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CHINA MOBILE LIMITED

中國移動有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 941)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 11 August 2016:

- (i) the Company and CMCC entered into the 2017–2019 Property Leasing Agreement for a term of three years commencing on 1 January 2017, to govern the continuing connected transactions between the parties relating to properties leasing and provision of property management services previously governed by the 2014–2016 Property Leasing Agreement;
- (ii) the Company and CMCC agreed to renew the Network Capacity Leasing Agreement according to its terms for a term of one year commencing on 1 January 2017; and
- (iii) the Company and CMCC agreed to renew the Network Assets Leasing Agreement according to its terms for a term of one year commencing on 1 January 2017.

Annual caps for the transactions contemplated under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) for the years ending 31 December 2017, 2018 and 2019 are set out as follow:

	For the Year Ending 31 December		
	2017	2018	2019
2017-2019 Property Leasing Agreement – rental and property management service charges payable by the Group to CMCC and its subsidiaries	RMB2,200 million (approximately HK\$2,565 million)	RMB2,200 million (approximately HK\$2,565 million)	RMB2,200 million (approximately HK\$2,565 million)
Network Capacity Leasing Agreement – leasing fees payable by the Company to CMCC	RMB4,000 million (approximately HK\$4,664 million)	N/A	N/A
Network Assets Leasing Agreement – leasing fees payable by the Company to CMCC and its subsidiaries	RMB5,000 million (approximately HK\$5,830 million)	N/A	N/A

LISTING RULES IMPLICATIONS

CMCC is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the transactions contemplated under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) constitute continuing connected transactions for the Company under Rule 14A.25 of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the amounts payable by the Company under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) is, on an annual basis, above 0.1% but below 5%, each of the transactions contemplated thereunder is classified as a continuing connected transaction under Rule 14A.76(2) of the Listing Rules and is only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders’ approval requirement under the Listing Rules. Details of the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) will be included in the annual report and accounts of the Company in accordance with Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

Reference is made to the announcements dated 15 August 2013 and 21 August 2015 of the Company where the Company announced, among others, that (i) the Company and CMCC entered into the 2014–2016 Property Leasing Agreement for a term of three years commencing on 1 January 2014, (ii) the Company and CMCC agreed to renew the Network Capacity Leasing Agreement according to its terms for a term of one year commencing on 1 January 2016, and (iii) the Company and CMCC agreed to renew the Network Assets Leasing Agreement according to its terms for a term of one year commencing on 1 January 2016, and the relevant annual caps for the transactions under 2014–2016 Property Leasing Agreement for the years ended 31 December 2014 and 2015 and for the year ending 31 December 2016 and the relevant annual caps for the transactions under the Network Capacity Leasing Agreement and the Network Assets Leasing Agreement for the year ending 31 December 2016. Reference is also made to the announcement dated 27 November 2015 of the Company where the Company announced changes to the annual caps for the transactions under the 2014–2016 Property Leasing Agreement and the Network Assets Leasing Agreement for the year ending 31 December 2016.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the 2014–2016 Property Leasing Agreement, the Network Capacity Leasing Agreement and the Network Assets Leasing Agreement will expire on 31 December 2016 and the Group intends to continue carrying out the various transactions contemplated under such agreements in the ordinary and usual course of business of the Group, the Board announces that on 11 August 2016:

- (i) the Company and CMCC entered into the 2017–2019 Property Leasing Agreement for a term of three years commencing on 1 January 2017, to govern the continuing connected transactions between the parties relating to properties leasing and provision of property management services previously governed by the 2014–2016 Property Leasing Agreement;
- (ii) the Company and CMCC agreed to renew the Network Capacity Leasing Agreement according to its terms for a term of one year commencing on 1 January 2017; and
- (iii) the Company and CMCC agreed to renew the Network Assets Leasing Agreement according to its terms for a term of one year commencing on 1 January 2017.

Each of the transactions contemplated under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) involves the provision of goods and/or services which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and constitutes a continuing connected transaction under the Listing Rules.

