 Million
Revenue Exceeded
668 Billion
¥

WORLD'S LARGEST 4G OPERATOR

CHAIRMAN'S STATEMENT

"It is a great honor for me to have been entrusted with the Chairman position by the shareholders and directors in September last year. Since I took up the post, I have received warm support from our customers and investors for which I am deeply grateful. I also remain fully aware of the significant responsibilities to these stakeholders, and their justified high expectations for the Chairman of this Company.

The success that the Company has had to date is a great source of motivation. China Mobile boasts the world's largest network and customer base, market-leading profitability, strong brand recognition, outstanding execution capabilities and leading market capitalization. All these combine to make China Mobile one of the world-class telecommunications service providers. We, however, should not rest on the laurels of past success as the industry faces an increasingly complicated operating landscape. There are challenges ahead, identified and unforeseen, as well as opportunities to be seized. The management team and I are ready to navigate China Mobile through these challenges and steer towards the opportunities that will take the Company forward now, and in the future.

Working closely with the management team, I am confident that we will be able to create a robust company suited to the current environment and bring an innovative direction to our long-term planning, amidst the constant state of global change that the telecommunications industry finds itself in, with an aim to deliver strong performance to our shareholders."

Dear Shareholders,

2015 was a crucial year for China Mobile's transformation. Despite increasing competition in the telecommunications industry, a continued disturbance to the traditional communications landscape by the Internet and changing regulatory policies, China Mobile seized opportunities in the 4G sector. As the first mover in providing 4G services, we continued to lead innovative business layouts and developments and to focus our efforts on transformation and management efficiency. As a result, China Mobile has solidified its position as a leading 4G service provider. We are an industry leader in revenue growth, and we have continuously strengthened our competitive position in the marketplace and have laid a solid foundation for sustainable future development.

2015 PERFORMANCE

Benefiting from the rapid development of data traffic business driven by the extension of 4G adoption, China Mobile's dependency on traditional services as a source of revenue growth has decreased. Our operating revenue in 2015 was RMB668.3 billion, up by an industry-leading 2.6% compared to the previous year. For the first time, our revenue from data services surpassed our revenue from voice services, accounting for 52.0% of revenue from telecommunications services.

Operating Revenue Growth in

LEADING POSITION

China Mobile again demonstrated industry leading profitability. The margin of profit attributable to equity shareholders was 16.2%, profit attributable to equity shareholders was RMB108.5 billion and basic EPS was RMB5.30.

For the financial year ended 31 December 2015, the Board recommends payment of a final dividend of HK$1.196 per share. Together with the interim dividend of HK$1.525 per share paid earlier, this amounts to an aggregate dividend payment of HK$2.721 per share for the full financial year of 2015.

In considering China Mobile's financial situation, capability to generate cash flow and future development needs, the Company's planned dividend payout ratio for the full financial year of 2016 will be 43%.

The Board remains confident that our Company's leading position in profitability and proven track record in generating healthy cash flow will propel China Mobile's future development and bring favorable returns for our shareholders.

For a more detailed analysis of business affairs and financial performance in 2015, please refer to the "Business Review" and "Financial Review" sections.

4G DEVELOPMENT

In 2015, our Company exerted great effort in all aspects of 4G development and achieved remarkable results.

Our Company has established the world's largest 4G network with superior quality. Our 4G network has approximately 1.1 million base stations. It realizes continuous coverage in all areas above rural towns level, as well as effective coverage of data hotspots in villages. In addition, we have almost realized full coverage of high speed railways, underground subways, and key scenic spots. Our 4G network provides coverage for over 1.2 billion people, and our average download speeds on urban roads exceed 37Mbps. The end-to-end customer experience has been further enhanced. China Mobile's 4G customer Net Promoter Score leads the market.

Our Company also achieved record highs in customer development. We have already become the world's largest 4G operator in terms of customer base. Within this year, we had a net addition of over 200 million 4G customers, bringing our total 4G customer base to over 300 million. DOU of 4G customers was 2.2 times the DOU of our total mobile customer base, which demonstrated strong driving force from 4G.

We have launched 4G international roaming services in 114 countries and regions, an increase of 61% compared with the previous year. We have also increased our collaboration with organizations including GTI[1] to build a global TD-LTE eco-system. So far, 43 countries and regions have launched 76 TD-LTE commercial networks.

STRATEGIC TRANSFORMATION

In recent years, due to the downward trend in traditional voice services and SMS, our Company has attached high importance to, and actively explored strategic transformation, which have now achieved some initial success.

We have already achieved tangible results in our transformation from a voice-centric operation to a data-centric operation, as we have seen that data traffic has become the primary driver for revenue growth. In 2015, our mobile data traffic increased 143.7% compared to the previous year; DOU of handset data customers increased 118.5%; and our revenue from wireless data traffic increased 30.5%, reaching a total of RMB200.9 billion.

1 Global TD-LTE Initiative

Our corporate customer base and market share steadily increased this year as well. In 2015, we targeted industry sectors such as government, medical, transportation, logistics and education. We worked hard to promote key business and information solutions into these target areas, a strategy which achieved favorable results. Our revenue growth rate from corporate telecommunications and informatization services was higher than the industry average and its revenue market share has reached nearly one third.

Moreover, across the telecommunications industry, we have spearheaded the exploration and deployment in digital services. According to the Internet industry's practice of specialization, we have established various professional companies, including MIGU, CM Internet, CM M2M, Virtue Intelligent Network, all of which focus on digital content, mobile Internet, Internet of Things, Internet of Vehicles and other digital services. Furthermore, through the establishment of a fund to invest in a range of industries along the value chain, China Mobile has not only invested in a diversified collection of ideas but has also collaborated with these innovative companies to establish integrated operating platforms. But this is an area that we believe to be in its infancy and there is much more that we can achieve by going deeper into digital services. As such, we need to explore new operating models for China Mobile in order to achieve further market-orientated mechanism and to cultivate ongoing innovation to solidify our position in this competitive digital landscape.

In order to increase the efficiency of our management processes, we promoted centralized management in areas such as sales and marketing, network maintenance, IT support, logistics, finance and human resources. This move promotes resources sharing and allows us to benefit more from the economies of scale. We have also implemented effective cost-control measures to cut costs and boost efficiency, which have allowed us to maintain our favorable profitability.

We have achieved initial success in our strategic transformation and established a foundation for sustainable development, but at the same time, we are fully aware that our Company has areas for improvement in applications and information services. In order to achieve progress and success, we need to maximize opportunities in new technologies and services such as big data, cloud computing and the Internet of Things, and in doing so our capabilities and services can be enhanced. This is not an easy task and calls for persistence and endeavour.

INVESTMENT AND ACQUISITION

Our Company's acquisition of assets and businesses from TieTong[2] enabled us to obtain a wireline broadband license and accelerated the implementation of our full-service strategy. Firstly, by rapidly expanding wireline broadband for household use, we can benefit from the growth in digitally enabled families. Secondly, by providing the integration of wireline and mobile services, we can improve our customer retention and reduce our churn rate. Finally, this acquisition can create synergy in increasing our network capabilities, coverage and efficiency. Through joint development with TieTong in recent years, our total number of wireline broadband customers exceeded 55 million.

Data Services Revenue

FIRST TIME SURPASSED

Voice Services Revenue

For the agreement with China Tower[3], our Company has already completed the transfer of existing towers at a fairly negotiated price. Currently, we hold 38% of the outstanding shares of China Tower and the one-off gain from the transfer improved our net profit by RMB10.1 billion for 2015. Through the centralized construction and maintenance of towers and related assets by China Tower, our Company will benefit from not only from a faster development of enhanced network coverage capabilities but also save on capital expenditure. As we continue in our close collaboration, a greater number of shared towers will further reduce our operating cost.

REGULATORY POLICIES

The Chinese government has promoted the cyberpower strategy, instituted the "Internet+" action plan and propelled the supply-side structural reform, and as such, has created new opportunities for business growth.

In response to the needs of our community and the government's emphasis on "speed upgrade & tariff reduction", China Mobile has introduced more than ten policies, including one that permits customers to carry over unused data to the next month. We listened to community opinions and implemented transparent and effective measures, and as a result, our handset data tariff was decreased by 43%, which in turn, stimulated increased data usage. The consequences of this were a positive uptick in revenues while maintaining customer satisfaction.

[2] China TieTong Telecommunications Corporation

[3] China Tower Corporation Limited

We anticipate that future regulatory policies will encourage the construction of information network infrastructure and increase consumption of information services. Any future policies aimed at increasing network speeds, decreasing network tariff, and providing better information services to meet societal needs will create some pressure on our current operations capabilities and will need developments for which we will need to be prepared.

We are fully aware of the increasing investor concern with regulatory developments. Nonetheless, we will actively communicate with the relevant regulators to ensure that we represent different perspectives and interests as well as meeting their expectations.

CORPORATE GOVERNANCE

We have imposed high standards of corporate governance on ourselves, particularly around the areas of integrity, transparency, openness and efficiency, and we meticulously follow the requirements of the Listing Rules. We will continue our focus on optimizing our risk management and internal control systems, which permit us to quickly respond to potential risks and manage against them. In 2015, the Company strengthened monitoring on procurement, project investment and business collaboration. We have also conducted a special audit of our key procedures and IT systems. We believe that by regularly reviewing and developing our internal management procedures and mechanism, we can maintain quality operations.

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

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE RECOGNITION

We place great emphasis on the corporate social responsibility of China Mobile, and carefully consider the needs of the wider community that we serve.

For many years, although we have focused on economic development, we have never neglected our civic duty to raise environmental awareness and promote greener practices, from recycling to low carbon emissions. In fact, we are entering the ninth year of our "Green Action Plan" in a bid to reduce energy consumption and emissions. Finally, in 2015, the overall energy consumption per unit of information flow decreased 17.5% from the previous year.

Through our China Mobile Charity Foundation, we continue to provide medical assistance to disadvantaged groups. By the end of 2015, we had sponsored surgeries for 2,744 children with congenital heart disease. In another of our chosen causes, we have focused on narrowing the digital divide by improving telecommunications and internet services in villages and remote areas.

312 million

4G CUSTOMERS

1.1 million

4G BASE STATIONS

In response to a growing phenomenon, we have implemented policies and procedures that target and reduce phishing and spam SMS to strictly protect customer privacy, combat spam and improper messages. In 2015 alone, we reduced spam SMS complaints by 29.4%.

We have established a widely-recognized and industry leading brand. In 2015, we were ranked number one by Forbes Magazine in "The World's Largest Telecom Companies 2015", and for the eighth year in a row, we were selected for inclusion in the Dow Jones Sustainability Indices for our noteworthy developments. In addition, we were ranked 11th by the Financial Times in its "FT Global 500".

In 2015, Moody's and Standard & Poor's continued to maintain our corporate credit ratings at the same level as that awarded to China's sovereign ratings.

FUTURE OUTLOOK

A holistic understanding of the economy coupled with a long-term vision are the keys to success in today's telecommunications industry. As the Chinese economy enters its next stage and the telecommunications landscape undergoes new changes, we are faced with a new range of opportunities and challenges.

On one hand, China Mobile is well-positioned to take advantage of the Chinese government's promotion of the cyberpower strategy, implementation of the "Internet+" action plan, and expansion in information services consumption as the key focus of supply-side structural reforms. On the other hand, the increasing penetration of internet companies into ICT landscape, the intensifying substitution by OTT and other new technologies along with the unpredictability of the regulatory policies have posed new tests for China Mobile.

We need to rapidly adapt to these economic changes in order to effectively compete. China Mobile will seize the opportunities with the emergence of Internet of Everything, and develop a new generation of information network infrastructure. We will move forward to expand connection scale, provide premium services and applications.

4G expansion is the focal point for 2016. On this front, we will adhere to the principle of exploring new markets and striving for excellence. Leveraging our 4G advantages, we will continue to improve network quality, accelerate the migration of 2G/3G customers to 4G and enhance customer value.

Our data business has become our main revenue driver reflecting the changes in user habits and will serve as the foundation for future growth and expansion. But we need to be smart about how we capture the opportunity of 4G, as reducing tariffs and boosting usage are not just about revenue increases but need to be tied to efficiency improvements.

We will continue to expand our corporate customer base and increase revenue scope. We will continue to seize opportunities in "Internet+", and target government, medical, transportation, logistics and education sectors, with tailored information technology products and services.

Providing high quality broadband services, developing smart cities and increasing smart home capabilities are the aims of the Chinese government's "Broadband China" strategy. To support this policy goal, we will emphasize integrated development of wireline and mobile with a range of connected actions, and adhere to the principle of high-standard, high-quality and high-value to develop wireline broadband services. We will optimize our investment in wireline broadband by providing products featuring high connection speed, premium quality and brand. We will maintain steady growth in our revenue from our wireline broadband services.

Looking ahead, our strategy will focus on expanding digital services and leading technological innovations. We plan to increase investment in technological innovation, establish new businesses and develop new business models, including strengthening the content media business and expanding smart technology and applications for some key industries.

We see huge growth potential in the Internet of Everything. In the next five years, connectivity in China is expected to exceed ten billion, creating a business of over one trillion yuan. China Mobile provides connectivity to a one-billion-customer base and will continue to build through this solid foundation to establish an open platform for Internet of Everything that enables us to reach the ten-billion scale in terms of connection support in the future to link people and things and between things everywhere.

The management and I at this point want to extend the call for action to act on the future vision for China Mobile. Our commitment to this is that we will create a platform in the Company that will support our five areas of development: momentum in innovation, new company values, increased operational synergies, fresh impetus around company reforms and a new collective future. All of us sharing in this initiative and direction will ensure that we smoothly implement any needed reforms and find success.

ACKNOWLEDGMENT

On behalf of the Board, I would like to express our gratitude to my predecessor, Mr. Xi Guohua, for his invaluable contribution to the Company. Mr. Xi has steered China Mobile through the difficult 3G era and spearheaded the Company to be the leading 4G service provider in the Mainland, which brought China Mobile to where it is today.

The success China Mobile achieved now and future is attributable to the continued support of its customers and shareholders, the dedication of its employees, the trust bestowed upon China Mobile by regulatory agencies and the faith in China Mobile by the wider community. I represent the Board in thanking everyone for their contributions in making China Mobile a success. As I touched on above, these might not be easy times, but with continuing efforts from all our employees, I know that China Mobile will continue to reach new heights to benefit not only its shareholders but also the community at large.

Shang Bing
Chairman

17 March 2016, Hong Kong


和4G合心意

DATA TRAFFIC AS MAIN REVENUE DRIVER

BUSINESS REVIEW

2015 was a crucial year for China Mobile's transformation. We consolidated our 4G advantages and accelerated business development, rolled out the world's largest 4G network, with a 4G customer base of over 300 million. Facing the decline in traditional voice services and SMS/MMS, we accelerated our business redeployment and innovation, strived for management enhancement and breakthrough in strategic transformation, strengthened our data traffic and corporate customer operations, developed digital services. As a result, we have become the industry leader in operating revenue growth and further solidified our market leading position, and overall, maintained a favorable growth momentum.

OPERATING RESULTS

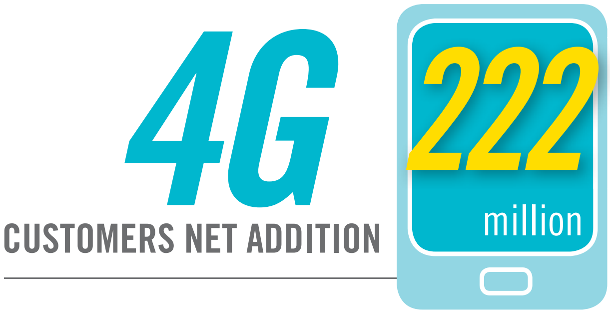
Key Operating Data

	2015	2014	Change %
Mobile Business			
Customer Base (million)	**826.24**	806.63	2.4
4G Customer Base (million)	**312.28**	90.06	246.7
Net Additional Customers (million)	**19.61**	39.43	-50.3
Net Additional 4G Customers (million)	**222.22**	90.06	146.7
Total Voice Usage (billion minutes)	**4,220.8**	4,293.9	-1.7
Mobile Data Usage (PB)	**2,760.6**	1,132.9	143.7
SMS (billion)	**559.9**	611.4	-8.4
Average Minutes of Usage per User per Month (MOU) (minutes/user/month)	**430**	453	-5.1
Average Handset Data Traffic per Month (DOU) (MB/user/month)	**339**	155	118.5
Average Revenue per User per Month (ARPU) (RMB/user/month)	**56**	59	-5.4
Wireline Broadband Business			
Customer base (million)	**55.03**	–	–
Average Revenue per User per Month (ARPU) (RMB/user/month)	**32**	–	–

At the end of 2015, our mobile customer base reached a total of 826 million users. Mid to high-end customers remained stable and we saw continuous decline in churn and bad debt rates. With a net addition of 222 million from the previous year, our 4G customer base rapidly increased to exceed 312 million. As such, we have continued to maintain our leading market share. Data traffic business gained rapid growth, mobile data traffic reached 2,760.6PB, an increase of 143.7% from the previous year, with data traffic business as a major revenue driver, highlighting the Group's transition from traditional business to data business. Voice business continued to decline; MOU was 430 minutes, representing a 5.1% decrease. At the same time, the Group completed strategic deployment for wirleline broadband business. Through joint development with TieTong in recent years, our wireline broadband customer base reached 55 million at the end of 2015, with an ARPU of RMB32.

4G Development

The Group endeavored in its 4G expansion. With a remarkably rapid development, it further solidified its position as a leading 4G services provider.



Consolidated 4G Network Advantage. At the end of 2015, the Group had 1.1 million 4G base stations. Our 4G network provides continuous coverage in all areas above rural towns level, as well as effective coverage of data hotspots in villages, and almost realized full coverage of high speed railways, underground subways, and key scenic spots. Our 4G network provides coverage for over 1.2 billion people, making it the largest 4G network in the world. We continuously improved 4G network quality management system, enhanced the customer perception based end-to-end quality control mechanism, and carried out 4G wireless network and core network optimization. By the end of 2015, the average download speeds on urban roads exceeded 37Mbps, CSFB completion rate[1] increased to 98.4%, thus remarkably improved customer perception.

Leading 4G Market Share. While implementing cost controls, the Group has prioritized its resource allocation towards 4G. We have encouraged terminal manufacturers to produce more 4G mobile phones with higher cost-performance ratio, and by the end of 2015, there had been more than 1,000 models of 4G mobile phones in the market. By promoting the integrated sales of terminals, USIM cards and 4G plans through our distribution channels, approximately 320 million 4G terminals had been sold in all channels in 2015. We had over 222 million net addition of 4G customer within last year, bringing our total 4G customer base to over 312 million, making us the largest 4G service provider in the world. Our proactive business measures not only increased 4G customer growth, sped up customer migration from 2G and 3G to 4G, but also enhanced customer value. Our 4G customer DOU reached 748MB, which was 2.2 times of our mobile customer DOU.

