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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)

### 2016 ANNOUNCEMENT OF ANNUAL RESULTS

- Operating revenue was RMB708.4 billion, up by 6.0%, of which revenue from telecommunications services was RMB623.4 billion, up by 6.7%
- EBITDA<sup>1</sup> was RMB256.7 billion, up by 6.9%
- Profit attributable to equity shareholders was RMB108.7 billion, up by 0.2%
- Total number of mobile customers was 849 million, representing a net addition of 22.66 million
- Total number of wireline broadband customers was 77.62 million, representing a net addition of 22.59 million
- A final dividend of HK\$1.243 per share was proposed; together with an interim dividend of HK\$1.489 per share already paid, total dividend for 2016 amounting to HK\$2.732 per share, representing a dividend payout ratio of 46%

### CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

## **2016 Performance**

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

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

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

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

## **Outstanding Achievements in Business Transformation**

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

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

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

Our corporate customer market has also been expanding. We have focused our resources on developing corporate services in key industry sectors such as public administration, finance, transportation, education, healthcare and energy, while at the same time broadening our product portfolio of dedicated lines, IDC (Internet Data Centres) and converged communications such as IMS (IP Multimedia Subsystem). In 2016, we served 5.45 million corporate customers and generated an increased proportion of product-related revenue. Our corporate telecommunications and informatisation services revenue continued to grow and accounted for approximately one-third of the total market.

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

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

## **Regulation and Competition**

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

The focus for regulators in 2016 continued to be “speed upgrade and tariff reduction”. We were fully dedicated to complying with regulatory requirements by lowering the service cost and increasing efficiency, so that our customers can continue to benefit from our business success. In 2016, data traffic tariff was lowered by 36% compared with the previous year. At the same time, based on our strategic visioning on the regulatory direction, we have taken an orderly and balanced approach to mitigate the risks associated with the cancellation of

domestic long-distance and roaming tariffs by proactively removing standalone non-flat rate domestic long-distance and roaming packages from our current product portfolio and focusing our promotional efforts on the sales of flat-rate packages. The results of this initiative have so far been satisfactory.

The State has announced that a new round of “speed upgrade and tariff reduction” policies will be launched this year in order to promote the development of “Internet+” and growth of the digital economy. The policies will require operators to further enhance network infrastructure and increase Internet bandwidth while cancelling handset domestic long-distance and roaming tariffs from October 2017. In addition, the policies also require operators to reduce substantially the dedicated Internet access tariffs for small and medium enterprises and lower international long-distance call tariffs in the year. We expect that the new policies will have certain impact on our 2017 operating results<sup>2</sup>. However, we believe these initiatives will, in the long run, accelerate our transformation towards predominantly data traffic and digital services. We will maintain close communication with regulators to make the best operating decisions and find the sweet spot between “speed upgrade and tariff reduction” and the need for our stable and long-term development.

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

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

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

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<sup>2</sup> According to the estimates obtained from the static calculation based on the Company’s current business structure, the three “tariff reduction” measures are expected to result in a decrease of each of the operating revenue and the operating profit in 2017 (i) by around RMB4.0 billion for one quarter due to cancellation of domestic long-distance and roaming tariffs; and (ii) by around RMB3.0 billion due to reductions of the dedicated Internet access tariffs for SMEs and international long-distance call tariffs. The Company will strive to reduce the impact by stepping up efforts to business development, achieving a higher turnover despite a lower profit margin.

## **Corporate Governance**

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

## **Corporate Social Responsibility and Accolades**

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

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

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

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

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

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

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

## **Future Outlook**

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

First, we will take a more macro and comprehensive view of the entire market. We will explore business opportunities, attract new customers, broaden our revenue base, optimise our business structure and continue to innovate. We will establish operations that capitalise on the potential of fast-growing areas to facilitate our business transformation from mobile communications between people to a business model that is driven by the "four growth engines". Such a model will extend all of our connections to join people and things, and also connect things with each other. This will lead our evolution from a domestic telecommunications operator to a global service provider with a strong international network.