As a result of the completion of the Company's acquisition of the assets and business from China Tietong Telecommunications Corporation, details of which are contained in the announcement of the Company dated 27 November 2015, the transaction amounts for transactions contemplated under the 2014–2016 Telecommunications Services Agreement and the Telecommunications Services Cooperation Agreement will fall below the de minimis level pursuant to Rule 14A.76 of the Listing Rules and hence these two framework agreements will not be renewed or extended.

The 2017–2019 Property Leasing Agreement

The Company entered into the 2017–2019 Property Leasing Agreement with CMCC on 11 August 2016 for a term of three years commencing on 1 January 2017, pursuant to which the Company rents from CMCC various properties for use as business premises and offices, retail outlets and machinery rooms of the Group, and CMCC and its subsidiaries provide property management services in relation to the properties let or sub-let under the agreement. In addition, if the Company so requests, CMCC and its subsidiaries will also provide property management services in relation to the properties to the Group.

The properties to be rented under the 2017–2019 Property Leasing Agreement include (i) properties owned by CMCC and its subsidiaries; and (ii) properties let to CMCC and its subsidiaries from third parties and sub-let by CMCC and its subsidiaries to the Company.

The rental charges payable by the Company in respect of individual properties owned by CMCC and its subsidiaries are determined with reference to any one of the following benchmarks: (i) the value determined by independent intermediaries; (ii) applicable market rates or charges which are publicly published; or (iii) rates charged by CMCC or its subsidiaries to independent third parties, whilst the rental charges payable in respect of properties which CMCC or its subsidiaries lease from third parties and sub-let to the Company or its subsidiaries 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. The Company has the right to adjust the number of leased properties under the 2017–2019 Property Leasing Agreement to suit its business needs.

The property management service charges payable by the Company under the 2017–2019 Property Leasing Agreement are determined with reference to the same benchmarks for the determination of rental charges payable by the Company in respect of properties owned by CMCC and its subsidiaries mentioned above. The Company is entitled to withhold a certain amount of the service charges payable if the quality of the property management services provided by CMCC or its subsidiaries fails to meet the required standards as specified in the 2017–2019 Property Leasing Agreement.

The annual caps for the rental and property management service charges payable by the Company to CMCC and its subsidiaries for the two years ended 31 December 2014 and 31 December 2015 are RMB2,000 million (equivalent to approximately HK\$2,332 million) and RMB2,200 million (equivalent to approximately HK\$2,565 million), respectively, and the adjusted annual cap for the rental and property management service charges payable by the Company to CMCC and its subsidiaries for the year ending 31 December 2016 is RMB2,800 million (equivalent to approximately HK\$3,265 million). For the two years ended 31 December 2014 and 31 December 2015, the actual aggregate rental and property management service charges paid by the Group to CMCC and its subsidiaries were RMB803 million (equivalent to approximately HK\$936 million) and RMB970 million (equivalent to approximately HK\$1,131 million), respectively, and the aggregate rental and property management service charges paid by the Group to CMCC and its subsidiaries (as restated to reflect the impact of the Company's acquisition of the assets and businesses from China Tietong Telecommunications Corporation) were RMB923 million (equivalent to approximately HK\$1,076 million) and RMB956 million (equivalent to approximately HK\$1,115 million), respectively. Based on the Group's unaudited management accounts, the aggregate rental and property management service charges paid and payable by the Group to CMCC and its subsidiaries for the six months ended 30 June 2016 amounted to approximately RMB435 million (equivalent to approximately HK\$507 million).

The Group has since 2011 established certain subsidiaries, branches and entities with specific purposes and these entities need to rent from CMCC and its subsidiaries various properties for use as retail outlets and business premises and need CMCC and its subsidiaries to provide property management services in relation to the properties. As the number and scope of business premises and retail outlets rented will decrease, the aggregate annual rental and property management charges payable by the Group for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are expected not to exceed RMB2,200 million (equivalent to approximately HK\$2,565 million), RMB2,200 million (equivalent to approximately HK\$2,565 million) and RMB2,200 million (equivalent to approximately HK\$2,565 million), respectively. Accordingly, such amounts have been set as the annual caps for the transactions under the 2017–2019 Property Leasing Agreement for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019.