Leading 4G Business and Service. While actively developing signature 4G products, we also focused on product and service quality. On one hand we employed carrier aggregation (CA)[2] technology to increase 4G speed, on the other pushed forward VoLTE network transformation and maintenance, to bring our customers high quality 4G experience. The Group constantly refined its service quality control system that features "Convenient access, User friendly, Tariff matching customer needs, Timely reminder and Quick response" to enhance customer care, thus attained market leading 4G customer Net Promoter Score. We pushed forward 4G international development, launched 4G international roaming services in 114 countries and regions. We continue to strengthen collaboration with GTI as well as other organizations in TD-LTE global expansion, and up to now, 76 TD-LTE commercial networks have been established globally.

[1] *CSFB completion rate = CSFB connection rate * (1 - Call drop rate).*

[2] *Carrier Aggregation, a technology that is used to increase bandwidth, thereby to effectively improve transmission speed.*

Business Growth

During the past year, the Group emphasized on data traffic operation and corporate customer businesses, as well as the development of digital services, as to attain steady revenue growth and optimize revenue structure. Last year, for the first time, revenue from data services surpassed revenue from voice services.

DOU GREW BY 118.5%

Remarkable Results in Data Traffic Operation. In response to the society and customers' expectations and the government's emphasis on "speed upgrade & tariff reduction", in addition to other cost-saving measures for customers, we introduced the new Unused Data Carry-over service that let monthly plan customers carry their unused data to the next month. Also, we launched innovative charging models of data sharing, data trading and the trial of progressive unit data pricing. In 2015, handset data tariff decreased by 43%. We maximized price elasticity in data traffic operations and rapidly increased its business penetration. As a result, total data usage increased rapidly to 2,760.6PB, a 143.7% increase from the previous year. DOU reached 339MB, representing a 118.5% increase. Revenue from wireless data traffic increased significantly, as a major revenue driver, it represented 34.5% of our overall revenue from telecommunications services.

Further Development in Corporate Customer Business. By focusing on key services such as dedicated line services and IDC, we targeted industry sectors such as government, financial, medical, transportation, logistics and education. We worked hard to promote information solutions into these target areas. We made continuous improvements of our products and expanded the scale of industry-specified applications. At the same time, our "covering all market segments, maximizing synergy of all channels" corporate customer distribution system had started to take effect. In 2015, revenue from corporate customers data dedicated line and IDC services increased 95.3% and 31.1%, respectively. Revenue from the Group's corporate telecommunications and informatization services had increased, it had taken up nearly one third of total market share.

Exploration and Development of Digital Services. In response to the changing demands of customers in the mobile internet era, the Group has spearheaded the exploration and strategic planning in digital services. In 2015, MIGU saw increase of its monthly active customer; total transaction value of "and-Wallet", our mobile payment service, gained rapid growth; our self-branded set-top box, a high-definition internet video-on-demand service, recorded steady growth, with paying customers exceeding 5.67 million. Distribution volume on our Mobile Market platform continued to grow, and connections on our Internet of Things (IoT) platform exceeded 60 million. Concurrently, we have pushed forward the construction and operation of CDN and other internet content distribution networks, thus improved our internet content delivery capability and our handset on-net hit rate continued to increase.

Decline in Traditional Business

With the increasing substitution effect of mobile Internet and the rising popularity of instant messaging applications, customers' preferred mode of communication have also changed. The Group saw a decline in voice and SMS/MMS services. In 2015, the total voice minutes of usage had been 4.22 trillion minutes, representing a decrease of 1.7% from the previous year. MOU was 430 minutes, representing a 5.1% decrease, and revenue from voice services decreased 16.5%, and revenue from SMS and MMS decreased 10.2%. Nevertheless, during the transition period from voice services to data services, we will continue our efforts and take various measures to slowdown the decline rate of these services.

BUSINESS STRATEGY

Network Organization

Network organization capability is one of the core competences of a telecommunications operator, as a sound network organization not only supports its business operations but also sustains its long term growth. The Group strives to construct a lower cost, higher efficiency and performance information infrastructure. Through scientific planning of network development and optimization of resource allocation, we promoted synergetic development of various networks. While focusing on developing a premium 4G network, we also explored and developed other network potentials. We have directed efforts to establishing high speed, high efficiency and intelligent backbone transmission network, in order to improve overall business access and internet traffic delivering capability. We saw improvement of backbone network capabilities, interprovincial transmission network bandwidth reached 285T. With the improvement of international network deployment, our international transmission bandwidth reached 2,983G, and the number of POP points reached 25, providing coverage in Southeast Asia, North America, Middle East, West Africa and Europe. The Group continued to enhance the capability of new type of infrastructure and maximize the utilization of the centralized infrastructure resources. We further enhanced centralized management of operations and maintenance of our network. Simultaneously, we pushed forward IT support transformation and established an integrated IT support system. Finally, we improved emergency communications and network security measures, continued the optimization of responding process, to enhance our network contingency and internet security capability.

Business Innovation

Innovation brings about new development dynamic and is critical for a company's future development. The Group aligns itself with the development pattern of new businesses, in cultivating innovations and strengthening research and development, as to create competitive products. Through establishment of a new business research & development and promotion system that caters to customers' needs, we are able to provide high quality products and good customer experience, which will in turn attribute to the Group's sustainable growth.

The Group endeavors to contribute to the implementation of the "Internet+" action plan. By way of specialized operation and cultivation of innovation, we are making active expansion in the areas of mobile internet, cloud computing, big data and IoT. We have established multiple specialized business units, including MIGU, CM Internet and CM M2M, which focus on exploration in digital content and applications, and conduct customer-oriented, independent product research and development. We further consolidated the product lines including "and-Entertainment", "and-Communication" and "and-Life", and promoted centralized operation of products such as unified communication for corporate customers, IDC and internet television. We also introduced industry specified informatization products including "and-Education", "and-Health" and Internet of Vehicles, and commercially launched Mobile Cloud. At the same time, we have built the world's largest public IoT which has a terminal capacity of several billions.

We have also expanded our own brand product offering, including the launch of 3 models of mobile phones, a number of Internet of Things intelligent modules, 2 self-branded set-top box products, 11 models of automobile device and 2 On-Board Diagnostics terminals (OBD).

Customer Service

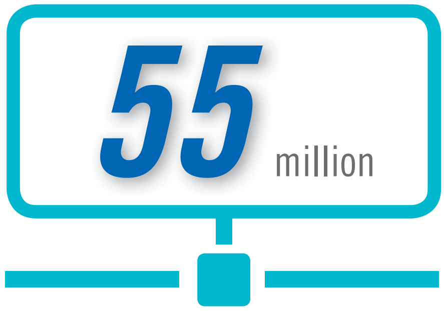
While the enhancing its innovation capability, adhering to the mantra of "Customers are our priority, quality service is our principle", the Group has been reforming its customer service methods and models, to push forward the transformation of operation and service systems towards a new model that is customer experience oriented and emphasis on customer value.

We continued the optimization of our customer care system that separates front and back lines, established sales and service channels that are adjusted to contemporary customer needs with the provision of numerous electronic and mobile internet channels. We respect and protect customer rights and proactively respond to customer requests, we promoted simplified, transparent tariff system and emphasized on quick responses and closed loop customer complaints management. During the past year, the Group made solid progress in customer service transformation and improved 4G whole process service control system, thus consolidated our advantage in customer care and customer retention. As a result, our customer perception kept improving. We have maintained industry leading customer satisfaction rate and the lowest complaint rate of point-to-point spam SMS in the industry.

Wireline Broadband

After the acquisition of TieTong's assets and businesses and obtaining wireline broadband license, the Group will carry out its wireline broadband business development adhering to the principle of High standard, High quality and High value, while emphasis on cost-effectiveness. We will accelerate the improvement of wireline broadband quality and competitiveness. We will take the differentiation approach in the provision of broadband connection, alternate wireline and wireless according different local situation and conditions. We will focus on medium to high speed bandwidth products, establish premium brand name, and to develop medium to high end customers. For household customers, we will focus on the provision of high definition video, home safety devices and other smart home products to meet household customers' communications needs. We plan to make steady progress in wireline broadband in both operation scale and value creation through continued improvement in the six fronts of products, tariff setting, brand recognition, marketing and sales, distribution channels and service.

WIRELINE BROADBAND CUSTOMERS



Looking forward, we will adapt to and take the lead in the industry new norm, facilitate and support the building a cyberpower and the "Internet+" action plan, enhance customer value, increase core competence, push forward reform and transformation breakthrough. We will maintain our 4G leading position, provide high quality wireline broadband service, accelerate our business redeployment and innovation, actively explore and cultivate new development drives, thus to maintain sound and sustainable development.

SOUND FINANCIAL PERFORMANCE


Solid Revenue
Market Share
52%
Selling Expenses
20.9%
Industry Leading
Profit Margin
16.2%

FINANCIAL REVIEW

SUMMARY OF THE FINANCIAL RESULTS

In 2015, the Group seized the opportunities and directed its resources focusing on 4G development, established our leading edge in 4G market. Operating revenue continued to grow which leads the industry, whereas strongly compressed selling and administrative expenses, comprehensively promoted operations with low cost and high efficiency. The Group remains industry-leader in profitability and continuously creates value for the shareholders.

CREATE
LONG-TERM VALUE
FOR SHAREHOLDERS

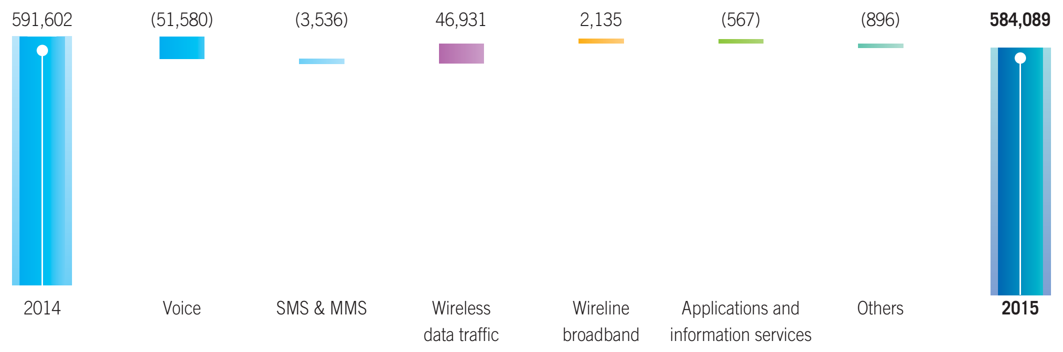
	2015	2014 As restated	Change
Operating revenue (RMB million)	**668,335**	651,509	2.6%
Of which: Revenue from telecommunications services (RMB million)	**584,089**	591,602	–1.3%
EBITDA (RMB million)	**240,028**	241,831	–0.7%
EBITDA margin	**35.9%**	37.1%	–1.2pp
EBITDA as a percentage of revenue from telecommunications services	**41.1%**	40.9%	0.2pp
Profit attributable to equity shareholders (RMB million)	**108,539**	109,218	–0.6%
Margin of profit attributable to equity shareholders	**16.2%**	16.8%	–0.6pp
Basic earnings per share (RMB)	**5.30**	5.38	–1.5%

OPERATING REVENUE

In 2015, the Group accelerated 4G development. Despite of various impacts such as the “transformation from business tax to value-added tax” policy and the “speed upgrade & tariff reduction” policy, the Group maintained a steady growth in revenue. Operating revenue reached RMB668.3 billion, up by 2.6% compared to the previous year, of which revenue from telecommunications services was RMB584.1 billion, down by 1.3% compared to the previous year. While revenue from traditional businesses continued to decline, revenue from data services grew rapidly and became the primary contributor, exceeding the revenue from voice services for the first time.

REVENUE FROM TELECOMMUNICATIONS SERVICES

(RMB million)



Revenue from Voice Services

Due to the impact of factors such as substitution effect of mobile Internet, revenue from voice services continued to decline. The amount for 2015 was RMB261.9 billion, down by 16.5% compared to the previous year, representing 44.8% of revenue from telecommunications services, down by 8.2 percentage points compared to the previous year.

Revenue from Data Services

In 2015, revenue from data services was RMB303.4 billion, up by 17.4% compared to the previous year, representing 52.0% of revenue from telecommunications services, up by 8.3 percentage points compared to the previous year.

The Group accelerated its business development with a focus on its 4G business, speeded up the migration of customers from 2G/3G networks to 4G networks, enriched various applications and enhanced its precise marketing of data traffic, leading to a rapid growth in data traffic which became the main engine of revenue growth. Revenue from wireless data traffic reached RMB200.9 billion, up by 30.5% compared to the previous year and representing 34.5% of revenue from telecommunications services, thereby effectively mitigated the decrease in revenue from voice and SMS/MMS services. Due to the impacts of substitution by OTT, revenue from SMS/MMS services was RMB31.2 billion, down by 10.2% compared to the previous year. The Group steadily developed its wireline broadband business and obtained a wireline broadband license through the acquisition of TieTong's assets and businesses, which is conducive to further synergy. Revenue from wireline broadband services was RMB18.3 billion, up by 13.2% compared to the previous year. Revenue from applications and information services was RMB53.0 billion, representing a slight decrease compare to previous year. The Group continues to innovate and explore in mechanism system and operation mode and expects greater room for expansion in the future.

STRUCTURE OF REVENUE FURTHER IMPROVE

A POSITIVE RESULT IN COST REDUCTION AND EFFICIENCY ENHANCEMENT

OPERATING EXPENSES

In 2015, the Group adhered to the principle of effectiveness, proactively optimized its allocation of resources, continued to strengthen its refined cost management and reduced its selling and administrative expenses, thereby achieving a positive result in cost reduction and efficiency enhancement. Operating expenses were RMB565.4 billion, up by 5.8% compared to the previous year and representing 84.6% of operating revenue. Profitability continued to be leading in the industry.

	2015 **RMB million**	2014 As restated RMB million	Change %
Operating expenses	**565,413**	534,189	5.8
Leased lines and network assets	**20,668**	15,843	30.5
Interconnection	**21,668**	23,502	–7.8
Depreciation	**136,832**	122,805	11.4
Employee benefit and related expenses	**74,805**	70,385	6.3
Selling expenses	**59,850**	75,655	–20.9
Cost of products sold	**89,297**	74,495	19.9
Other operating expenses	**162,293**	151,504	7.1

Leased Lines and Network Assets

The expenses for leased lines and network assets were RMB20.7 billion, up by 30.5% compared to the previous year and representing 3.1% of operating revenue, mainly comprised of usage fees for telecommunications towers, TD-SCDMA network capacity and "Village Connect" assets. Pursuant to actual circumstances, the Group accrued usage fees in respect of existing telecommunications towers for November and December 2015 and new telecommunications towers from the date of delivery amounted to RMB5.6 billion, which was the main reason for the increase in leasing fees.

Interconnection

Interconnection expenses were RMB21.7 billion, down by 7.8% compared to the previous year and representing 3.2% of operating revenue, which mainly due to the decline in the volume of voice and SMS/MMS services and hence a drop in the corresponding settlement amount.

Depreciation

Depreciation expenses were RMB136.8 billion, up by 11.4% compared to the previous year and representing 20.5% of operating revenue. Currently, the Group is at a critical stage of 4G development and strategic transformation. In order to maintain its leading edge in the 4G market and strengthen its market position, the Group increased its efforts in the construction of 4G and transmission networks. Depreciation expenses therefore increased with the expansion of the assets scale. The transfer of existing telecommunications towers and related assets would enable the Group to save depreciation costs in the future.

Employee Benefit and Related Expenses[1]

Employee benefit and related expenses were RMB74.8 billion, up by 6.3% compared to the previous year and representing 11.2% of operating revenue. Due to the implementation of the enterprise annuity system, the deepening of personnel structure adjustments, the distribution system reform, the enhancement of incentives for junior staff as well as the rigid rise in social insurance expenses, employee benefit and related expenses increased accordingly.

Selling Expenses

Selling expenses were RMB59.9 billion, down by 20.9% compared to the previous year and representing 9.0% of operating revenue. The Group deepened the transformation of its marketing mode, optimized the structure of its selling expenses, promoted the marketization of terminal sales, accelerated the transformation of social channels, enhanced the concentration of advertising and utilized big data for precise marketing, thereby boosting its marketing efficiency significantly. As a result, selling expenses reduced by over RMB30.0 billion in total for the last two years.

Cost of Products Sold

Cost of products sold were RMB89.3 billion, up by 19.9% compared to the previous year. The Group devoted itself to promoting the long-term development of TD-LTE terminal industry chain and focused on the sales of 4G terminals. As a result of the boost in sales volume, the cost of products sold increased accordingly.

Other Operating Expenses

Other operating expenses were RMB162.3 billion, up by 7.1% compared to the previous year and representing 24.2% of operating revenue. Other operating expenses primarily consist of maintenance expenses, operating lease expenses, provision for bad debts as well as asset written-off and impairment. Among these, maintenance and related expenses increased with the expansion of assets scale. Maintenance expenses were RMB54.0 billion, up by 2.1% compared to the previous year. Write-off and impairment of property, plant and equipment were RMB7.6 billion, mainly represents the provision for impairment of certain inefficient terminal transmission equipment and WLAN assets. The Group continued to strictly control its management expenses, with its administrative expenses such as conference and travelling expenses significantly reduced.

1 In accordance with requirements of reducing the proportion of labor sourced by third parties that provide services to the Group ("outsourcing labor") among total labor under "Amendment to Labor Contract Law of the PRC" and its associated rules and regulations, the Group has made adjustment on the structure of employees and outsourcing labor. Such adjustment leads to the significantly increase in number of employees and the significantly decrease in number of outsourcing labor in 2015. In order to reasonably reflect the composition and fluctuation of employee benefit and related expenses, the Group presents employee benefit and related expenses by combining personnel expenses and labor service expenses, the latter of which was presented under other operating expenses prior to 2015. The comparative figures have been presented on the same basis.

INDUSTRY-LEADING LEVEL OF PROFITABILITY

PROFITABILITY

In 2015, due to the impact of factors such as the "transformation from business tax to value-added tax" policy and the "speed upgrade & tariff reduction" policy, profit from operations was RMB102.9 billion, down by 12.3% compared to the previous year. EBITDA reached RMB240.0 billion and EBITDA margin reached 35.9%. Profit attributable to equity shareholders was RMB108.5 billion and its margin was 16.2%, thereby maintaining an industry-leading level of profitability.

	2015 RMB million	2014 As restated RMB million	Change %
Profit from operations	**102,922**	117,320	–12.3
Gain on the transfer of Tower Assets	**15,525**	–	–
Other gains	**1,800**	1,171	53.7
Interest income	**15,852**	16,270	–2.6
Finance costs	**455**	487	–6.6
Share of profit for investments accounted for using the equity method	**8,090**	8,248	–1.9
Taxation	**35,079**	33,179	5.7
Profit attributable to equity shareholders	**108,539**	109,218	–0.6

CAPITAL STRUCTURE

The Group's financial position continued to remain steady. At the end of 2015, total assets grew from RMB1,348.0 billion at the end of the previous year to RMB1,427.9 billion. Total liabilities changed from RMB459.1 billion at the end of the previous year to RMB507.5 billion. Debt-to-assets ratio changed from 34.1% at the end of the previous year to 35.5%.