Renewal of the Network Capacity Leasing Agreement

For the operation of the TD-SCDMA business and to better utilise the resources of CMCC, the Company entered into the Network Capacity Leasing Agreement with CMCC on 29 December 2008. The term of the Network Capacity Leasing Agreement was one year effective from 1 January 2009, and unless the parties agree otherwise, upon expiry of the term, the Network Capacity Leasing Agreement shall automatically be renewed for further terms of one year. As a result of the Company actively developing and promoting the TD-SCDMA business, the Company and CMCC had agreed to renew the Network Capacity Leasing Agreement on 6 November 2009, 21 December 2010, 6 December 2011, 12 December 2012, 15 August 2013, 14 August 2014 and 21 August 2015 for a term of one year commencing on 1 January 2010, 1 January 2011, 1 January 2012, 1 January 2013, 1 January 2014, 1 January 2015 and 1 January 2016, respectively. In view of the expiry of the Network Capacity Leasing Agreement on 31 December 2016, the parties have again agreed to renew the Network Capacity Leasing Agreement on 11 August 2016 for a further term of one year commencing on 1 January 2017.

Pursuant to the Network Capacity Leasing Agreement, the Company and its subsidiaries lease the TD-SCDMA network capacity (the “**TD Network Capacity**”) from CMCC and pay leasing fees (the “**Capacity Leasing Fees**”) to CMCC.

The Capacity Leasing Fees are payable on a monthly basis in cash. The Capacity Leasing Fees payable by the Company under the Network Capacity Leasing Agreement are determined on a basis that reflects the Group’s actual usage of CMCC’s TD Network Capacity and to compensate CMCC for the costs of such network capacity. The Capacity Leasing Fees shall be calculated using the following formula:

Capacity Leasing Fees = the costs of the related assets of the TD Network Capacity of CMCC during the period x the average usage of the TD-SCDMA network during the period;

The costs of the related assets of the TD Network Capacity of CMCC during the period = charges including the depreciation and amortisation charges of the TD network assets that are recorded as fixed assets or intangible assets of CMCC which have been realised into network capacity during the period; and

The average usage of the TD-SCDMA network during the period is calculated with reference to general practice for network construction and leasing and is based on the average actual usage of the base resource units of the TD-SCDMA network at peak hours by the subsidiaries.

The annual caps for the transactions contemplated under the Network Capacity Leasing Agreement for the two years ended 31 December 2014 and 31 December 2015 and for the year ending 31 December 2016 are RMB8,500 million (equivalent to approximately HK\$9,910 million), RMB10,000 million (equivalent to approximately HK\$11,659 million) and RMB10,000 million (equivalent to approximately HK\$11,659 million), respectively. For the two years ended 31 December 2014 and 31 December 2015, the Capacity Leasing Fees paid by the Company to CMCC were RMB5,012 million (equivalent to approximately HK\$5,844 million) and RMB4,757 million (equivalent to approximately HK\$5,546 million), respectively. Based on the Group's unaudited management accounts, the Capacity Leasing Fees payable by the Company to CMCC for the six months ended 30 June 2016 amounted to approximately RMB1,594 million (equivalent to approximately HK\$1,858 million).

In order to satisfy the Company's business demand, the Company will continue to pay CMCC the Capacity Leasing Fees based on the actual usage of the TD-SCDMA network. However, as a result of the progression of the 4G network and the Company's business, the Company expects the usage of the TD-SCDMA network to gradually decrease. Accordingly, it is expected that the amount of Capacity Leasing Fees payable by the Company to CMCC under the Network Capacity Leasing Agreement (as renewed) will decrease when compared with the amount payable in the year 2016.

Based on the existing scale of the TD-SCDMA network, the expected development of the TD-SCDMA business and the anticipated usage of the TD-SCDMA network, the amount of Capacity Leasing Fees payable by the Company to CMCC under the Network Capacity Leasing Agreement (as renewed) for the year ending 31 December 2017 is expected not to exceed RMB4,000 million (equivalent to approximately HK\$4,664 million). Accordingly, this amount is set as the annual cap for the transactions contemplated under the Network Capacity Leasing Agreement (as renewed) for the year ending 31 December 2017.

Renewal of the Network Assets Leasing Agreement

In order to better position the Group in the changing landscape of the telecommunications industry in China and to enable the Group to meet the subscribers' demand for one-stop shop telecommunications services, the Company entered into the Network Assets Leasing Agreement with CMCC on 18 August 2011, pursuant to which the Company and its subsidiaries on the one hand and CMCC and its subsidiaries on the other will lease their respective telecommunications network operation assets (the "**Network Assets**") to each other in return for a leasing fee (the "**Assets Leasing Fees**"). By utilising the Network Assets of CMCC and its subsidiaries, the Company intends to offer its subscribers a complete telecommunications solution. The initial term of the Network Assets Leasing Agreement expired on 31 December 2011, and pursuant to the terms thereof unless the parties agree otherwise, upon expiry of the term, the Network Assets Leasing Agreement shall automatically be renewed for further terms of one year. The Company and CMCC agreed to renew the Network Assets Leasing Agreement on 6 December 2011, 12 December 2012, 15 August 2013, 14 August 2014 and 21 August 2015 for a term of one year commencing on 1 January

2012, 1 January 2013, 1 January 2014, 1 January 2015 and 1 January 2016, respectively. In view of the expiry of the Network Assets Leasing Agreement on 31 December 2016, the parties have again agreed to renew the Network Assets Leasing Agreement on 11 August 2016 for a term of one year commencing on 1 January 2017.

The Network Assets include, among others, access network, transmission network, machinery rooms and equipment. The parties to the Network Assets Leasing Agreement have the right to adjust the scope of the Network Assets leased under the Network Assets Leasing Agreement to suit their respective business needs.

The Assets Leasing Fees are payable on a monthly basis in cash. The Assets Leasing Fees shall be determined with reference to the prevailing market rates. In view of the landscape of the telecommunications industry in China, the number of industry players which own and operate Network Assets are limited. In determining the market rates for the Assets Leasing Fees, the Company takes 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 Assets Leasing Fees payable by the Company to CMCC shall not be more than the leasing fees charged to other industry players, being independent third parties, for same kinds of Network Assets.

The Assets Leasing Fees received by the Group from CMCC and its subsidiaries under the Network Assets Leasing Agreement for the two years ended 31 December 2014 and 31 December 2015 were below 0.1% of each of the applicable ratios set out in Rule 14.07 of the Listing Rules. Based on the Group's unaudited management accounts, the Assets Leasing Fees receivable by the Group from CMCC and its subsidiaries under the Network Assets Leasing Agreement for the six months ended 30 June 2016 was below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules, and the amount of Assets Leasing Fees receivable from CMCC and its subsidiaries for the year ending 31 December 2016 is expected to be below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules. The amount of Assets Leasing Fees receivable by the Group from CMCC and its subsidiaries under the Network Assets Leasing Agreement (as renewed) for the year ending 31 December 2017 is also expected to be below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules.

The annual caps for the Assets Leasing Fees payable by the Group to CMCC and its subsidiaries under the Network Assets Leasing Agreement for the two years ended 31 December 2014 and 31 December 2015 and for the year ending 31 December 2016 are RMB14,600 million (equivalent to approximately HK\$17,022 million), RMB15,000 million (equivalent to approximately HK\$17,489 million) and RMB5,500 million (equivalent to approximately HK\$6,412 million), respectively. For the two years ended 31 December 2014 and 31 December 2015, the actual Assets Leasing Fees paid by the Group to CMCC and its subsidiaries under the Network Assets Leasing Agreement were RMB11,062 million (equivalent to approximately HK\$12,897 million) and RMB11,260 million (equivalent to approximately HK\$13,128 million), respectively, and the Assets Leasing Fees paid by the Group to CMCC and its subsidiaries under the Network Assets Leasing Agreement (as restated to reflect the impact of the Company's acquisition of the assets and businesses from China Tietong Telecommunications Corporation) were RMB4,617 million (equivalent

to approximately HK\$5,383 million) and RMB4,376 million (equivalent to approximately HK\$5,102 million), respectively. Based on the Group's unaudited management accounts, the Assets Leasing Fees payable by the Group to CMCC and its subsidiaries for the six months ended 30 June 2016 amounted to approximately RMB1,372 million (equivalent to approximately HK\$1,600 million).