As at the end of 2015, total borrowings was RMB5.0 billion, total debt to total book capitalization ratio (with total book capitalization representing the sum of total debt and total equity attributable to equity shareholders) was 0.5%. All of the Group's borrowings were denominated in Renminbi and all made at fixed interest rates. The Group firmly adhered to its prudent financial risk management policies and maintained sound repayment capabilities. The Group's effective average interest rate of borrowings was 4.27% and its effective interest coverage multiple was 282 times.

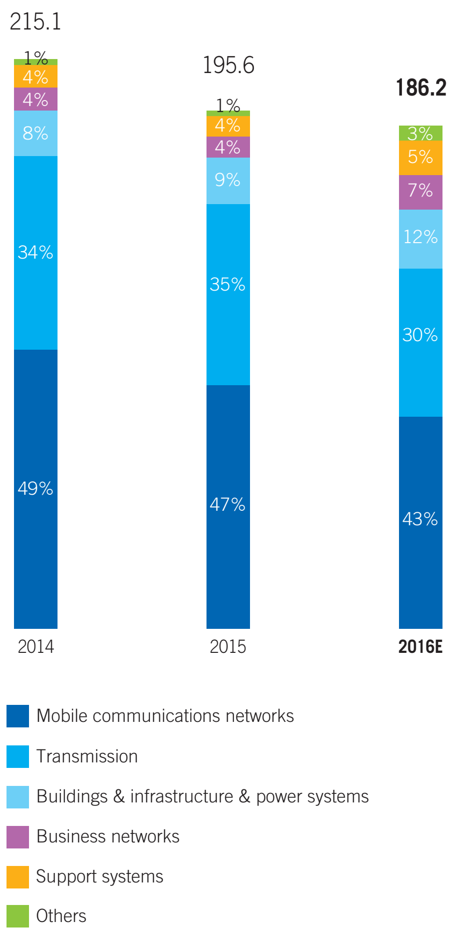
CAPITAL STRUCTURE REMAINS STEADY

	As at 31 December 2015 RMB million	As at 31 December 2014 As restated RMB million	Change %
Current assets	**488,697**	486,925	0.4
Non-current assets	**939,198**	861,110	9.1
Total assets	**1,427,895**	1,348,035	5.9
Current liabilities	**501,038**	452,492	10.7
Non-current liabilities	**6,489**	6,560	–1.1
Total liabilities	**507,527**	459,052	10.6
Non-controlling interests	**3,032**	2,067	46.7
Total equity attributable to equity shareholders	**917,336**	886,916	3.4

SUFFICIENT FUNDS SOLID FOUNDATION

CAPITAL EXPENDITURE DOWN YEAR BY YEAR

(RMB billion)



CAPITAL EXPENDITURE, FUND MANAGEMENT, CASH FLOW AND CREDIT RATINGS

Capital Expenditure

The Group is at a critical stage of transformation development. On one hand, by prioritizing its investments to make the most out of its first-mover advantage in the 4G market, the Group reinforced the optimization of its 4G network infrastructure and enhanced the quality of its 4G networks. On the other hand, the Group continuously increased its effort in the construction of transmission networks and achieved leaping improvements in its capabilities of transmission network, thereby supporting the Group's business development effectively.

In 2015, the Group appropriately controlled its investment schedule and optimized investment directions to ensure investment effectiveness. Capital expenditure for the year was RMB195.6 billion, down by 9.1% compared to the previous year, of which RMB79.1 billion was invested in 4G networks. Planned capital expenditure for 2016 is RMB186.2 billion, of which RMB75.7 billion, RMB11.2 billion and RMB39.0 billion will be invested in 4G networks, wireline broadband and transmission networks excluding access part, respectively.

Fund Management and Cash Flow

The Group consistently upheld prudent financial principles and strict fund management policies to maintain its cash flow at a healthy level. The Group ensured 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 effort and make appropriate allocations of its funds through China Mobile Finance, thereby enhancing the efficiency of funds utilization.

In 2015, the Group's cash flow remained healthy. Net cash inflow generated from operating activities, net cash outflow from investing activities, net cash outflow from financing activities and free cash flow were RMB235.1 billion, RMB142.7 billion, RMB86.5 billion and RMB39.5 billion respectively. As at the end of 2015, the Group's cash and bank balances were RMB407.8 billion, of which 98.6%, 0.5% and 0.9% were denominated in Renminbi, U.S. dollars and Hong Kong dollars respectively. The steady fund management and healthy cash flow provided a solid foundation to withstand risk and achieve sustainable healthy development for the Group.

Credit Ratings

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

ACQUISITION OF TARGET ASSETS AND BUSINESSES FROM TIETONG

In 2015, CM TieTong and TieTong entered into an acquisition agreement, under which CM TieTong acquired certain assets, businesses and related liabilities of TieTong located in thirty-one provinces, autonomous regions and directly administered municipalities in China, and took over related employees, at a final consideration of RMB31.967 billion. The acquisition would enable the Group to obtain a wireline broadband license and network resources throughout the country, to enhance its competitiveness of full-services, to achieve cost synergy and to significantly reduce its scale of connected transactions.

TRANSFER OF EXISTING TELECOMMUNICATIONS TOWERS AND RELATED ASSETS TO CHINA TOWER

In 2015, CMC transferred its existing telecommunications towers and related assets to China Tower on an arm's length basis at a final consideration of RMB102.736 billion. Pursuant to the transaction agreement, China Tower has issued 45.151 billion consideration shares to CMC at an issue price of RMB1 per share, and a cash consideration of RMB57.585 billion shall also be payable to CMC. Of the cash consideration, the first RMB5 billion was paid on 25 February 2016, while the remaining RMB52.585 billion will be paid before 31 December 2017 with an interest rate of 3.92% per annum to be charged. The transaction generated a one-off gain of RMB10.096 billion. China Tower's centralized construction and operation of telecommunications towers resources would enable the Group to obtain more network infrastructure resources through the co-construction and sharing, and to save its capital expenditure. In addition, as one of the major shareholders of China Tower, the Group expects to benefit from China Tower's future earnings and value enhancement.

CORPORATE GOVERNANCE REPORT

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

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

Evolution of China Mobile Corporate Governance in 2015:

- conducted a performance evaluation of the Board by retaining an independent third party to further improve the Board operation;
- reviewed and expanded the terms of reference of the Audit Committee;
- carried out a special inspection to clean up false contracts and conducted a compliance management survey to enhance legal risk control;
- re-arranged and optimized the duties and responsibilities of our headquarters departments and their internal organs to improve its management efficiency;
- provided training on the latest amendments to the Hong Kong Listing Rules to our directors and management;
- carried out optimization of procurement management procedures and processing procedures for home broadband; and
- we were again recognized on the Dow Jones Sustainability Emerging Markets Index, and had been on the DJSI family for eight consecutive years.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Board is responsible for performing the corporate governance duties and setting out the terms of reference on corporate governance functions. At present, more than one-third of the Board are independent non-executive directors.

Throughout the financial year ended 31 December 2015, the Company has complied with all 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 that the Company and its directors (including independent non-executive directors) 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.

We will, in accordance with the Corporate Governance Code, require our Board of Directors (the "Board"), the Board committees and other internal organs to strictly comply with their internal procedures.

SHAREHOLDERS

The Company is established in Hong Kong and owned by all shareholders. Our controlling shareholder is CMHK (Group), which, as of 31 December 2015, indirectly held approximately 72.72% of the total number of issued shares of the Company through a wholly-owned subsidiary, CMHK (BVI). The remaining approximately 27.28% of the total number of issued shares were held by public investors. The Articles of Association (the "Articles") of the Company is available on our website and the HKEx website.

Shareholder Rights

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

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

I. Requisition to move a resolution at an AGM

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

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

(ii) not less than 50 shareholders having the right to vote on that resolution at the AGM.

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

(i) 6 weeks before the AGM to which the request relates; or

(ii) if later, when the Notice of AGM is dispatched.

II. Requisition to convene an EGM

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

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

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

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

Shareholder Value and Communication

The Company's established principle is to strive to create value and bring favorable returns for shareholders. Since our first dividend payment for the fiscal year 2002, we have made efforts to achieve a sustained and stable growth in dividend to create better returns for shareholders. In fact, although the company's profitability in the recent two years has been fluctuating, we still maintain the planned 43% annual dividend payout ratio.

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

We use a number of formal channels to report to shareholders on the performance and operations of the Company, particularly through our annual and interim reports. Generally, when announcing interim results, annual results or any major transactions in accordance with the relevant regulatory requirements, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to the shareholders, investors and the general public, listen to their opinions and address any questions that they may have. In addition, the Company adheres to the practice of voluntarily disclosing on a quarterly basis certain key, unaudited operational and financial data, and on a monthly basis the net increase in the number of customers on its website to further increase the Group's transparency and to provide shareholders, investors and the general public with additional timely 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 2015, our management attended 9 investor conferences and 238 routine investor meetings, met with 635 investment institutions and 844 investors in total. We will continue our efforts to enhance our investor relations work.

The Company also attaches high importance to the AGMs, and makes substantial efforts to enhance communications between the Board and the shareholders. At the AGMs, the Board always makes efforts to fully address the questions raised by shareholders. In 2015, we held our AGM on one occasion on 28 May 2015 (Thursday) in the Conference Room, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong. The major items discussed and the percentage of votes cast in favor of the resolutions are set out as follows:

- The approval of the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2014 (99.9988%);
- The declaration of a final dividend for the year ended 31 December 2014 (99.5073%);
- The re-election of Mr. XUE Taohai as executive director (99.4316%);
- The re-election of Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi as independent non-executive directors ("INEDs") (89.6725% to 99.5114%);
- The 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 (99.9741%).

All resolutions were duly passed at the 2015 AGM. As at the date of the AGM, the number of issued shares of the Company was 20,474,995,907 shares, which was the total number of shares entitling the holders to attend and vote for or against all the resolutions proposed at the AGM. No shareholders were required to abstain from voting on the resolutions proposed at the AGM. Hong Kong Registrars Limited, the share registrar of the Company, acted as scrutineer for vote-taking at the AGM. Poll results were announced at the meeting and on the websites of the Company and the HKEx on the day of the AGM.

Shareholders' Calendar

The following table sets out the tentative key dates for our shareholders for the financial year ending 31 December 2016. Such dates are subject to change pursuant to actual situations. Shareholders should note our announcements issued from time to time.

FY 2016 Shareholders' Calendar	
17 March	Announcement of final results and final dividend for the financial year ended 31 December 2015
11 April	Upload of 2015 annual report on the websites of the Company and the HKEx
12 April	Dispatch of 2015 annual reports to shareholders
26 May	2016 AGM
End of June	Payment of final dividend for the financial year ended 31 December 2015
Mid-August	Announcement of interim results and interim dividend for the six months ending 30 June 2016, if any
End of September	Payment of interim dividend for the six months ending 30 June 2016, if any

THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The Board of Directors

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

The Board currently comprises nine directors, namely Mr. SHANG Bing (Chairman), Mr. LI Yue (Chief Executive Officer), Mr. XUE Taohai, Mr. SHA Yuejia and Mr. LIU Aili as executive directors, and Dr. LO Ka Shui, Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi and Mr. Paul CHOW Man Yiu as INEDs. The list of directors and their role and function is available on the websites of our Company and HKEx. The biographies of our directors are presented on pages 11 to 15 of this annual report and on our website.

As proposed by the Nomination Committee of the Company and after review and approval by the Board, Mr. SHANG Bing has been appointed as an Executive Director and the Chairman of the Company with effect from 10 September 2015. Mr. XI Guohua has resigned from his positions as an Executive Director and the Chairman of the Company by reason of age with effect from 24 August 2015. With effect from 19 March 2015, Madam HUANG Wenlin resigned from her positions as an Executive Director and Vice President of the Company by reason of retirement. Both Mr. XI and Mdm. HUANG have 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 2015, the Board met on six occasions and the directors' attendances at the meetings are as follows:

	Board of directors	Audit committee	Remuneration committee	Nomination committee	AGM
INEDs					
Dr. LO Ka Shui	6	–	2	2	1
Mr. Frank WONG Kwong Shing	5	5	2	2	1
Dr. Moses CHENG Mo Chi	6	4	2	2	1
Mr. Paul CHOW Man Yiu	6	5	–	–	1
Executive Directors					
Mr. SHANG Bing[1] (Chairman)	2	–	–	–	–
Mr. XI Guohua[2]	3	–	–	–	1
Mr. LI Yue (CEO)	6	–	–	–	1
Mr. XUE Taohai (CFO)	6	–	–	–	1
Mr. SHA Yuejia	4	–	–	–	1
Mr. LIU Aili	6	–	–	–	1

1 *Mr. Shang was appointed as an Executive Director and the Chairman of the Company with effect from 10 September 2015.*
2 *Mr. Xi resigned from his positions as an Executive Director and Chairman of the Company with effect from 24 August 2015.*

All board meetings and committee meetings were attended by the directors in person or by telephone/video conferencing. In 2015, the Board has met and discussed the matters relating to the annual results, interim results, connected transactions, acquisitions and transfer of assets, adjustment of the Board, sustainability report, application to increase the issue of ADS and others.

In 2015, the Company has engaged an independent third party to conduct a performance evaluation of the Board. The evaluation was principally on assessing the effectiveness of the Board and the Board Committees. The overall evaluation conclusion is that the Board and the Board Committees have effectively performed their duties.

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

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

The Company has received a confirmation of independence from each of our INEDs, namely Dr. LO Ka Shui, Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi and Mr. Paul CHOW Man Yiu, 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 11 to 15 of this annual report and on the Company's website. The Company has also received acknowledgments from the directors of their responsibility for preparing the financial statements and the representation by the auditors of the Company about their reporting responsibilities.

All our directors confirmed that they have complied with Paragraph A.6.5 of the Corporate Governance Code with respect to directors' training. Throughout the financial year ended 31 December 2015, we have provided a training session with respect to the latest amendments to the Hong Kong Listing Rules to our directors and management.

The Company has adopted 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") to regulate the directors' securities transactions. Save and except for the interests disclosed in the report of the directors on pages 60 to 62 of this annual report, none of the directors had any other interest in the shares of the Company as of 31 December 2015. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2015 and 31 December 2015.

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. In 2015, the terms of reference of the Audit Committee was reviewed and expanded. The terms of reference of the board committees are available on the HKEx's and the Company's websites, and can be obtained from the Company Secretary upon written request.

AUDIT COMMITTEE

Membership

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

Responsibilities

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

Work Done in 2015

In 2015, the Audit Committee met on five occasions and the attendance of each member is disclosed on page 46 of this annual report. In addition, the Audit Committee met with the external auditors for three times in 2015 and one of such meeting was held without any executive directors being present.

In 2015, the principal work performed by the Audit Committee includes:

- reviewed and approved the financial statements and results announcement, the report of the directors, financial review and final dividend for the financial year ended 31 December 2014;
- reviewed and approved our 2014 Annual Report on Form 20-F, which was filed with the US SEC;
- reviewed and approved the interim report, interim results announcement and interim dividend for the six months ended 30 June 2015;
- 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 2014 assessment report in relation to effectiveness of compliance with section 404 of the U.S. Sarbanes-Oxley Act of 2002 (the "SOX Act");
- reviewed and approved the 2015 project plan of internal audit department and budget for external engagement;
- approved the revised terms of reference of the Audit Committee;
- approved the 2014 evaluation report on accounting and financial report system;
- reviewed and approved the report on compliance with relevant laws and regulations in 2014; and
- reviewed and approved various internal audit reports.

In 2015, our Audit Committee has completed its review on internal controls and enforcement, reviewed its performance with reference to the authorities and duties set out in its terms of reference.

REMUNERATION COMMITTEE

Membership

The current members of the Company's Remuneration Committee are Dr. LO Ka Shui (chairman), Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi, 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 2015

In 2015, the Remuneration Committee met twice, during which the committee:

- reviewed and approved the 2014 performance-linked annual bonus of the senior management, and revised the appraisal program; and

- reviewed and approved the remuneration arrangements adjusted by the Board.

The Remuneration Committee reviewed its performance with reference to the authorities and duties set out in its terms of reference in 2015.

NOMINATION COMMITTEE

Membership

The current members of the Company's Nomination Committee are Dr. LO Ka Shui (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 2015

In 2015, the Nomination Committee met twice, during which the committee approved to conduct a performance evaluation of the Board by retaining an independent third party.

The Nomination Committee reviewed its performance with reference to the authorities and duties set out in its terms of reference in 2015.

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The Remuneration Committee is responsible for determining the remuneration packages of all executive directors and senior management. The remuneration package of our executive directors consists of a basic salary, a performance-linked annual bonus and a term incentive. The remuneration of independent non-executive directors is determined in part by reference to the prevailing market conditions and their workload as independent non-executive directors and members of the board committees of the Company. Please refer to note 10 to the consolidated financial statements on page 101 of this annual report for directors' and senior management's remuneration in 2015.

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 2015, the nomination and appointment of Mr. SHANG Bing was conducted in accordance with the above standards and procedures. His remuneration and director's fee as an Executive Director and the Chairman of the Company was determined by the Board with reference to his duties, responsibilities and experience, prevailing market conditions and any applicable regulatory requirements and is subject to all applicable approval(s).

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 11 to 15 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, our management provides monthly updates 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 further revised and improved our decision-making policies and implementation method, refined our major issue catalogue and criteria to prevent risks in decision-making. We strengthened the inspection mechanism, especially on key areas such as procurement biddings to look for loopholes in our management system and resolve them and urge for honest operation, healthy development, good performance and shareholders' interests protection.

For whistle blowing, the Company has set a post office box, an e-mail account (jubao@chinamobile.com), a telephone hotline (010-52616186), fax and other channels to encourage employees and the public to raise concerns about misconducts, malpractices or irregularities in any matters related to the Company. The Company will keep the whistleblowers' personal information strictly confidential to protect his/her rights, and carefully verify and investigate issues reported. During 2015, there were 1605 cases of whistle-blowing.

INTERNAL AUDIT

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

The Company and its operating subsidiaries have set up internal audit departments, which independently audit the business units of the Company and its operating subsidiaries. The head of the IA Dept. directly reports to the Audit Committee which, in turn, reports to the Board regularly. The IA Dept. has unrestricted access to all areas of the Group's business units, 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, reviews and approves the annual audit plan and resources allocation. The annual audit plan of the internal audit department covers various areas, namely financial audit, internal control audit, risk assessment, audit investigation and consultancy services. For financial audit, the IA Dept. audits and assesses the truthfulness, accuracy, compliance and efficiency of the Company's financial activities and financial information as well as the management and utilization of the Company's capital and assets. For internal control audit, the IA Dept. audits and assesses the effectiveness in the design and implementation of the Company's internal control system. According to the requirements under section 404 of the SOX Act, the IA Dept. organizes and performs internal audit assessment on the internal control over financial reporting of the Company on an annual basis, providing assurance for the Company's management in its issuance of the internal control assessment report. 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 2015, the IA Dept., focusing on the Company's strategy transformation, made more efforts on supervising high-risk areas including procurement, investment, cooperation businesses and expanded audit coverage. Special audits were carried out on key processes and IT systems in order to plug the loopholes and push management improvement. The IA Dept. promoted IT audit and formally launched the on-going computer-assisted audits, further promoted the audit rectification and accountability and improved the value of internal audit.