In order to satisfy the Company's business demand, the Company will continue to lease Network Assets from CMCC and its subsidiaries and the scale of the Network Assets leased will slightly decrease. The Assets Leasing Fees payable by the Group under the Network Assets Leasing Agreement (as renewed) for the lease of Network Assets for the year ending 31 December 2017 are expected not to exceed RMB5,000 million (equivalent to approximately HK\$5,830 million). Accordingly, this amount is set as the annual cap for the Assets Leasing Fees payable by the Group to CMCC and its subsidiaries under the Network Assets Leasing Agreement (as renewed) for the year ending 31 December 2017.

LISTING RULES IMPLICATIONS

CMCC is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the transactions contemplated under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) constitute continuing connected transactions for the Company under Rule 14A.25 of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the amounts payable by the Company under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) is, on an annual basis, above 0.1% but below 5%, each of the transactions contemplated thereunder is classified as a continuing connected transaction under Rule 14A.76(2) of the Listing Rules and is only subject to the reporting, annual review and announcements requirement set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) will be included in the annual report and accounts of the Company in accordance with Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

The Group had no other prior transactions with CMCC and their respective associates which required aggregation with the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) or the Network Assets Leasing Agreement (as renewed) under Rule 14A.81 of the Listing Rules.

As all the executive Directors also hold executive positions at CMCC, all the executive Directors have therefore voluntarily abstained from voting on the board resolution approving the transactions under the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed).

The Board (including the independent non-executive Directors but excluding the executive Directors who have voluntarily abstained from voting) is of the view that the 2017–2019 Property Leasing Agreement, the Network Capacity Leasing Agreement (as renewed) and the Network Assets Leasing Agreement (as renewed) were entered into after arm’s length negotiation between the Company and CMCC and in the ordinary and usual course of business of the Group, reflect normal commercial terms and are in the interests of the shareholders of the Company and the Company as a whole, and the terms as well as the proposed annual caps for the transactions thereunder are fair and reasonable.

GENERAL INFORMATION

CMCC is a state-owned company established under the laws of the PRC and the ultimate controlling shareholder of the Company holding indirectly approximately 72.72% of the total issued and outstanding share capital of the Company. Through the Group, CMCC is the leading provider of mobile telecommunications services in the PRC.

The Group is the leading mobile telecommunications services provider in China, which operates nationwide mobile telecommunications networks in all thirty-one provinces, autonomous regions and directly administered municipalities in Mainland China and in Hong Kong. The Company is an investment holding company.

This announcement contains translations between Renminbi and Hong Kong dollars at RMB0.85770 = HK\$1.00. The translations are not representations that the Renminbi and Hong Kong dollar amounts could actually be converted at such rate, if at all.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2014–2016 Property Leasing Agreement”	the 2014–2016 property leasing and management services agreement dated 15 August 2013 and entered into between the Company and CMCC
“2014–2016 Telecommunications Services Agreement”	the 2014–2016 telecommunications services agreement dated 15 August 2013 and entered into between the Company and CMCC
“2017–2019 Property Leasing Agreement”	the 2017–2019 property leasing and management services agreement dated 11 August 2016 and entered into between the Company and CMCC
“Board”	the board of Directors of the Company
“CMCC”	China Mobile Communications Corporation, a state-owned enterprise established under the laws of the PRC, the ultimate controlling shareholder of the Company

“Company”	China Mobile Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange and American Depositary Shares are listed on the New York Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Network Assets Leasing Agreement”	the telecommunications network operation assets leasing agreement dated 18 August 2011 and entered into between the Company and CMCC, as renewed from time to time
“Network Capacity Leasing Agreement”	the TD-SCDMA network capacity leasing agreement dated 29 December 2008 and entered into between the Company and CMCC, as renewed from time to time
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Telecommunications Services Cooperation Agreement”	the telecommunications services cooperation agreement dated 6 November 2009 and entered into between the Company and CMCC, as renewed from time to time
“%”	per cent.

By Order of the Board
China Mobile Limited
Shang Bing
Chairman

Hong Kong, 11 August 2016

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Shang Bing, Mr. Li Yue, Mr. Liu Aili, Mr. Xue Taohai and Mr. Sha Yuejia as executive directors and Mr. Frank Wong Kwong Shing, Dr. Moses Cheng Mo Chi and Mr. Paul Chow Man Yiu as independent non-executive directors.