In 2016, the IA Dept. will continue focusing on new tasks of strategy transformation to find in-depth risk and plug management loopholes, and promoting process control and mechanism optimization to further enhance the effectiveness of internal audit.

EXTERNAL AUDITORS

In 2015, 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 2015.

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

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

	2015 RMB million	2014 RMB million
Audit fees[3]	**97**	91
Non-audit services fees[4]	**5**	6

3 *Including the fees rendered for the audit of internal control over financial reporting as required by section 404 of the SOX Act.*
4 *Including the fees for tax compliance and advisory services, risk assessment and performance improvement advisory services.*

OTHER STAKEHOLDERS

Good corporate governance practices require due attention to the impact of our business decisions on our shareholders as well as other relevant stakeholders such as customers, local communities, industry peers and regulatory authorities. Our sustainability report for the year of 2015 (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 2015. 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 2015, we were recognized on the Dow Jones Sustainability Emerging Markets Index, and had been on the DJSI family for eight consecutive years.

INTERNAL CONTROLS

The Board is responsible for conducting and conducts regular reviews of the effectiveness of the Group's internal controls 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.

According to the provisions under section 404 of the SOX Act, 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) and in compliance with requirements under the CP issued by HKEx, in establishing a stringent internal control system over financial reporting, and refined the routine management mechanism of internal controls.

We established a sound corporate governance structure and a top-down organizational structure from the Board to the specific positions with respective internal control duties. Our Audit Committee under the Board is responsible for, among other things, monitoring the Company's financial reporting procedures, internal controls and risk management. The Company reports the design and implementation of internal controls to Audit Committee annually and receives guidance and supervision from Audit Committee.

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

Based on the evaluation conducted by the management of the Company, the management believes that, as of 31 December 2015, the Company's internal control over financial reporting was effective and 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 2015, the Company's disclosure controls and procedures were effectively executed at a reasonable assurance level.

INFORMATION DISCLOSURE

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

Under the circumstances where any department or officer are in breach of disclosure procedures and internal control resulting in reporting or disclosure errors, or in breach of disclosure related laws and regulations, the Company shall hold the relevant personnel accountable. Members of the Disclosure Committee, heads of our IA Dept. and other relevant departments and each of our subsidiaries shall make certifications 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 issues audit reports. Depend on which, 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.

In compliance with the provisions of Hong Kong Securities and Futures Ordinance (the "SFO"), the Company also set up rules and lock-up periods on directors, management and employees in dealing in the shares of the Company or exercising our share options while they are in possession of inside information. In about every six months, they are required to sign a duty of confidentiality and prohibition against insider dealing. Unauthorized use of confidential or inside information for profits is strictly prohibited to prevent violation of laws and regulations.

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

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

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

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

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

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

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

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

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

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

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

HUMAN RESOURCES DEVELOPMENT

In 2015, our human resources work strictly adhered to the Group strategies and business development with "innovating mechanisms, stimulating vitality and improving efficiency" as the focus, "personnel selection and appointment mechanism improvement, labor management reform, diversified incentive mechanism enhancement and talent system management enhancement" as the emphasis, continuously improving organizational ability and work efficiency and actively promoting our transformation development.

ENHANCING KEY TALENT RETENTION

First, we implemented the successor scheme. We commenced studies on successor recommendation and preliminarily built up a team of successors that was prepared for the mid-and-long term leadership with proper structure and sufficient quantity. Second, we conducted forward-looking research. Based on our corporate strategic transformation, we carried out research on key talent retention and development to fully understand the current work situation of key talents and explored measures in respect of their retention and development.

OPTIMIZING REMUNERATION INCENTIVE MECHANISM

First, we firmly promoted the reform of the remuneration incentive mechanism with "flexible job structure and up-and-down job movements" as the focus, enhancing different management framework and optimizing the remuneration mechanisms of management and employees. Second, we continuously improved the remuneration incentive system at different levels and categories and promoted the reform on quantitative performance-based remuneration system for front-line employees, such as salespersons of Marketing department.

Employees participated actively in various healthy events.

IMPROVING FUNDAMENTAL MANAGEMENT

First, we launched the pilot unified written test for campus recruitment. We promoted employer brand building by organizing 14 presentation sessions and 16 on-site recruitment sessions, covering more than 30,000 person-times, to draw on a wide range of talents. We adopted an innovative recruitment management model and launched the first pilot unified written test attracting 33 organizations in more than 1,000 test centres with students participating for more than 40,000 person-times. Second, we actively improved the human resources information level. Further initiatives were taken to support the business management and promote the best human resources practices, including full implementation of the HRMS system, establishment of the training management system for its overall workflow and assistance to newly established specialized companies in their business and system construction planning.

In 2015, the online study platform of China Mobile University which was based on the development of mobile internet, introduced innovative study models by integrating multiple study means, such as PC, mobile phone, WeChat, live-broadcasting and MOOC. The platform provided our employees with training courses and learning materials in respect of corporate strategies, corporate culture communication, business strategies, work skills certification and employee development, etc. The number of people who studied at platform during the year exceeded 330,000 with a total of 10.24 million study hours. The platform encouraged them to study and make progress and endeavored to implement the corporate strategies. New initiatives were introduced and implemented to raise the refinement and professional levels of the trainings which, in turn, provided a sound training and development platform for our employees. Whilst employee vocational skills were comprehensively enhanced, this provided strong support to our business development. In 2014, China Mobile University was awarded “ATD – Excellence in Practice Award”, “China Best Enterprise University” and further than that, we received important awards this year, including “2015 Engine Award – China Benchmarked Enterprise University” and “2015 Innovation Award in China E-learning Industry”, etc.

In 2016, with China economic growth entering into a stage of new normal, there will be new changes in competition within the industry and new development of the Group. Our human resources work will also face new challenges and requirements. Thus, our human resources work shall further focus on “optimization of resources allocation, improvement of mechanisms, enhancement of talents retention and strengthening of service support” and endeavor to address new strategies, new requirements, new normal and new problems. We shall strive to be more proactive, forward-looking, systematic and efficient, continue to enhance organizational capabilities and work efficiency in order to support the sustainable and sound development of the Group.

2015 Engine Award – China Benchmarked Enterprise University

2015 Innovation Award in China E-learning Industry

REPORT OF DIRECTORS

The directors take pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2015.

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 2015.

Purchases from the largest supplier for the year represented 13% of the Group's total purchases. The five largest suppliers accounted for an aggregate of 30% of the Group's purchases in 2015. 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 2015 have the directors, their 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 2015 are set out in notes 18 and 19, respectively, to the consolidated financial statements, and the list of directors of each of the Company's subsidiaries is available on the Company's website.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the financial conditions of the Company and the Group as at that date are set out in the consolidated financial statements on pages 74 to 142.

DIVIDENDS

The Board remains confident that our Company's leading position in profitability and proven track record in generating healthy cash flow will propel China Mobile's future development and bring favorable returns for our shareholders. For the financial year ended 31 December 2015, the Board recommends payment of a final dividend of HK$1.196 per share. Together with the interim dividend of HK$1.525 per share paid earlier, this amounts to an aggregate dividend payment of HK$2.721 per share for the full financial year of 2015. In considering China Mobile's financial situation, capability to generate cash flow and future development needs, the Company's planned dividend payout ratio for the full financial year of 2016 will be 43%.

DONATIONS

Donations made by the Group during the year amounted to RMB55,655,059 (2014: RMB55,987,029).

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the Company's share capital and share option scheme are set out in note 35 to the consolidated financial statements and the paragraph "Share Option Scheme" below, respectively.

BONDS

Details of the bonds of the Group are set out in note 33 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 35 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the financial year were:

Executive Directors:

SHANG Bing *(Chairman; appointed on 10 September 2015)*
XI Guohua *(former Chairman; resigned on 24 August 2015)*
LI Yue
XUE Taohai
HUANG Wenlin *(resigned on 19 March 2015)*
SHA Yuejia
LIU Aili

Independent Non-Executive Directors:

LO Ka Shui
Frank WONG Kwong Shing
Moses CHENG Mo Chi
Paul CHOW Man Yiu

In accordance with Article 99 of the Articles, Mr. SHANG Bing will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election. Besides, in accordance with Article 95 of the Articles, Mr. LI Yue, Mr. SHA Yuejia and Mr. LIU Aili 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 11 to 13 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 paragraphs headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" 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. The executive directors of the Company voluntarily waived their directors' fees for the year ended 31 December 2015. The remuneration of the directors have 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 10 to the consolidated financial statements.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, 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 Articles, 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 purchases 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

As at 31 December 2015, the interests and short positions of the directors in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers are set out below.

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 2015 are as follows.

Director	Capacity	Ordinary shares held	Percentage of the number of issued shares*
LO Ka Shui	Beneficial owner	400,000	0.00%
	Interest of controlled corporation	300,000	0.00%
Frank WONG Kwong Shing	Beneficial owner	150,000	0.00%
Moses CHENG Mo Chi	Beneficial owner	400,000	0.00%

Note: 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 2015, and rounded off to two decimal places.

In 2015, certain directors of the Company personally hold options to subscribe for ordinary shares of the Company. Please refer to the paragraph headed "Share Option Scheme" below for details of the interests of the directors in such share options. The share options were granted to the directors pursuant to the terms of the share option scheme adopted by the Company.

Apart from those disclosed herein, as at 31 December 2015, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) that is required to be recorded and kept in the register in accordance with section 352 of the SFO or any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

Share Option Scheme of the Company

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

As set out in the Company's circular to shareholders dated 8 April 2002, the purpose of the Scheme is to provide the Company with a flexible and effective means of remunerating and providing benefits to the executive directors, non-executive directors and employees of the Company, any of its holding companies and their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds any equity interest (the "Participants"), thereby incentivizing the Participants. Under the Scheme, the Board may, at their discretion, invite the Participants to take up options to subscribe for shares in the Company.

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

The total number of shares in the Company issued and to be issued upon exercise of the options granted to a Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company. The consideration payable for the grant of each option under the Scheme is HK$1.00.

Under the Scheme, the term of the option is determined by the Board at their discretion, provided that all options must be exercised within 10 years after the date on which the option is granted. The exercise price of the options granted under the Scheme is determined by the Board at its discretion provided that such price may not be set below a minimum price which is the highest of:

(i) the nominal value of a share in the Company;

(ii) the closing price of the shares in the Company on the Stock Exchange on the date on which the option was granted; and

(iii) the average closing price of the shares in the Company on the Stock Exchange for the five trading days immediately preceding the date on which the option was granted.

No share options were granted or cancelled under the Scheme during the year ended 31 December 2015.

All outstanding options to subscribe for shares in the Company granted under the Scheme either lapsed or were exercised and none is outstanding during the year ended 31 December 2015, as detailed in the following table:

	No. of shares involved in the options outstanding at the beginning of the year	No. of shares involved in the options outstanding at year end	Date on which options were granted	No. of shares involved in the options lapsed during the year	No. of shares acquired on exercise of options during the year	Exercise price HK$
Directors						
LI Yue	780,000	–	8 November 2005	780,000	–	34.87
XUE Taohai	780,000	–	8 November 2005	780,000	–	34.87
SHA Yuejia	780,000	–	8 November 2005	780,000	–	34.87
LIU Aili	141,500	–	8 November 2005	141,500	–	34.87
Moses CHENG Mo Chi	400,000	–	8 November 2005	–	400,000	34.87
Employees	43,351,922	–	8 November 2005	6,695,539	36,656,383	34.87

Notes:

(a) No options to subscribe for shares in the Company were granted to the directors of the Company in 2015.

(b) Particulars of share options:

Date of grant	Exercise period
8 November 2005	8 November 2006 to 7 November 2015 (in respect of 40% of the options granted)
	8 November 2007 to 7 November 2015 (in respect of 30% of the options granted)
	8 November 2008 to 7 November 2015 (in respect of the remaining 30% of the options granted)

Details of share options exercised during the year:

Period during which share options were exercised	Exercise price HK$	Weighted average closing price per share immediately before dates of exercise of options HK$	Proceeds received HK$	Number of shares involved in the options
2 January 2015 to 6 November 2015	34.87	97.28	1,292,156,075	37,056,383

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 2015 amounting to 5% or more of the ordinary shares in issue:

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

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

Apart from the foregoing, as at 31 December 2015, no persons, other than a director or 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.

CONNECTED TRANSACTIONS

Connected Transactions

1. On 18 May 2015, China Mobile Communication Company Limited ("CMC"), a wholly-owned subsidiary of the Company, entered into a partnership agreement with State Development & Investment Corporation ("SDIC") and China Mobile State Development & Investment Management Company Limited (the "Fund Management Company") (the "Partnership Agreement") pursuant to which the parties agreed to establish, participate in and continue a limited partnership to be established and registered under the laws of the PRC, namely China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the "Partnership").

   The capital commitment of CMC, SDIC and the Fund Management Company to the Partnership were RMB1,500 million, RMB1,000 million and RMB50 million, respectively. During the 12-month period following the establishment date of the Partnership, the Partnership is entitled to increase the total capital commitment to RMB5,000 million and if such increase takes place, the percentage of equity interest in the Partnership of CMC, SDIC, the Fund Management Company and other investors will be 30%, 20%, 1% and 49%, respectively. The relevant capital commitment was determined after arm's length negotiations among the parties to the Partnership Agreement with reference to the capital requirements of the Partnership.

   The purpose of establishing the Partnership is to utilize and take advantage of the strengths and the resources of the parties to the Partnership; to invest in shares, equity interests, businesses and assets of companies, enterprises or other economic organizations with growth potential which are engaged in the mobile Internet and related upstream and downstream businesses, with the main investment targets being enterprises at the growth and maturity stages; and to seek favorable opportunities to exit by appropriate means, thereby achieving favorable investment returns for the partners.

   CMCC is the ultimate controlling shareholder of the Company and therefore, a connected person of the Company. The Fund Management Company is owned by CMCC as to 45% of its registered capital and therefore, is an associate of CMCC and also a connected person of the Company. Accordingly, the entering into of the Partnership Agreement by CMC and the Fund Management Company constituted a connected transaction for the Company under the Hong Kong Listing Rules. As at least one relevant percentage ratio applicable to this transaction is or exceeds 0.1% but is less than 5%, the transaction was subject to announcement and reporting requirements but exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules.

2. On 27 November 2015, CM TieTong (a wholly-owned subsidiary of the Company) entered into an acquisition agreement (the "Acquisition Agreement") with China TieTong Telecommunications Corporation ("TieTong"), under which CM TieTong has agreed to acquire (the "Acquisition"), and TieTong has agreed to sell certain assets, businesses and related liabilities and employees of TieTong. The final consideration for the Acquisition is RMB31.967 billion.

   The Board believes that the Acquisition would be beneficial to the Group's development due to the following reasons:

   (a) the Acquisition will be important in facilitating and accelerating the transformation of the Company into a fully integrated fixed-mobile operator in order to enhance the competitive strength to better compete against integrated peers in the data heavy and bundled services age;

   (b) it will enable the Company to obtain a fixed broadband license and provide an opportunity for the Company to grasp the opportunities in the fixed broadband market, accelerate the growth potential of the smart home and benefit from the expected growth of the PRC fixed broadband market;

   (c) it is expected to expand the Company's customer base rapidly, enabling the provision of bundled services to reduce churn rates as well as improve user loyalty and revenue;

   (d) it will provide the Company immediate scale through complementary network assets (extensive metro fibre network, backbone network and IPv4 addresses etc.) to increase the Company's fixed network capacity, coverage and efficiency through an integrated network;

   (e) through the Acquisition, the Company will obtain employees with extensive experience and expertise in the management and maintenance of fixed networks; and

   (f) overall, the Acquisition will greatly reduce the continuing connected transactions between the Company and CMCC (via TieTong) and simplify its management and operating structure.

   TieTong is a wholly-owned subsidiary of CMCC, the ultimate controlling shareholder of the Company. Thereby, TieTong is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the entering into the Acquisition Agreement by CM TieTong and the Acquisition itself constitute a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules. As at least one relevant percentage ratio applicable to the Acquisition is or exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Continuing Connected Transactions

Details of the continuing connected transactions are set out in note 37 to the consolidated financial statements.

For the financial year ended 31 December 2015, 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 market rates whilst the charges payable in respect of properties which CMCC or its subsidiaries lease from third parties and sub-let to the Group are determined according to the actual rent payable by CMCC or its subsidiaries to such third parties together with the amount of any tax payable;

(2) telecommunications service charges, prices of transmission towers and spare parts and the charges payable for installation and maintenance services in respect of transmission towers paid by the Group to CMCC did not exceed RMB8,000 million. The telecommunications service charges, prices of transmission towers and spare parts and the charges payable for installation and maintenance services in respect of transmission towers are determined with reference to and cannot exceed relevant standards laid down and revised from time to time by the government of the PRC. Where there are no government standards, the prices and charges are determined according to market rates; the charges in respect of telecommunications services provided by the Group payable by CMCC and its subsidiaries to the Group did not exceed RMB2,200 million;

(3) settlement charges paid by the Company to TieTong, in respect of calls made or received by their respective customers did not exceed RMB800 million and the settlement charges received by the Company from TieTong in respect of calls made or received by their respective customers were below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules. The rates for the settlement charges payable and receivable by the Company to and from TieTong are based on the previous interconnection settlement agreements entered into between TieTong and CMCC;

(4) leasing fees paid by the Company to CMCC for the leasing of the TD-SCDMA network capacity by the Company from CMCC did not exceed RMB10,000 million. The leasing fees are determined on a basis that reflects the Group's actual usage of CMCC's TD-SCDMA network capacity and to compensate CMCC for the costs of such network capacity;

(5) service charges paid by the Company to CMCC for the agency services regarding sales channel utilization and for the cooperation in the provision of basic telecommunications services (such as fixedline phone services, fixed-line IDD phone services, IP phone-to-phone calls services, 2G GSM and 3G TD-SCDMA mobile telecommunications services) ("Basic Telecommunications Services") and value-added telecommunications services (such as paging services, data transmission services, voice mailbox services and network connection services) ("Value-Added Telecommunications Services") to customers of the Company under the Telecommunications Services Cooperation Agreement did not exceed RMB7,000 million. The aggregate amount of the charges received by the Company for the services provided to CMCC under the Telecommunications Services Cooperation Agreement did not exceed RMB1,700 million. The service charges for agency services are determined with reference to market prices after taking into consideration the actual volume of agency services provided by CMCC and performance indicators such as total sales being recognized and additional number of subscribers acquired as a result of the provision of agency services by CMCC. In determining the market prices for the agency services, the Company has taken into account the service fees payable by the Company and CMCC to other industry players as well as the services fees receivable by the Company and CMCC from other industry players. The service fees payable by the Company and CMCC were, from the Company's perspective, no less favorable than the service fees charged to other industry players, being independent third parties, for the same agency services provided to such independent third parties. The service charges in respect of business cooperation are determined with reference to, after taking into account the actual volume of Basic Telecommunications Services and Value-Added Telecommunications Services provided and the resources and investment contributed, the government fixed price or the government guidance price if there is no government fixed price and where there is neither a government fixed price nor a government guidance price, the market price. Where none of the foregoing prices is applicable, the price is to be agreed between the parties and determined on a cost-plus basis. As there are no government fixed price or government guidance price for the Basic Telecommunications Services or the Value-Added Telecommunications Services, the charges payable by the Company and CMCC under the Telecommunications Services Cooperation Agreement for these services are determined with reference to the market price. In determining the market prices for the Basic Telecommunications Services and the Value-Added Telecommunications Services, the Company has taken into account the charges payable by the Company and CMCC to other industry players and the charges receivable by the Company and CMCC from other industry players. Such charges payable by the Company and CMCC were, from the Company's perspective, no less favorable than the charges charged to other industry players, being independent third parties, for the same Basic Telecommunications Services or Value-Added Telecommunications Services; and

(6) leasing fees paid by the Company to CMCC for the leasing of telecommunications network operation assets by the Company from CMCC did not exceed RMB15,000 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 2014–2016 property leasing and management services agreement dated 15 August 2013 between the Company and CMCC (the "2014–2016 Property Leasing Agreement"). The Company announced the entering into and the terms of the 2014–2016 Property Leasing Agreement on 15 August 2013. The 2014–2016 Property Leasing Agreement has a term of three years commencing on 1 January 2014 and will expire on 31 December 2016.

The transactions referred to in paragraph (2) above were entered into pursuant to the 2014–2016 telecommunications services agreement dated 15 August 2013 between the Company and CMCC (the "2014–2016 Telecommunications Services Agreement"). The Company announced the entering into and the terms of the 2014–2016 Telecommunications Services Agreement on 15 August 2013. The 2014–2016 Telecommunications Services Agreement has a term of three years commencing on 1 January 2014 and will expire on 31 December 2016.

The transactions referred to in paragraph (3) above were entered into pursuant to the tripartite agreement among the Company, CMCC and TieTong dated 13 November 2008 (the "Tripartite Agreement"). The entering into of the Tripartite Agreement was announced by the Company on 13 November 2008. The Tripartite 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; and (vii) on 21 August 2015 for a period of one year from 1 January 2016. On 27 November 2015, CM TieTong, entered into an acquisition agreement with TieTong under which CM TieTong has agreed to acquire, and TieTong has agreed the disposal of certain assets, business and related liabilities as well as the transfer of related employees. The acquisition by CM TieTong completed on 31 December 2015. Upon completion of the acquisition, as the business contracts and relevant transactions between the Company, CMCC and TieTong as contemplated under the Tripartite Agreement will be conducted by the Group, the interconnection settlement arrangements pursuant to the Tripartite Agreement no longer constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The transactions referred to in paragraph (4) 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; and (vii) on 21 August 2015 for a period of one year from 1 January 2016.

The transactions referred to in paragraph (5) above were entered into pursuant to the telecommunications services cooperation agreement between the Company and CMCC dated 6 November 2009 (the "Telecommunications Services Cooperation Agreement"). The entering into of the Telecommunications Services Cooperation Agreement was announced by the Company on 6 November 2009. The Telecommunications Services Cooperation Agreement has been renewed and announced by the Company (i) on 21 December 2010 for a period of one year from 1 January 2011; (ii) on 6 December 2011 for a period of one year from 1 January 2012; (iii) on 12 December 2012 for a period of one year from 1 January 2013; (iv) on 15 August 2013 for a period of one year from 1 January 2014; (v) on 14 August 2014 for a period of one year from 1 January 2015; and (vi) on 21 August 2015 for a period of one year from 1 January 2016.

The transactions referred to in paragraph (6) 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; and (v) on 21 August 2015 for a period of one year from 1 January 2016.

CMCC is the ultimate controlling shareholder of the Company and therefore, a connected person of the Company. TieTong is a wholly-owned subsidiary of CMCC and therefore, a connected person of the Company. Accordingly, all the transactions referred to in paragraphs (1) to (6) above constitute continuing 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 2015 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 2015.

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 2015.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2015 are set out in note 33 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 143 to 144 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 2015, employees' remuneration comprised a basic salary, a performance-based bonus and a long-term incentive scheme in the form of share option schemes for eligible employees, details of which are set out under the paragraph headed "Share option scheme" above.

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 and agreed with the Stock Exchange.

AUDITORS

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

OTHERS

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

By order of the Board

Shang Bing
Chairman

Hong Kong, 17 March 2016

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, 26 May 2016 at 10:00 a.m. in the Conference Room, Conrad 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 2015.

2. To declare a final dividend for the year ended 31 December 2015.

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

11 April 2016

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$1.196 per share for the year ended 31 December 2015 and, if such dividend is declared by the members passing resolution number 2, it is expected to be paid on or about 24 June 2016 to those shareholders whose names appear on the Company's register of members on 8 June 2016. Shareholders should read the announcement issued by the Company on 17 March 2016 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 2015 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 20 May 2016 to 26 May 2016 (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, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 19 May 2016.

   To ascertain shareholders' entitlement to the proposed final dividend upon passing resolution number 2, the register of members of the Company will be closed from 6 June 2016 to 8 June 2016 (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, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 3 June 2016.

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 2015 Annual Report.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of China Mobile Limited (the "Company") and its subsidiaries set out on pages 74 to 142, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	**2015** **Million**	2014 As restated (Note 2(b)) Million
Operating revenue	4		
Revenue from telecommunications services		**584,089**	591,602
Revenue from sales of products and others		**84,246**	59,907
		668,335	651,509
Operating expenses			
Leased lines and network assets		**20,668**	15,843
Interconnection		**21,668**	23,502
Depreciation		**136,832**	122,805
Employee benefit and related expenses	5	**74,805**	70,385
Selling expenses		**59,850**	75,655
Cost of products sold		**89,297**	74,495
Other operating expenses	6	**162,293**	151,504
		565,413	534,189
Profit from operations		**102,922**	117,320
Gain on the transfer of Tower Assets	7	**15,525**	–
Other gains	8	**1,800**	1,171
Interest income		**15,852**	16,270
Finance costs	9	**(455)**	(487)
Share of profit of investments accounted for using the equity method	19	**8,090**	8,248
Profit before taxation		**143,734**	142,522
Taxation	12(a)	**(35,079)**	(33,179)
PROFIT FOR THE YEAR		**108,655**	109,343
Other comprehensive income/(loss) for the year that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas entities		**603**	(169)
Share of other comprehensive income of associates		**901**	1,224
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**110,159**	110,398

for the year ended 31 December 2015
(Expressed in RMB)

	Note	2015 Million	2014 As restated (Note 2(b)) Million
Profit attributable to:			
Equity shareholders of the Company		**108,539**	109,218
Non-controlling interests		**116**	125
PROFIT FOR THE YEAR		**108,655**	109,343
Total comprehensive income attributable to:			
Equity shareholders of the Company		**110,043**	110,273
Non-controlling interests		**116**	125
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**110,159**	110,398
Earnings per share – Basic	13(a)	**RMB5.30**	RMB5.38
Earnings per share – Diluted	13(b)	**RMB5.30**	RMB5.35

The notes on pages 81 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2015
(Expressed in RMB)

	Note	As at 31 December 2015 Million	As at 31 December 2014 As restated (Note 2(b)) Million
Assets			
Non-current assets			
Property, plant and equipment	14	**585,631**	605,023
Construction in progress	15	**88,012**	95,110
Land lease prepayments and others	16	**26,773**	24,883
Goodwill	17	**35,343**	35,343
Other intangible assets		**768**	787
Investments accounted for using the equity method	19	**115,933**	70,451
Deferred tax assets	20	**25,423**	20,654
Proceeds receivable for the transfer of Tower Assets	7	**56,737**	–
Restricted bank deposits	21	**4,575**	8,731
Other financial assets	22	**3**	128
		939,198	861,110
Current assets			
Inventories	23	**9,994**	9,292
Accounts receivable	24	**17,743**	16,715
Other receivables	25	**26,186**	14,567
Prepayments and other current assets	25	**11,427**	15,482
Amount due from ultimate holding company	26	**247**	112
Tax recoverable		**746**	702
Available-for-sale financial assets	27	**19,167**	2,000
Restricted bank deposits	21	**15**	736
Bank deposits	28	**323,330**	353,507
Cash and cash equivalents	29	**79,842**	73,812
		488,697	486,925
Total assets		**1,427,895**	1,348,035
Equity and liabilities			
Liabilities			
Current liabilities			
Interest-bearing borrowings	33	**–**	1,000
Accounts payable	30	**243,579**	227,577
Bills payable		**645**	674
Deferred revenue	31	**78,100**	63,916
Accrued expenses and other payables	32	**163,404**	138,706
Amount due to ultimate holding company	26	**7,276**	14,519
Obligations under finance leases		**–**	68
Current taxation		**8,034**	6,032
		501,038	452,492

as at 31 December 2015
(Expressed in RMB)

	Note	As at 31 December 2015 Million	As at 31 December 2014 As restated (Note 2(b)) Million
Non-current liabilities			
Interest-bearing borrowings – non-current	33	**4,995**	4,992
Deferred revenue – non-current	31	**1,291**	1,470
Deferred tax liabilities	20	**203**	98
		6,489	6,560
Total liabilities		**507,527**	459,052
Equity			
Share capital	35(c)	**402,130**	400,737
Reserves		**515,206**	486,179
Total equity attributable to equity shareholders of the Company		**917,336**	886,916
Non-controlling interests		**3,032**	2,067
Total equity		**920,368**	888,983
Total equity and liabilities		**1,427,895**	1,348,035

The financial statements on pages 74 to 142 were approved by the Board of Directors on 17 March 2016 and were signed on its behalf.

Li Yue
Name of Director

Xue Taohai
Name of Director

The notes on pages 81 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital Million	Share premium 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 2014 (As previously reported)	2,142	387,243	(293,052)	72	(600)	235,749	457,219	788,773	1,951	790,724
Adjusted for business combination under common control (note 2(b))	–	–	63,038	–	(7)	21	(32,654)	30,398	1	30,399
As at 1 January 2014 (As restated)	2,142	387,243	(230,014)	72	(607)	235,770	424,565	819,171	1,952	821,123
Changes in equity for 2014:										
Profit for the year	–	–	–	–	–	–	109,218	109,218	125	109,343
Other comprehensive income/(loss)	–	–	1,224	–	(169)	–	–	1,055	–	1,055
Total comprehensive income/(loss) for the year	–	–	1,224	–	(169)	–	109,218	110,273	125	110,398
Dividends approved in respect of previous year (note 35(b)(ii))	–	–	–	–	–	–	(26,044)	(26,044)	(10)	(26,054)
Dividends declared in respect of current year (note 35(b)(i))	–	–	–	–	–	–	(24,880)	(24,880)	–	(24,880)
Shares issued under share option scheme (note 35(c))	9,279	2,073	(3,137)	–	–	–	–	8,215	–	8,215
Transfer to PRC statutory reserves (note 35(d)(ii))	–	–	–	–	–	23,172	(22,991)	181	–	181
Transfer between reserves upon expiry of options (note 34(b))	–	–	(27)	–	–	–	27	–	–	–
Transition to no-par value regime (note 35(c))	389,316	(389,316)	–	–	–	–	–	–	–	–
Others	–	–	–	–	8	–	(8)	–	–	–
As at 31 December 2014 (As restated)	400,737	–	(231,954)	72	(768)	258,942	459,887	886,916	2,067	888,983
As at 1 January 2015 (As previously reported)	**400,737**	**–**	**(294,992)**	**72**	**(761)**	**258,918**	**492,602**	**856,576**	**2,067**	**858,643**
Adjusted for business combination under common control (note 2(b))	**–**	**–**	**63,038**	**–**	**(7)**	**24**	**(32,715)**	**30,340**	**–**	**30,340**
As at 1 January 2015 (As restated)	**400,737**	**–**	**(231,954)**	**72**	**(768)**	**258,942**	**459,887**	**886,916**	**2,067**	**888,983**
Changes in equity for 2015:										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**108,539**	**108,539**	**116**	**108,655**
Other comprehensive income	**–**	**–**	**901**	**–**	**603**	**–**	**–**	**1,504**	**–**	**1,504**
Total comprehensive income for the year	**–**	**–**	**901**	**–**	**603**	**–**	**108,539**	**110,043**	**116**	**110,159**
Dividends approved in respect of previous year (note 35(b)(ii))	**–**	**–**	**–**	**–**	**–**	**–**	**(22,283)**	**(22,283)**	**(21)**	**(22,304)**
Dividends declared in respect of current year (note 35(b)(i))	**–**	**–**	**–**	**–**	**–**	**–**	**(25,629)**	**(25,629)**	**–**	**(25,629)**
Shares issued under share option scheme (note 35(c))	**1,393**	**–**	**(369)**	**–**	**–**	**–**	**–**	**1,024**	**–**	**1,024**
Transfer to PRC statutory reserves (note 35(d)(ii))	**–**	**–**	**–**	**–**	**–**	**20,542**	**(20,502)**	**40**	**–**	**40**
Transfer between reserves upon expiry of options (note 34(b))	**–**	**–**	**(92)**	**–**	**–**	**–**	**92**	**–**	**–**	**–**
Consideration for business combination under common control (note 2(b))	**–**	**–**	**(31,967)**	**–**	**–**	**–**	**–**	**(31,967)**	**–**	**(31,967)**
Transfer of assets of entities under common control to the ultimate holding company (note 2(b))	**–**	**–**	**(808)**	**–**	**–**	**–**	**–**	**(808)**	**–**	**(808)**
Capital injection from non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**870**	**870**
As at 31 December 2015	**402,130**	**–**	**(264,289)**	**72**	**(165)**	**279,484**	**500,104**	**917,336**	**3,032**	**920,368**

The notes on pages 81 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015
(Expressed in RMB)

	Note	2015 Million	2014 As restated (Note 2(b)) Million
Operating activities			
Profit before taxation		**143,734**	142,522
Adjustments for:			
– Depreciation of property, plant and equipment		**136,832**	122,805
– Amortization of other intangible assets	6	**274**	112
– Amortization of land lease prepayments	16	**426**	407
– Gain on the transfer of Tower Assets	7	**(15,525)**	–
– Gain on disposal of property, plant and equipment	6	**(4)**	(1)
– Write-off and impairment of property, plant and equipment	6	**7,614**	2,383
– Impairment loss of doubtful accounts	6	**4,839**	5,536
– Write-down of inventories	6	**272**	293
– Interest income		**(15,852)**	(16,270)
– Finance costs	9	**455**	487
– Dividend income from unlisted securities	8	**(11)**	–
– Share of profit of investments accounted for using the equity method	19	**(8,090)**	(8,248)
– Unrealized exchange loss, net		**182**	80
– Impairment loss of goodwill	6	**–**	1,594
– Gain on disposal of other financial assets		**(14)**	–
Operating cash flows before changes in working capital		**255,132**	251,700
Increase in inventories		**(1,005)**	(271)
Increase in accounts receivable		**(5,830)**	(8,165)
Increase in other receivables		**(1,341)**	(960)
Decrease/(increase) in prepayments and other current assets		**276**	(8,010)
Increase in amount due from ultimate holding company		**(135)**	(18)
(Decrease)/increase in accounts payable		**(6,832)**	8,191
Increase/(decrease) in bills payable		**12**	(144)
Increase in deferred revenue		**14,005**	1,200
Increase in accrued expenses and other payables		**18,633**	7,722
(Decrease)/increase in amount due to ultimate holding company		**(32)**	4,249
Cash generated from operations		**272,883**	255,494
Tax paid			
– Hong Kong profits tax paid		**(232)**	(272)
– PRC enterprise income tax paid		**(37,562)**	(38,784)
Net cash generated from operating activities		**235,089**	216,438

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2015
(Expressed in RMB)

	Note	2015 Million	2014 As restated (Note 2(b)) Million
Investing activities			
Capital expenditure		**(172,243)**	(174,673)
Land lease prepayments		**(1,450)**	(1,028)
Acquisition of other intangible assets		**(212)**	(23)
Proceeds from disposal of property, plant and equipment		**7**	2
Decrease in bank deposits		**30,177**	21,620
Decrease/(increase) in restricted bank deposits		**4,877**	(2,609)
Interest received		**15,655**	14,513
Payment for investment accounted for using the equity method	19	**(376)**	(9,508)
Dividends received from associates	19	**2,842**	2,476
Dividends received from unlisted securities	8	**11**	–
Purchase of available-for-sale financial assets		**(24,965)**	(2,000)
Maturity of available-for-sale financial assets		**8,294**	–
Short-term loans granted by China Mobile Finance and other investments	25	**(5,500)**	–
Proceeds from disposal of other financial assets		**140**	–
Net cash used in investing activities		**(142,743)**	(151,230)
Financing activities			
Proceeds from issuance of shares under share option scheme	35(c)	**1,024**	8,215
Capital injection from non-controlling shareholders of a subsidiary		**870**	–
Interest paid		**(442)**	(480)
Dividends paid to the Company's equity shareholders	35(b)	**(47,912)**	(50,924)
Dividends paid to non-controlling shareholders of subsidiaries		**(21)**	(10)
Consideration for business combination under common control	2(b)	**(31,880)**	–
Proceeds from entrusted loans	37(a)	**8,592**	10,242
Repayment of entrusted loans	37(a)	**(18,834)**	(9,573)
Short-term deposits placed by ultimate holding company	37(a)	**7,274**	–
Maturity of short-term deposits placed by ultimate holding company	37(a)	**(4,181)**	–
Repayment of bonds	33	**(1,000)**	–
Net cash used in financing activities		**(86,510)**	(42,530)
Net increase in cash and cash equivalents		**5,836**	22,678
Cash and cash equivalents at beginning of year		**73,812**	51,180
Effect of changes in foreign exchange rate		**194**	(46)
Cash and cash equivalents at end of year	29	**79,842**	73,812

Significant non-cash transactions

The Group recorded payables of RMB125,210,000,000 (2014: RMB120,327,000,000) to equipment suppliers as at 31 December 2015 for additions of construction in progress during the year then ended.

On 31 October 2015, the Group completed the transfer of its telecommunications towers and related assets to China Tower Corporation Limited ("China Tower"). In addition to 45,151,000,000 equity shares at a par value of RMB1 per share issued to the Group by China Tower to pay the consideration, China Tower would also pay cash consideration of RMB57,585,000,000. In February 2016, China Tower has paid RMB5,000,000,000, and the remaining balance of cash consideration is deferred and will be settled before 31 December 2017. See note 7 for details.

The notes on pages 81 to 142 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), are consistent with IFRSs as it relates to the Group's financial statements. These financial statements also comply with HKFRSs and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. Except for the changes made to the presentation and disclosures of certain information in the consolidated financial statements, the adoption of the new Hong Kong Companies Ordinance did not have any significant impact on the consolidated financial statements. 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 2015 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 41.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

Acquisition of Target Assets and Businesses from China Tietong Telecommunications Corporation

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

The acquisition of the Target Assets and Businesses was considered as a business combination under common control as CM TieTong and the Target Assets and Businesses are both ultimately controlled by CMCC.

Under IFRSs and HKFRSs, the acquisition of the Target Assets and Businesses was accounted for using merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA (note 2(c)). Accordingly, the acquired Target Assets and Businesses are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the Target Assets and Businesses acquired had always been part of the Group. As a result, the Group has restated the 2014 comparative amounts of the consolidated statement of comprehensive income by including the operating results of Target Assets and Businesses and eliminating its transactions with the Target Assets and Businesses, as if the acquisition had been completed on the earliest date of the periods being presented, i.e., 1 January 2014. The consolidated balance sheet of the Group as at 31 December 2014 was restated to include the assets and liabilities of Target Assets and Businesses. Certain assets that had not been acquired by the Group were included in the consolidated financial statements before the Completion Date, as they formed an integral part of the Target Assets and Businesses. Upon the completion of the acquisition of the Target Assets and Businesses on 31 December 2015, these assets amounting to RMB808,000,000 were recorded as a distribution to the ultimate holding company.

The following is a reconciliation of the effect arising from the common control combination on the consolidated statement of comprehensive income and consolidated balance sheet in connection with the acquisition of Target Assets and Businesses:

	The Group As previously reported Million	Effect arising from acquisition of Target Assets and Businesses Million	The Group As restated Million
Profit for the year ended 31 December 2014	109,405	(62)	109,343
Net assets as at 31 December 2014	858,643	30,340	888,983

	The Group Million	**Effect arising from acquisition of Target Assets and Businesses Million**	**The Group As reported Million**
Profit for the year ended 31 December 2015	**108,661**	**(6)**	**108,655**
Net assets as at 31 December 2015	**890,828**	**29,540**	**920,368**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

Acquisition of Target Assets and Businesses from China Tietong Telecommunications Corporation (Continued)

The effect arising from the acquisition of Target Assets and Businesses has included the operating results, assets and liabilities of Target Assets and Businesses and the elimination on its transactions with the Group. The effect amounting to RMB29,540,000,000 as at 31 December 2015 was offset by the cash consideration of RMB31,967,000,000, resulting a decrease of RMB2,427,000,000 in the Group's net assets.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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(j)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(iii) Business combination other than under common control

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

(iv) Business combination under common control

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments accounted for using the equity method

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

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

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

Under the equity method, the investment is initially recorded at cost. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). 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.

(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(j)). 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.

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(j)). 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) Other financial assets

Other financial assets represent investments in unquoted equity securities (other than investments in subsidiaries and interest in associates), which are recognized in the balance sheet at cost less impairment losses (see note 2(j)) when those investments in equity securities do not have a quoted market price in an active market and their fair value cannot be reliably measured.

(h) 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(j)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided for at rates, which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the useful life of the asset as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). 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. There were no contingent rentals recognized by the Group during the years presented.

(iii) 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. There were no contingent rentals recognized by the Group during the years presented.

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

(iv) Sale and leaseback

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets

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

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

– significant financial difficulty of the entity;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the entity will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the entity; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For investment accounted for using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(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(j)(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 removed 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 removed 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– construction in progress;

– prepaid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries;

– goodwill; and

– other intangible assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(k) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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(j)), except where the effect of discounting would be immaterial.

(n) 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.

(o) 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(s)(iv)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

(r) 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.

(s) Revenue recognition

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

(i) revenue derived from voice and data services are recognized when the service is rendered;

(ii) sales of products are recognized when the title is passed to the buyer;

(iii) for offerings which include the provision of services and sale of mobile handset, the Group determines the revenue from the sale of the mobile handset by deducting the fair value of the service element from the total contract consideration; and

(iv) for transactions which offer customer points reward when services are provided, the consideration allocated to the customer points reward is based on its fair value which is recorded as deferred revenue when the rewards are granted and recognized as revenue when the points are redeemed or expired.

(t) Interest income

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

(u) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

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

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

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) 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 (HK$25,000 prior to June 2014). Such contributions are recognized as an expense in profit or loss as incurred.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (Continued)

(ii) Share-based payments

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

During the vesting period, the number of share options that is expected to vest is reviewed at each balance sheet date. Any resulting adjustment to the cumulative fair value recognized in prior years is credited/charged to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share capital account (share premium account before 3 March 2014)) 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.

(x) 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.

(y) Translation of foreign currencies

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies (Continued)

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.

(z) 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(z)(a); or

(vii) A person identified in note 2(z)(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) 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.

(ab) Dividend distribution

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

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted certain amended IFRS/HKFRS effective for accounting period beginning on 1 January 2015. Details of the adoption are as follows:

– Amendment to IAS/HKAS 19, "Employee Benefits".

– Amendments from annual improvements to IFRSs/HKFRSs 2010–2012 Cycle, on IFRS/HKFRS 8, "Operating Segments", IAS/HKAS 16, "Property, Plant and Equipment", IAS/HKAS 38, "Intangible Assets" and IAS/HKAS 24, "Related Party Disclosures".

– Amendments from annual improvements to IFRSs/HKFRSs 2011–2013 Cycle, on IFRS/HKFRS 3, "Business Combinations", IFRS/HKFRS 13, "Fair Value Measurement" and IAS/HKAS 40, "Investment Property".

The adoption of the above amended standards did not have material impact on the Group's financial statements. The Group did not apply any other amendments, new standards or interpretation that is not yet effective for the current accounting year (see note 42).

(Expressed in RMB unless otherwise indicated)

4 OPERATING REVENUE

	2015 Million	2014 As restated Million
Revenue from telecommunications services		
Voice services	**261,896**	313,476
Data services	**303,425**	258,462
Others	**18,768**	19,664
	584,089	591,602
Revenue from sales of products and others	**84,246**	59,907
	668,335	651,509

On 29 April 2014, a notification (the "Cai Shui [2014] No. 43") was jointly issued by the Ministry of Finance and the State Administration of Taxation of the People's Republic of China ("SAT"), and as approved by the State Council of the People's Republic of China, the telecommunications industry would be included in the scope of the pilot program for the transformation from business tax to value-added tax (the "VAT Program") from 1 June 2014. According to the Cai Shui [2014] No. 43, the value-added tax rates for the provision of basic telecommunications services and value-added telecommunications services are 11% and 6%, respectively. With the implementation of the VAT Program from 1 June 2014, the Group is not required to pay the business tax of 3% on the telecommunications services.

5 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2015 Million	2014 As restated Million
Salaries, wages, labor service expenses and other benefits	**67,622**	64,715
Retirement costs: contributions to defined contribution retirement plans	**7,183**	5,670
	74,805	70,385

In accordance with requirements of reducing the proportion of labor sourced by third parties that provide services to the Group ("outsourcing labor") among total labor under "Amendment to Labor Contract Law of the PRC" and its associated rules and regulations, the Group has made adjustment on the structure of employees and outsourcing labor. Such adjustment leads to the increase in number of employees and the decrease in number of outsourcing labor in 2015. In order to reasonably reflect the composition and fluctuation of employee benefit and related expenses, the Group presents employee benefit and related expenses by combining personnel expenses and labor service expenses, the latter of which was presented under other operating expenses prior to 2015. The comparative figures have been presented on the same basis.

(Expressed in RMB unless otherwise indicated)

6 OTHER OPERATING EXPENSES

	Note	2015 Million	2014 As restated Million
Maintenance		**53,991**	52,883
Impairment loss of doubtful accounts		**4,839**	5,536
Impairment loss of goodwill (note 17)		**–**	1,594
Write-down of inventories		**272**	293
Amortization of other intangible assets		**274**	112
Operating lease charges			
– land and buildings		**13,447**	12,722
– others	(i)	**6,186**	4,834
Gain on disposal of property, plant and equipment		**(4)**	(1)
Write-off and impairment of property, plant and equipment (note 14)		**7,614**	2,383
Auditors' remuneration			
– audit services	(ii)	**97**	91
– tax services		**1**	–
– other services		**4**	6
Others	(iii)	**75,572**	71,051
		162,293	151,504

Note:

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

(ii) Audit services include reporting on the Group's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America with the service fee amount of RMB20,000,000 (2014: RMB20,000,000).

(iii) Others consist of office expenses, utilities charges, travelling expenses, entertainment expenses, spectrum charges, consultancy and professional fees, consumables and supplies, and other miscellaneous expenses.

7 GAIN ON THE TRANSFER OF TOWER ASSETS

In 2014, China Mobile Communication Co., Ltd. ("CMC"), a wholly-owned subsidiary of the Company, entered into an agreement with China United Network Communications Corporation Limited ("China Unicom") and China Telecom Corporation Limited ("China Telecom") to establish China Tower. Pursuant to the agreement, CMC contributed RMB4,000,000,000 in cash, which represents 40.0% of the registered capital of China Tower upon its establishment. China Tower engages in construction, maintenance and operation of telecommunications towers. The Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of China Tower.

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

(Expressed in RMB unless otherwise indicated)

7 GAIN ON THE TRANSFER OF TOWER ASSETS (CONTINUED)

On 31 October 2015, CMC completed the transfer of its Tower Assets to China Tower. In return, China Tower issued 45,151,000,000 equity shares at a par value of RMB1 per share to CMC. In addition, China Tower shall pay CMC the remaining cash consideration of RMB57,585,000,000, within which China Tower has made the first payment of RMB5,000,000,000 in February 2016. The remaining balance of cash consideration amounting to RMB52,585,000,000 is deferred and to be settled before 31 December 2017. In addition, China Tower will pay interest associated with the unpaid cash consideration to CMC from 1 November 2015 at a pre-determined interest rate, which is 90% of the financial institution's one year benchmark lending rate announced by the People's Bank of China ("PBOC") on the completion date of the transaction, i.e. 31 October 2015.

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

	2015 **Million**
Total consideration	**102,736**
– Consideration in equity shares	**45,151**
– Consideration in cash, deferred and undiscounted	**57,585**
Net book value of the Tower Assets	**(78,763)**
Taxes, surcharges and others	**(2,260)**
Elimination of unrealized profits resulting from transactions between the Group and its associate	**(6,188)**
Gain on the transfer of Tower Assets	**15,525**

The gain, net of taxation, on transfer of Tower Assets, after considering the income tax effect associated with the transfer of Tower Assets, amounted to RMB10,096,000,000.

Upon the completion of the transfer of Tower Assets, based on the proposed pricing calculation mechanism of Tower Assets' usage and the actual usage, the Company has accrued the corresponding expense of approximately RMB5,563,000,000 in the Group's consolidated statement of comprehensive income for the year ended 31 December 2015.

8 OTHER GAINS

	2015 **Million**	2014 As restated Million
Penalty income	**658**	515
Dividend income from unlisted securities	**11**	–
Others	**1,131**	656
	1,800	1,171

9 FINANCE COSTS

	2015 Million	2014 As restated Million
Interest on bonds	257	274
Interest on entrusted loans and bank deposits (note 37(a))	194	211
Others	4	2
	455	487

10 DIRECTORS' REMUNERATION

Directors' remuneration during the year is as follows:

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

10 DIRECTORS' REMUNERATION (CONTINUED)

Directors' remuneration during the year is as follows (Continued):

(Expressed in Hong Kong dollar)	Directors' fees '000	Salaries, allowances and benefits in kind '000	Performance related bonuses '000	Retirement scheme contributions '000	2014 Total '000
Executive directors					
XI Guohua	180	1,174	565	256	2,175
LI Yue (Chief Executive Officer)	180	1,067	513	234	1,994
XUE Taohai	180	960	462	210	1,812
HUANG Wenlin	180	960	462	210	1,812
SHA Yuejia	180	960	462	210	1,812
LIU Aili	180	960	462	210	1,812
Independent non-executive directors					
LO Ka Shui	325	–	–	–	325
WONG Kwong Shing, Frank	470	–	–	–	470
CHENG Mo Chi, Moses	440	–	–	–	440
CHOW Man Yiu, Paul	330	–	–	–	330
	2,645	6,081	2,926	1,330	12,982

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

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

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

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

The unpaid portion of executive directors' performance related bonuses for 2015 will be paid based on the evaluation conducted in 2016, and the additional bonuses related to their term of service will be paid based on the evaluation conducted upon the completion of three-year evaluation period.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2014, all of the five individuals with the highest emoluments are directors whose emoluments are disclosed in note 10.

For the year ended 31 December 2015, none of the five individuals with the highest emoluments in the Group are directors. The emoluments payable to the five individuals during 2015 are as follows:

(Expressed in RMB)	2015 '000
Salaries, allowances and benefits in kind	**8,134.8**
Performance related bonuses	**1,814.1**
Retirement scheme contributions	**148.2**
	10,097.1

The emoluments fell within the following bands:

	Number of individuals 2015
Emolument bands (in RMB)	
1,500,001–2,000,000	**4**
2,000,001–2,500,000	**1**

12 TAXATION

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

	Note	2015 Million	2014 As restated Million
Current tax			
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(i)	**164**	113
Provision for the PRC enterprise income tax on the estimated taxable profits for the year	(ii)	**39,588**	36,204
		39,752	36,317
Deferred tax			
Origination and reversal of temporary differences (note 20)	(iii)	**(4,673)**	(3,138)
		35,079	33,179

(Expressed in RMB unless otherwise indicated)

12 TAXATION (CONTINUED)

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

Note:

(i) The provision for Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year ended 31 December 2015.

(ii) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2014: 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 2015. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2014: 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.

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

	2015	2014
		As restated
	Million	Million
Profit before taxation	**143,734**	142,522
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (note)	**35,934**	35,631
Tax effect of non-taxable items		
– Share of profit of associates	**(2,023)**	(2,062)
– Interest income	**(31)**	(26)
Tax effect of non-deductible expenses on the PRC operations	**986**	693
Tax effect of non-deductible expenses on Hong Kong operations	**68**	46
Rate differential of certain PRC operations (note 12(a)(ii))	**(1,576)**	(1,329)
Rate differential on Hong Kong operations	**(122)**	(107)
Tax effect of goodwill impairment loss	**–**	398
Tax effect of unrecognized temporary difference	**98**	–
Tax effect of unrecognized tax loss for which no deferred tax asset was recognized	**356**	116
Tax effect on the eliminated unrealized profits related to the transfer of Tower Assets	**1,547**	–
Others	**(158)**	(181)
Taxation	**35,079**	33,179

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

(Expressed in RMB unless otherwise indicated)

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB108,539,000,000 (2014: RMB109,218,000,000) and the weighted average number of 20,473,119,088 shares (2014: 20,293,253,516 shares) in issue during the year, calculated as follows:

Weighted average number of shares

	2015 Number of shares	2014 Number of shares
Issued shares as at 1 January	**20,438,426,514**	20,102,539,665
Effect of share options exercised	**34,692,574**	190,713,851
Weighted average number of shares in issue during the year	**20,473,119,088**	20,293,253,516

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB108,539,000,000 (2014: RMB109,218,000,000) and the weighted average number of 20,479,705,763 shares (2014: 20,408,441,343 shares), calculated as follows:

Weighted average number of shares (diluted)

	2015 Number of shares	2014 Number of shares
Weighted average number of shares in issue during the year	**20,473,119,088**	20,293,253,516
Dilutive equivalent shares arising from share options	**6,586,675**	115,187,827
Weighted average number of shares (diluted) during the year	**20,479,705,763**	20,408,441,343

(Expressed in RMB unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings Million	Telecommunications transceivers, switching centers, transmission and other network equipment Million	Office equipment, furniture, fixtures and others Million	Total Million
Cost:				
As at 1 January 2014 (As previously reported)	126,205	927,634	19,334	1,073,173
Acquisition of Target Assets and Businesses (note 2(b))	3,735	76,876	830	81,441
As at 1 January 2014 (As restated)	129,940	1,004,510	20,164	1,154,614
Additions	184	801	835	1,820
Transferred from construction in progress	13,906	191,950	1,998	207,854
Disposals	(3)	(7)	(10)	(20)
Assets written-off	(431)	(42,416)	(1,450)	(44,297)
Exchange differences	6	10	–	16
As at 31 December 2014 (As restated)	143,602	1,154,848	21,537	1,319,987
As at 1 January 2015 (As previously reported)	**139,851**	**1,074,593**	**20,611**	**1,235,055**
Acquisition of Target Assets and Businesses (note 2(b))	**3,751**	**80,255**	**926**	**84,932**
As at 1 January 2015 (As restated)	**143,602**	**1,154,848**	**21,537**	**1,319,987**
Additions	**119**	**837**	**580**	**1,536**
Transferred from construction in progress	**13,225**	**178,285**	**2,099**	**193,609**
Transfer of Tower Assets to China Tower (note 7)	**(25,014)**	**(133,164)**	**(212)**	**(158,390)**
Disposals	**(1)**	**(84)**	**(24)**	**(109)**
Assets written-off	**(2,588)**	**(26,130)**	**(1,199)**	**(29,917)**
Exchange differences	**117**	**211**	**3**	**331**
As at 31 December 2015	**129,460**	**1,174,803**	**22,784**	**1,327,047**

(Expressed in RMB unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings Million	Telecommunications transceivers, switching centers, transmission and other network equipment Million	Office equipment, furniture, fixtures and others Million	Total Million
Accumulated depreciation and impairment:				
As at 1 January 2014 (As previously reported)	33,325	548,690	11,931	593,946
Acquisition of Target Assets and Businesses (note 2(b))	1,464	38,094	539	40,097
As at 1 January 2014 (As restated)	34,789	586,784	12,470	634,043
Charge for the year	5,997	114,243	2,604	122,844
Written back on disposals	(1)	(7)	(9)	(17)
Assets written-off	(389)	(40,190)	(1,335)	(41,914)
Exchange differences	3	5	–	8
As at 31 December 2014 (As restated)	40,399	660,835	13,730	714,964
As at 1 January 2015 (As previously reported)	**38,796**	**618,275**	**13,189**	**670,260**
Acquisition of Target Assets and Businesses (note 2(b))	**1,603**	**42,560**	**541**	**44,704**
As at 1 January 2015 (As restated)	**40,399**	**660,835**	**13,730**	**714,964**
Charge for the year	**6,542**	**127,888**	**2,428**	**136,858**
Transfer of Tower Assets to China Tower (note 7)	**(8,317)**	**(80,765)**	**(97)**	**(89,179)**
Written back on disposals	**(1)**	**(84)**	**(21)**	**(106)**
Assets written-off and impairment loss	**(1,813)**	**(18,456)**	**(1,014)**	**(21,283)**
Exchange differences	**15**	**146**	**1**	**162**
As at 31 December 2015	**36,825**	**689,564**	**15,027**	**741,416**
Net book value:				
As at 31 December 2015	**92,635**	**485,239**	**7,757**	**585,631**
As at 31 December 2014 (As restated)	103,203	494,013	7,807	605,023

(Expressed in RMB unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2015, CMC transferred its Tower Assets including property, plant and equipment with cost and accumulated depreciation and impairment of RMB158,390,000,000 and RMB89,179,000,000, respectively, to China Tower. The gain arising from the transfer of the Tower Assets is recorded as "Gain on the transfer of Tower Assets" in the consolidated statement of comprehensive income for the year ended 31 December 2015. Please refer to note 7 for details.

Write-off of property, plant and equipment mainly represents the retirement of individual network asset due to obsolescence or damages. Such assets have been disconnected from existing network, abandoned or demolished. Total net book value of such assets written off was RMB2,667,000,000 in 2015 (2014: RMB2,383,000,000), including the assets of net book value amounting to RMB765,000,000 attributable to the ultimate holding company. These assets were disposed at scrap value.

With the rapid growth of the Group's 4G operation in 2015, the strategy of ramping up the internet connection speed with lower tariff, continuing technology changes, and further development of wireline broadband business, management anticipates more pressure on the growth and profitability of the Wireless Local Area Network ("WLAN") business. Therefore, management performed impairment testing on the WLAN and related terminal transmission equipment ("WLAN Equipment") as at 31 December 2015. For the impairment testing purpose, the recoverable values of WLAN Equipment was determined based on value-in-use calculations, i.e. the present value of estimated future net cash flows expected to arise from the continuing use of the WLAN Equipment. In estimating the present value of future net cash flows, after considering the historical results, the prevailing market trends and the expected remaining useful lives of related WLAN Equipment, the Group has made key assumptions and estimates on the appropriate pre-tax discount rate of 10%, the period covered by the cash flow forecast of 3 years, and the estimated decrease in revenue by 10% per annum on average. Based on the impairment testing results, the Group recognized an impairment loss of RMB5,967,000,000 for the year ended 31 December 2015 (2014: nil).

15 CONSTRUCTION IN PROGRESS

	2015 **Million**	2014 As restated Million
As at 1 January	**95,110**	91,600
Additions	**192,737**	211,364
Transferred to property, plant and equipment	**(193,609)**	(207,854)
Transfer of Tower Assets to China Tower (note 7)	**(6,226)**	–
As at 31 December	**88,012**	95,110

Construction in progress primarily comprises expenditure incurred on the network expansion projects but not yet completed as at 31 December 2015.

(Expressed in RMB unless otherwise indicated)

16 LAND LEASE PREPAYMENTS AND OTHERS

For the year ended 31 December 2015, the land lease prepayments expensed in the profit or loss amounted to approximately RMB426,000,000 (2014: approximately RMB407,000,000).

17 GOODWILL

	2015	2014 As restated
	Million	Million
As at 1 January	**35,343**	36,937
Impairment	–	(1,594)
As at 31 December	**35,343**	35,343

Impairment tests for goodwill

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

As at 31 December 2015, the goodwill of RMB35,300,000,000 is attributable to the cash-generating unit in relation to the operation in Mainland China which management currently monitors. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. Value-in-use is calculated 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 2020 with subsequent transition to perpetuity. For the five years ending 31 December 2020, the average growth rate is assumed 1.5% for the operation in Mainland China. For the years beyond 31 December 2020, the assumed continual growth rates to perpetuity of 1% is used for the operation in Mainland China. The present value of cash flows is calculated by discounting the cash flow using pre-tax interest rates of approximately 12%. The management performed impairment test for the goodwill in relation to the operation in Mainland China and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss.

For the year ended 31 December 2014, with the development of the 4G operation in Hong Kong, the competition in Hong Kong telecommunications market had become increasingly fierce. Management anticipated more pressure on the operating performance in future considering the necessity of investment in capital expenditure and increased marketing expenses to sustain the development of business. As a result, the management made a provision for impairment loss of goodwill amounting to RMB1,594,000,000 in relation to the operation in Hong Kong based on the annual impairment test result.

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES

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

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

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

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

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activity
China Mobile Group Guizhou Co., Ltd.	PRC	RMB2,541,981,749	–	100%	Mobile telecommunications operator
China Mobile Group Yunnan Co., Ltd.	PRC	RMB4,137,130,733	–	100%	Mobile telecommunications operator
China Mobile Group Xizang Co., Ltd.	PRC	RMB848,643,686	–	100%	Mobile telecommunications operator
China Mobile Group Gansu Co., Ltd.	PRC	RMB1,702,599,589	–	100%	Mobile telecommunications operator
China Mobile Group Qinghai Co., Ltd.	PRC	RMB902,564,911	–	100%	Mobile telecommunications operator
China Mobile Group Ningxia Co., Ltd.	PRC	RMB740,447,232	–	100%	Mobile telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	PRC	RMB2,581,599,600	–	100%	Mobile telecommunications operator
China Mobile Group Design Institute Co., Ltd.	PRC	RMB160,232,500	–	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited **	PRC	US$30,000,000	100%	–	Investment holding company
China Mobile (Shenzhen) Limited **	PRC	US$7,633,000	–	100%	Provision of roaming clearance services
Aspire Holdings Limited	Cayman Islands	HK$93,964,583	66.41%	–	Investment holding company
Aspire (BVI) Limited#	BVI	US$1,000	–	100%	Investment holding company
Aspire Technologies (Shenzhen) Limited **#	PRC	US$10,000,000	–	100%	Technology platform development and maintenance

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activity
Aspire Information Network (Shenzhen) Limited ***#	PRC	US$5,000,000	–	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited ***#	PRC	US$5,000,000	–	100%	Technology platform development and maintenance
Fujian FUNO Mobile Communication Technology Company Limited ***	PRC	US$3,800,000	–	51%	Network planning and optimizing construction testing and supervising, technology support, development and training of Nokia GSM900/1800 Mobile Communication System
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 ("CMHK")	Hong Kong	HK$951,046,930	–	100%	Provision of mobile telecommunications and related services
China Mobile International Holdings Limited ("CMI Holdings")	Hong Kong	HK$10,500,000,000	100%	–	Investment holding company
China Mobile International Limited	Hong Kong	HK$3,000,000,000	–	100%	Provision of voice and roaming clearance services, internet services and value-added services
China Mobile Group Device Co., Ltd.	PRC	RMB6,200,000,000	–	99.97%	Provision of electronic communication products design and sale of related products
China Mobile Group Finance Co., Ltd. ("China Mobile Finance") ##	PRC	RMB11,627,783,669	–	92%	Provision of non-banking financial services

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activity
China Mobile M2M Company Limited ("M2M Company")	PRC	RMB1,000,000,000	–	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	PRC	RMB700,000,000	–	100%	Provision of computer hardware and software research and development services
China Mobile (Hangzhou) Information Technology Co., Ltd.	PRC	RMB900,000,000	–	100%	Provision of computer hardware and software research and development services
China Mobile Online Service Co., Ltd.	PRC	RMB50,000,000	–	100%	Provision of call center services
MIGU Company Limited	PRC	RMB5,500,000,000	–	100%	Provision of Mobile Internet digital content services
CM TieTong	PRC	RMB15,000,000,000	–	100%	Provision of telecommunications services
China Mobile Internet Company Limited	PRC	RMB2,000,000,000	–	100%	Provision of value added telecommunications services

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

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

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

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

\#\# China Mobile Finance was established by CMCC and Beijing Mobile, a wholly-owned subsidiary of the Company, with original equity interest of 8% and 92%, respectively. In 2015, China Mobile Finance received capital injections from CMCC and CMC, after which the equity interest held by CMCC, CMC and Beijing Mobile are 8.00%, 52.44% and 39.56% respectively.

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Associates	**115,558**	70,451
Joint ventures	**375**	–
	115,933	70,451

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	PRC	38%	Construction, maintenance and operation of telecommunications towers
Listed company			
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	PRC	20%	Provision of banking services
IFLYTEK Co., Ltd. ("IFLYTEK")	PRC	14%	Provision of Chinese speech and language technology products and services
True Corporation Public Company Limited ("True Corporation")	Thailand	18%	Provision of telecommunications services

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

During 2014, CMI Holdings, a wholly-owned subsidiary of the Company subscribed for 4,429,427,068 ordinary shares of True Corporation (a fully-integrated, nationwide telecommunications service provider in Thailand) at the price of Baht6.45 per share with a total consideration of Baht28.57 billion (equivalent to approximately RMB5.51 billion). Upon the completion of the subscription, CMI Holdings owns 18% of the share capital and has become the second largest shareholder of True Corporation and two designees nominated by CMI Holdings have been appointed as directors of True Corporation. Accordingly, the Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of True Corporation.

Also in 2014, China Tower was established, of which the Group owns 40.0% of the registered capital upon establishment. In 2015, upon the completion of the transaction of transfer of Tower Assets to China Tower (see note 7), the Group owns 38.0% of the equity interest in China Tower. The Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of China Tower.

Summary financial information on principal associates:

	SPD Bank As at 31 December	
	2015 Million	2014 Million
Total assets	**5,044,352**	4,195,924
Total liabilities	**4,725,752**	3,932,639
Total equity	**318,600**	263,285
Total equity attributable to ordinary equity shareholders	**285,250**	245,209
Percentage of ownership of the Group	**20%**	20%
Total equity attributable to the Group	**57,050**	49,042
The impact of fair value adjustments at the time of acquisition and goodwill	**9,361**	10,512
Interest in associates	**66,411**	59,554

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summary financial information on principal associates (Continued):

	IFLYTEK As at 31 December		True Corporation As at 31 December		China Tower As at 31 December	
	2015 Million	2014 Million	**2015 Million**	2014 Million	**2015 Million**	2014 Million
Total current assets	**4,767**	2,565	**14,038**	16,487	**38,586**	9,676
Total non-current assets	**3,623**	2,605	**36,959**	27,428	**231,793**	454
Total current liabilities	**1,601**	1,076	**20,158**	22,026	**47,717**	244
Total non-current liabilities	**266**	193	**17,279**	8,608	**96,535**	–
Total equity	**6,523**	3,901	**13,560**	13,281	**126,127**	9,886
Total equity attributable to equity shareholders	**6,268**	3,707	**13,441**	13,170	**126,127**	9,886
Percentage of ownership of the Group	**14%**	15%	**18%**	18%	**38%**	40%
Total equity attributable to the Group	**878**	556	**2,419**	2,371	**47,928**	3,954
The impact of fair value adjustments at the time of acquisition and goodwill	**827**	876	**3,077**	3,133	**–**	–
Elimination of unrealized profits resulting from transfer of Tower Assets and its realisation	**–**	–	**–**	–	**(5,989)**	–
Interest in associates	**1,705**	1,432	**5,496**	5,504	**41,939**	3,954

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summary financial information on principal associates (Continued):

	SPD Bank		IFLYTEK	
	2015 Million	2014 Million	**2015 Million**	2014 Million
Revenue	**146,550**	123,181	**2,501**	1,775
Profit before taxation	**66,877**	62,030	**465**	434
Profit attributable to ordinary equity shareholders for the year	**49,704**	47,026	**425**	379
Other comprehensive income	**4,458**	6,119	**–**	–
Total comprehensive income	**54,162**	53,145	**425**	379
Dividends received from associates	**2,824**	2,462	**18**	14

	True Corporation		China Tower	
	2015 Million	2014 Million	**2015 Million**	2014 Million
Revenue	**21,416**	20,447	**10,325**	–
Profit/(loss) before taxation	**839**	(129)	**(3,864)**	(114)
Profit/(loss) for the year	**795**	267	**(2,944)**	(114)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income/(loss)	**795**	267	**(2,944)**	(114)
Dividends received from associates	**–**	–	**–**	–

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

	As at 31 December 2015		As at 31 December 2014	
	Carrying amount Million	**Fair value Million**	Carrying amount Million	Fair value Million
SPD Bank	**66,411**	**68,160**	59,554	58,535
IFLYTEK	**1,705**	**6,639**	1,432	3,184
True Corporation	**5,496**	**5,339**	5,504	9,205
Interest in listed associates	**73,612**	**80,138**	66,490	70,924

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

As at 31 December 2015, the fair value of investment in SPD Bank was RMB68,160,000,000 (2014: RMB58,535,000,000), exceeding its carrying amount by approximately 2.6% (2014: approximately 1.7% below).

(Expressed in RMB unless otherwise indicated)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

As at 31 December 2015, the fair value of investment in True Corporation was RMB5,339,000,000, below its carrying amount by approximately 2.9%, which was primarily due to the depreciation of Thai Baht during 2015. Since the decline in the fair value of investment in True Corporation is not significant or prolonged, there was no objective evidence of impairment as at 31 December 2015.

For the year ended 31 December 2015, China Tower has carried out operation for a short period. There was no objective evidence of impairment associated with the investment in China Tower as at 31 December 2015.

The management has determined that there was no impairment indicator of the Group's interests in other associates as at 31 December 2015 and 2014.

On 18 May 2015, CMC entered into a partnership agreement with State Development & Investment Corporation and China Mobile State Development & Investment Management Company Limited (45% of its registered capital is owned by CMCC), under which they agreed to establish China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the "Fund"). The principal business of the Fund is investment in portfolio companies with high-growth potential in mobile internet and related sectors and seek favourable opportunities to exit by appropriate means. CMC committed to invest RMB1,500,000,000 in cash, which represents 58.5% equity interest in the Fund. As at 31 December 2015, CMC has contributed RMB360,000,000 to the Fund and has a commitment to invest RMB1,140,000,000 to the fund upon the request by the Fund.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

20 DEFERRED TAX ASSETS AND LIABILITIES

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

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Deferred tax assets:		
– Deferred tax asset to be recovered after 12 months	**4,935**	4,639
– Deferred tax asset to be recovered within 12 months	**20,488**	16,015
	25,423	20,654
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after 12 months	**(166)**	(80)
– Deferred tax liabilities to be settled within 12 months	**(37)**	(18)
	(203)	(98)

(Expressed in RMB unless otherwise indicated)

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2015

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

Deferred tax assets and liabilities recognized and the movements during 2014

	As at 1 January 2014 As restated Million	Credited to profit or loss As restated Million	As at 31 December 2014 As restated Million
Deferred tax assets arising from:			
Write-down for obsolete inventories	132	56	188
Write-off of certain network equipment and related assets	2,256	368	2,624
Accrued operating expenses	9,184	1,457	10,641
Deferred revenue from Reward Program	4,500	1,121	5,621
Impairment loss for doubtful accounts	1,450	130	1,580
	17,522	3,132	20,654
Deferred tax liabilities arising from:			
Depreciation allowance in excess of related depreciation	(104)	6	(98)
Total	17,418	3,138	20,556

(Expressed in RMB unless otherwise indicated)

21 RESTRICTED BANK DEPOSITS

		As at 31 December 2015			As at 31 December 2014		
		Non-current assets	Current assets	Total	Non-current assets As restated	Current assets As restated	Total As restated
	Note	Million	Million	Million	Million	Million	Million
Restricted bank deposits							
– Statutory deposit reserves	(i)	4,526	–	4,526	8,666	–	8,666
– Pledged bank deposits	(ii)	49	15	64	65	736	801
		4,575	15	4,590	8,731	736	9,467

Note:

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

(ii) Non-current pledged bank deposits are primarily related to the performance bonds issued by banks in favor of the Office of the Communications Authority of Hong Kong, in order to secure CMHK's due performance of network and service rollout requirement in or before 2017 and 2018, respectively.

As at 31 December 2014, current pledged bank deposits primarily represent standby letters of credit in favor of the Office of the Communications Authority of Hong Kong for CMHK fulfilling the deposit requirement for the public auction of spectrum with original maturity within one year.

22 OTHER FINANCIAL ASSETS

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Investment in unlisted equity securities in the PRC	3	128

23 INVENTORIES

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
SIM cards and handsets	8,604	8,194
Other consumables	1,390	1,098
	9,994	9,292

(Expressed in RMB unless otherwise indicated)

24 ACCOUNTS RECEIVABLE

(a) Aging analysis

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

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Within 30 days	**10,343**	10,007
31–60 days	**2,082**	2,247
61–90 days	**1,457**	1,244
Over 90 days	**3,861**	3,217
	17,743	16,715

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.

(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:

	2015 Million	2014 As restated Million
As at 1 January	**6,575**	6,081
Impairment loss recognized	**4,921**	5,674
Accounts receivable written off	**(4,947)**	(5,180)
As at 31 December	**6,549**	6,575

(Expressed in RMB unless otherwise indicated)

24 ACCOUNTS RECEIVABLE (CONTINUED)

(c) Accounts receivable that are not impaired

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

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Neither past due nor impaired	**17,240**	16,034
Less than 1 month past due	**503**	681
	17,743	16,715

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

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

25 OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

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

Prepayments and other current assets primarily consist of rental prepayments.

As at 31 December 2015 and 2014, there were no significant overdue amounts for other receivables.

(Expressed in RMB unless otherwise indicated)

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 2015, amount due to ultimate holding company comprises the short-term deposits of CMCC in China Mobile Finance amounting to RMB7,274,000,000 (2014: RMB4,181,000,000) and the corresponding interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

As at 31 December 2014, amount due to ultimate holding company also comprised entrusted loans of RMB10,242,000,000 provided by CMCC to TieTong. The entrusted loans carried interest rate at 2% per annum and have been fully repaid by TieTong during 2015.

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2015 Million	As at 31 December 2014 Million
Wealth management products issued by banks	**19,167**	2,000

The available-for-sale financial assets represent wealth management products issued by banks. These wealth management products will mature within one year with variable return rates indexed to the performance of underlying assets. As at 31 December 2015, the carrying amount approximated the fair value (level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)). The fair values are based on cash flow discounted using the judgement that expected return will be obtained upon maturity.

28 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.

29 CASH AND CASH EQUIVALENTS

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Bank deposits with original maturity within three months	**7,312**	30,095
Cash at banks and in hand	**72,530**	43,717
	79,842	73,812

(Expressed in RMB unless otherwise indicated)

30 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Due within 1 month or on demand	**205,724**	194,006
Due after 1 month but within 3 months	**17,002**	14,071
Due after 3 months but within 6 months	**8,980**	6,897
Due after 6 months but within 9 months	**3,488**	3,808
Due after 9 months but within 12 months	**8,385**	8,795
	243,579	227,577

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.

	2015 Million	2014 As restated Million
As at 1 January	**65,386**	64,342
– Current portion	**63,916**	63,155
– Non-current portion	**1,470**	1,187
Additions during the year	**321,417**	236,910
Recognized in the consolidated statement of comprehensive income	**(307,412)**	(235,866)
As at 31 December	**79,391**	65,386
Less: Current portion	**(78,100)**	(63,916)
Non-current portion	**1,291**	1,470

(Expressed in RMB unless otherwise indicated)

32 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Receipts-in-advance	**74,040**	66,774
Other payables	**21,789**	17,794
Accrued salaries, wages, labor service expenses and other benefits	**5,776**	5,667
Accrued expenses	**61,799**	48,471
	163,404	138,706

33 INTEREST-BEARING BORROWINGS

	Note	As at 31 December 2015 Million	As at 31 December 2014 As restated Million
Bonds issued by Guangdong Mobile	(i)	**4,995**	4,992
Bonds issued by TieTong	(ii)	**–**	1,000
		4,995	5,992
Less: current portion		**–**	1,000
Non-current portion		**4,995**	4,992

Note:

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

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

(ii) The bonds were issued by TieTong on 18 August 2005, with a principal amount of RMB1,000,000,000, at an issue price equal to the face value of the bonds. The bonds are unsecured and bear interest at rate of 4.6% per annum which is payable annually. The bonds were fully repaid on 18 August 2015.

34 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

The HKEx requires the exercise price of options to be at least the higher of the nominal value of a share (no longer existed after 3 March 2014, see note 35(c)), the closing price of the shares on the HKEx on the date on which the option was granted and the average closing price of the shares on the HKEx for the five trading days immediately preceding the date on which the option was granted.

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

(i) the nominal value of a share (no longer exists after 3 March 2014, see note 35(c));

(ii) the closing price of the shares on the HKEx on the date on which the option was granted; and

(iii) the average closing price of the shares on the HKEx for the five trading days immediately preceding the date on which the option was granted.

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

(Expressed in RMB unless otherwise indicated)

34 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grants that existed as at the end of the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments			
	2015	2014	Vesting conditions	Contractual life of options
Options granted to directors				
– on 8 November 2005	–	2,881,500	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
Options granted to other employees				
– on 8 November 2005	–	43,351,922	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
Total share options	–	46,233,422		

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

	2015		2014	
	Weighted average exercise price HK$	**Number of shares involved in the options**	Weighted average exercise price HK$	Number of shares involved in the options
As at 1 January	**34.87**	**46,233,422**	31.28	385,273,559
Exercised	**34.87**	**(37,056,383)**	30.86	(335,886,849)
Expired	**34.87**	**(9,177,039)**	23.33	(3,153,288)
As at 31 December	–	–	34.87	46,233,422
Options vested as at 31 December	–	–	34.87	46,233,422

The weighted average share price at the date of exercise for shares options exercised during the year was HK$98.58 (2014: HK$79.40).

No options were outstanding as at 31 December 2015. The options outstanding as at 31 December 2014 had exercise price HK$34.87 and a weighted average remaining contractual life of 0.9 year.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. No share options were granted during 2015 and 2014.

(Expressed in RMB unless otherwise indicated)

35 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital Million	Share premium Million	Capital reserve Million	General reserve Million	Retained profits Million	Total Million
As at 1 January 2014	2,142	387,243	3,625	72	84,269	477,351
Changes in equity for 2014:						
Profit for the year	–	–	–	–	50,328	50,328
Total comprehensive income for the year	–	–	–	–	50,328	50,328
Dividends approved in respect of previous year (note 35(b)(ii))	–	–	–	–	(26,044)	(26,044)
Dividends declared in respect of current year (note 35(b)(i))	–	–	–	–	(24,880)	(24,880)
Shares issued under share option scheme (note 35(c))	9,279	2,073	(3,137)	–	–	8,215
Transfer between reserves upon expiry of options (note 34(b))	–	–	(27)	–	27	–
Transition to no-par value regime (note 35(c))	389,316	(389,316)	–	–	–	–
As at 31 December 2014	400,737	–	461	72	83,700	484,970
As at 1 January 2015	**400,737**	**–**	**461**	**72**	**83,700**	**484,970**
Changes in equity for 2015:						
Profit for the year	**–**	**–**	**–**	**–**	**43,854**	**43,854**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**43,854**	**43,854**
Dividends approved in respect of previous year (note 35(b)(ii))	**–**	**–**	**–**	**–**	**(22,283)**	**(22,283)**
Dividends declared in respect of current year (note 35(b)(i))	**–**	**–**	**–**	**–**	**(25,629)**	**(25,629)**
Shares issued under share option scheme (note 35(c))	**1,393**	**–**	**(369)**	**–**	**–**	**1,024**
Transfer between reserves upon expiry of options (note 34(b))	**–**	**–**	**(92)**	**–**	**92**	**–**
As at 31 December 2015	**402,130**	**–**	**–**	**72**	**79,734**	**481,936**

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends attributable to the year:

	2015 Million	2014 Million
Ordinary interim dividend declared and paid of HK$1.525 (equivalent to approximately RMB1.203) (2014: HK$1.540 (equivalent to approximately RMB1.222)) per share	**25,629**	24,880
Ordinary final dividend proposed after the balance sheet date of HK$1.196 (equivalent to approximately RMB1.002) (2014: HK$1.380 (equivalent to approximately RMB1.089)) per share	**20,516**	22,290
	46,145	47,170

The proposed ordinary final dividend which is declared in Hong Kong dollar is translated into RMB at the rate HK$1 = RMB0.83778, being the rate announced by the State Administration of Foreign Exchange in the PRC on 31 December 2015. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as at 31 December 2015.

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

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

	2015 Million	2014 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.380 (equivalent to approximately RMB1.089) (2014: HK$1.615 (equivalent to approximately RMB1.270)) per share	**22,283**	26,044

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

Ordinary shares, issued and fully paid:

	2015			2014		
	Number of shares	HK$ Million	Equivalent RMB Million	Number of shares	HK$ Million	Equivalent RMB Million
As at 1 January	**20,438,426,514**	**380,590**	**400,737**	20,102,539,665	2,010	2,142
Shares issued under share option scheme	**37,056,383**	**1,673**	**1,393**	335,886,849	11,004	9,279
Transition to no-par value regime	–	–	–	–	367,576	389,316
As at 31 December	**20,475,482,897**	**382,263**	**402,130**	20,438,426,514	380,590	400,737

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.

Shares issued under share option scheme

During 2015, options were exercised to subscribe for 37,056,383 ordinary shares in the Company at a consideration of HK$1,292,000,000 (equivalent to RMB1,024,000,000) which was credited to share capital. RMB369,000,000 has been transferred from the capital reserve to the share capital account in accordance with policy set out in note 2(w)(ii).

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

– The fair value of unexercised share options granted to employees of the Group recognized in accordance with the accounting policy adopted for share-based payments in note 2(w)(ii); and

– 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 in previous years.

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(ii) PRC statutory reserves

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

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

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

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

(iii) Exchange reserve

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

(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 2015, the Group's total debt-to-book capitalization ratio was 0.5% (2014: 1.8%).

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

(Expressed in RMB unless otherwise indicated)

36 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2015 Million	As at 31 December 2014 Million
Assets			
Non-current assets			
Property, plant and equipment		**1**	1
Investments in subsidiaries		**485,108**	485,109
		485,109	485,110
Current assets			
Amounts due from subsidiaries		**1,346**	1,743
Other receivables		**4**	91
Cash and cash equivalents		**753**	3,030
		2,103	4,864
Total assets		**487,212**	489,974
Equity and liabilities			
Liabilities			
Current liabilities			
Amount due to a subsidiary		**271**	–
Accrued expenses and other payables		**10**	12
		281	12
Non-current liabilities			
Amount due to a subsidiary		**4,995**	4,992
		4,995	4,992
Total liabilities		**5,276**	5,004
Equity			
Share capital	35(c)	**402,130**	400,737
Reserves	35(a)	**79,806**	84,233
Total equity		**481,936**	484,970
Total liabilities and equity		**487,212**	489,974

The balance sheet of the Company was approved by the Board of Directors on 17 March 2016 and was signed on its behalf.

Li Yue
Name of Director

Xue Taohai
Name of Director

(Expressed in RMB unless otherwise indicated)

37 RELATED PARTY TRANSACTIONS

(a) Transactions with CMCC Group

The following is a summary of principal related party transactions entered into by the Group with CMCC and its subsidiaries ("CMCC Group"), for the years ended 31 December 2015 and 2014. 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.

Please refer to note 2(b) for the acquisition of Targets Assets and Businesses, which constitutes a related party transaction with CMCC Group. Since the acquisition of Target Assets and Businesses from TieTong has been accounted for using merger accounting in accordance with AG 5, the transactions between the Group and TieTong for the years ended 31 December 2015 and 2014 were eliminated and not disclosed as related party transactions in the consolidated financial statements.

	Note	**2015** **Million**	2014 As restated Million
Telecommunications services revenue	(i)	**474**	869
Telecommunications services charges	(i)	**–**	66
Property leasing and management services revenue	(ii)	**191**	181
Property leasing and management services charges	(ii)	**956**	923
Network assets leasing charges	(iii)	**4,376**	4,617
Network capacity leasing charges	(iii)	**4,757**	5,012
Entrusted loans received	(iv)	**8,592**	10,242
Entrusted loans repaid	(iv)	**18,834**	9,573
Short-term bank deposits received	(iv)	**7,274**	4,181
Short-term bank deposits repaid	(iv)	**4,181**	–
Interest expenses	(iv)	**194**	211

Note:

(i) The amounts represent telecommunications services settlement received/receivable from or paid/payable to CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, telecommunications line maintenance services, and installation and maintenance services in respect of transmission towers.

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

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

(iv) The amounts represent the entrusted loans/bank deposits received from or repaid to CMCC and interest expenses paid/payable to CMCC in respect of the entrusted loans/bank deposits.

(Expressed in RMB unless otherwise indicated)

37 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 2015 Million	As at 31 December 2014 As restated Million
Accounts receivable	**558**	790
Other receivables	**519**	3
Accounts payable	**4,564**	2,705
Accrued expenses and other payables	**181**	272

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

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

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

	Note	**As at 31 December 2015 Million**	As at 31 December 2014 As restated Million
Bank deposits		**33,888**	43,265
Available-for-sale financial assets		**9,300**	1,000
Interest receivable		**1,187**	934
Accounts payable		**358**	513
Accrued expenses	(i)	**5,563**	–
Other payable		**128**	–
Proceeds receivable for the transfer of Tower Assets (note 7)		**56,737**	–
Other receivables	(ii)	**8,907**	–

(Expressed in RMB unless otherwise indicated)

37 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2015 Million	2014 As restated Million
Interest income	(iii)	**1,699**	1,659
Mobile telecommunications services revenue	(iv)	**767**	127
Mobile telecommunications services charges	(v)	**774**	1,839
Gain on the transfer of Tower Assets	(i)	**15,525**	–
Charges for use of tower assets	(i)	**5,563**	–
Dividend income		**2,842**	2,476
Property leasing and management services revenue	(vi)	**6**	6

Note:

(i) The amounts represent the gain arising from the transfer of Tower Assets on 31 October 2015 and the charges payable to China Tower for the use of relevant tower assets (note 7).

(ii) Other receivables represent the short-team loans granted by China Mobile Finance to China Tower and amounts due from China Tower. The loans will mature by December 2016.

(iii) Interest income primarily represents interest earned from deposits placed with SPD Bank, which interest rate is determined in accordance with the benchmark interest rate published by PBOC.

(iv) The amount represents the mobile telecommunications services revenue received/receivable from SPD Bank and China Tower.

(v) The amount represents the mobile telecommunications services charges paid/payable to Union Mobile Pay Co., Ltd., an associate of CMCC Group.

(vi) The amount represents the property leasing services revenue received/receivable from SPD Bank.

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

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

Apart from transactions with CMCC Group (notes 26 and 37(a)) and associates (note 37(c)) and the transaction to establish the Fund (note 19), the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

– rendering and receiving telecommunications services, including interconnection revenue/charges

– purchasing of goods, including use of public utilities

– placing of bank deposits

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

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

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk and concentration risk

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

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

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

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

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

(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.

(Expressed in RMB unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (Continued)

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

	As at 31 December 2014 (As restated)				
	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 year or on demand Million	More than 1 year but less than 3 years Million	More than 3 years but less than 5 years Million
Accounts payable	227,577	227,577	227,577	–	–
Bills payable	674	674	674	–	–
Accrued expenses and other payables	138,706	138,706	138,706	–	–
Amount due to ultimate holding company	14,519	14,588	14,588	–	–
Interest-bearing borrowings	5,992	6,664	1,254	5,410	–
Obligations under finance leases	68	71	71	–	–
	387,536	388,280	382,870	5,410	–

(Expressed in RMB unless otherwise indicated)

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates to monitor the interest rate risk on a reasonable level. As at 31 December 2015, the Group did not have any interest-bearing borrowings at variable rates, but had RMB5,000,000,000 (2014: RMB5,000,000,000) of bonds and RMB7,274,000,000 (2014: RMB4,181,000,000) of short-term bank deposits placed by CMCC, both of which were at fixed rate and expose the Group to fair value interest rate risk. The Group determines the amount of its fixed rate borrowings depending on the prevailing market condition. Management does not expect fair value interest rate risk to be high as the interest involved will not be significant.

As at 31 December 2015, total cash and bank balances of the Group amounted to RMB407,762,000,000 (2014: RMB436,786,000,000), and interest-bearing receivables amounted to RMB63,085,000,000 (2014: nil), which mainly included undiscounted deferred consideration of RMB57,585,000,000 in connection with the transfer of Tower Assets and short-term loans of RMB5,000,000,000 provided to other companies. The interest income for 2015 was RMB15,852,000,000 (2014: RMB16,270,000,000) and the average interest rate was 3.75% (2014: 3.74%). 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 RMB3,531,000,000 (2014: RMB3,276,000,000).

(d) Foreign currency risk

The Group has foreign currency risk as certain cash and deposits with banks are denominated in foreign currencies, principally US dollars and Hong Kong dollars. As the amount of the Group's foreign currency cash and deposits with banks represented 1.4% (2014: 1.4%) of the total cash and deposits with banks and predominantly all of the business operations of the Group are transacted in RMB, the Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

(e) Fair values

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

	As at 31 December 2015		As at 31 December 2014	
	Carrying Amount Million	**Fair value Million**	Carrying Amount Million	Fair value Million
Interest-bearing borrowings – bonds issued by Guangdong Mobile	**4,995**	**5,150**	4,992	4,951

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

(Expressed in RMB unless otherwise indicated)

39 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:

	2015 **Million**	2014 As restated Million
Land and buildings	**9,054**	7,549
Telecommunications equipment	**25,612**	24,951
	34,666	32,500

(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 2015				
Within one year	**9,785**	**14,776**	**1,197**	**25,758**
After one year but within five years	**19,211**	**6,446**	**1,211**	**26,868**
After five years	**5,375**	**2,666**	**73**	**8,114**
	34,371	**23,888**	**2,481**	**60,740**
As at 31 December 2014 (As restated)				
Within one year	9,801	7,351	953	18,105
After one year but within five years	18,975	4,020	1,046	24,041
After five years	5,848	991	21	6,860
	34,624	12,362	2,020	49,006

The Group leases certain land and buildings, leased lines and network assets, motor vehicles, computer and other office equipment under operating leases. None of the leases include contingent rentals.

40 POST BALANCE SHEET EVENT

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended 31 December 2015. Further details are disclosed in note 35(b)(i).

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 17 contains information about the assumptions relating to goodwill impairment, and note 37 contains information about the judgements on the lease classification of leasing of TD-SCDMA network capacity. 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.

Impairment of property, plant and equipment, interest in associates, goodwill and other intangible assets

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, interest in associates and other intangible assets subject to amortization, 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 and the goodwill impairment is disclosed in notes 14 and 17, respectively.

(Expressed in RMB unless otherwise indicated)

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 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
Amendment to IFRS/HKFRS 11, "Joint Arrangements"	1 January 2016
Amendment to IAS/HKAS 16, "Property, Plant and Equipment"	1 January 2016
Amendment to IAS/HKAS 38, "Intangible Assets"	1 January 2016
Amendment to IFRS/HKFRS 10, "Consolidated Financial Statements"	1 January 2016
Amendment to IAS/HKAS 28, "Investments in Associates and Joint Ventures"	*
Amendment to IAS/HKAS 27, "Separate Financial Statements"	1 January 2016
Annual Improvement to IFRSs/HKFRSs 2012-2014 cycle	1 January 2016
IFRS/HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS/HKFRS 9 "Financial Instrument"	1 January 2018
IFRS/HKFRS 16 "Leases"	1 January 2019

* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Management is assessing the impact of such 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

	2015 Million	2014 As restated Million	2013 As restated Million	2012 As restated Million	2011 As restated Million
Operating revenue					
Revenue from telecommunications services	**584,089**	591,602	600,424	569,522	536,988
Revenue from sales of products and others	**84,246**	59,907	39,624	21,484	10,298
	668,335	651,509	640,048	591,006	547,286
Operating expenses					
Leased lines and network assets	**20,668**	15,843	14,816	8,597	6,358
Interconnection	**21,668**	23,502	25,983	25,156	23,638
Depreciation	**136,832**	122,805	111,493	105,658	101,066
Employee benefit and related expenses	**74,805**	70,385	66,681	59,499	52,548
Selling expenses	**59,850**	75,655	91,719	79,987	78,556
Cost of products sold	**89,297**	74,495	61,409	41,497	23,124
Other operating expenses	**162,293**	151,504	136,523	119,923	111,251
	565,413	534,189	508,624	440,317	396,541
Profit from operations	**102,922**	117,320	131,424	150,689	150,745
Gain on the transfer of Tower Assets	**15,525**	–	–	–	–
Other gains	**1,800**	1,171	989	672	598
Interest income	**15,852**	16,270	15,368	12,696	8,447
Finance costs	**(455)**	(487)	(1,195)	(949)	(1,232)
Share of profit of investments accounted for using the equity method	**8,090**	8,248	7,063	5,685	4,306
Profit before taxation	**143,734**	142,522	153,649	168,793	162,864
Taxation	**(35,079)**	(33,179)	(36,746)	(41,887)	(40,593)
PROFIT FOR THE YEAR	**108,655**	109,343	116,903	126,906	122,271
Other comprehensive income/(loss) for the year that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of overseas entities	**603**	(169)	(176)	(6)	(312)
Share of other comprehensive income/(loss) of associates	**901**	1,224	(767)	(16)	(229)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,159**	110,398	115,960	126,884	121,730
Profit attributable to:					
Equity shareholders of the Company	**108,539**	109,218	116,791	126,799	122,162
Non-controlling interests	**116**	125	112	107	109
PROFIT FOR THE YEAR	**108,655**	109,343	116,903	126,906	122,271
Total comprehensive income attributable to:					
Equity shareholders of the Company	**110,043**	110,273	115,849	126,777	121,623
Non-controlling interests	**116**	125	111	107	107
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,159**	110,398	115,960	126,884	121,730

(Expressed in RMB)

ASSETS AND LIABILITIES

	As at 31 December 2015 Million	As at 31 December 2014 As restated Million	As at 31 December 2013 As restated Million	As at 31 December 2012 As restated Million	As at 31 December 2011 As restated Million
Property, plant and equipment	**585,631**	605,023	520,571	469,627	429,836
Construction in progress	**88,012**	95,110	91,600	68,551	68,612
Land lease prepayments and others	**26,773**	24,883	19,784	14,266	12,863
Goodwill	**35,343**	35,343	36,937	36,938	36,938
Other intangible assets	**768**	787	1,090	952	848
Investments accounted for using the equity method	**115,933**	70,451	53,946	48,356	43,806
Deferred tax assets	**25,423**	20,654	17,522	13,622	10,949
Proceeds receivable for the transfer of Tower Assets	**56,737**	–	–	–	–
Restricted bank deposits	**4,575**	8,731	6,816	5,418	122
Other financial assets	**3**	128	128	128	130
Current assets	**488,697**	486,925	474,290	452,620	387,831
Total assets	**1,427,895**	1,348,035	1,222,684	1,110,478	991,935
Current liabilities	**501,038**	452,492	394,281	353,224	306,316
Interest-bearing borrowings – non-current	**4,995**	4,992	5,989	29,619	30,617
Deferred revenue – non-current	**1,291**	1,470	1,187	764	587
Deferred tax liabilities	**203**	98	104	51	17
Total liabilities	**507,527**	459,052	401,561	383,658	337,537
Total equity	**920,368**	888,983	821,123	726,820	654,398

Note:

The financial information for 2011, 2012, 2013 and 2014 has been restated to reflect the effect arising from acquisition of Target Assets and Businesses under common control.

中国移动
China Mobile

4G+

China Mobile Limited

60/F., The Center, 99 Queen's Road Central, Hong Kong
Tel : (852) 3121 8888
Fax : (852) 3121 8809

Website : www.chinamobileltd.com
Welcome to China Mobile Limited's website

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