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

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

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

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

## **Acknowledgement on the 20th Anniversary of Listing**

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

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

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

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

**Shang Bing**

*Chairman*

23 March 2017, Hong Kong

## GROUP RESULTS

China Mobile Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

(Expressed in Renminbi (“RMB”))

	Note	2016 Million	2015 Million
<b>Operating revenue</b>	4		
Revenue from telecommunications services		623,422	584,089
Revenue from sales of products and others		84,999	84,246
		<u>708,421</u>	<u>668,335</u>
<b>Operating expenses</b>			
Leased lines and network assets		39,083	20,668
Interconnection		21,779	21,668
Depreciation		138,090	136,832
Employee benefit and related expenses		79,463	74,805
Selling expenses		57,493	59,850
Cost of products sold		87,352	89,297
Other operating expenses	5	167,073	162,293
		<u>590,333</u>	<u>565,413</u>
<b>Profit from operations</b>		118,088	102,922
<b>Gain on the transfer of Tower Assets</b>		–	15,525
<b>Other gains</b>		1,968	1,800
<b>Interest income</b>		16,005	15,852
<b>Finance costs</b>		(235)	(455)
<b>Share of profit of investments accounted for using the equity method</b>		8,636	8,090
<b>Profit before taxation</b>		144,462	143,734
<b>Taxation</b>	6	(35,623)	(35,079)
<b>PROFIT FOR THE YEAR</b>		<u>108,839</u>	<u>108,655</u>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		108,741	108,539
Non-controlling interests		98	116
<b>PROFIT FOR THE YEAR</b>		<u>108,839</u>	<u>108,655</u>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

for the year ended 31 December 2016

(Expressed in RMB)

	Note	2016 Million	2015 Million
<b>PROFIT FOR THE YEAR</b>		<b>108,839</b>	108,655
<b>Other comprehensive (loss)/income for the year, net of tax:</b>			
<b>Item that will not be subsequently reclassified to profit or loss</b>			
Share of other comprehensive loss of investments accounted for using the equity method		(16)	–
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial assets		24	–
Exchange differences on translation of financial statements of overseas entities		774	603
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(1,043)	901
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>108,578</b>	110,159
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		108,480	110,043
Non-controlling interests		98	116
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>108,578</b>	110,159
<b>Earnings per share – Basic</b>	7(a)	<b>RMB5.31</b>	RMB5.30
<b>Earnings per share – Diluted</b>	7(b)	<b>RMB5.31</b>	RMB5.30
<b>EBITDA (RMB million)</b>		<b>256,677</b>	240,028

Details of dividends to the equity shareholders of the Company are set out in note 8.

## CONSOLIDATED BALANCE SHEET

as at 31 December 2016

(Expressed in RMB)

	Note	As at 31 December 2016 Million	As at 31 December 2015 Million
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		622,356	585,631
Construction in progress		89,853	88,012
Land lease prepayments and others		26,720	26,773
Goodwill		35,343	35,343
Other intangible assets		1,708	768
Investments accounted for using the equity method		124,039	115,933
Deferred tax assets		29,767	25,423
Available-for-sale financial assets		35	3
Proceeds receivable for the transfer of Tower Assets		–	56,737
Restricted bank deposits		4,528	4,575
		<u>934,349</u>	<u>939,198</u>
<b>Current assets</b>			
Inventories		8,832	9,994
Accounts receivable	9	19,045	17,743
Other receivables		25,693	26,186
Proceeds receivable for the transfer of Tower Assets		57,152	–
Prepayments and other current assets		16,801	11,427
Amount due from ultimate holding company		221	247
Tax recoverable		1,097	746
Available-for-sale financial assets		31,897	19,167
Restricted bank deposits		197	15
Bank deposits		335,297	323,330
Cash and cash equivalents		90,413	79,842
		<u>586,645</u>	<u>488,697</u>
<b>Total assets</b>		<u><u>1,520,994</u></u>	<u><u>1,427,895</u></u>

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

as at 31 December 2016

(Expressed in RMB)

	Note	As at 31 December 2016 Million	As at 31 December 2015 Million
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest-bearing borrowings		4,998	–
Accounts payable	10	250,838	243,579
Bills payable		1,206	645
Deferred revenue		84,289	78,100
Accrued expenses and other payables		180,950	163,404
Amount due to ultimate holding company		5,563	7,276
Current taxation		8,545	8,034
		<u>536,389</u>	<u>501,038</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings – non-current		–	4,995
Deferred revenue – non-current		2,175	1,291
Deferred tax liabilities		292	203
		<u>2,467</u>	<u>6,489</u>
<b>Total liabilities</b>		<u>538,856</u>	<u>507,527</u>
<b>Equity</b>			
Share capital		402,130	402,130
Reserves		576,891	515,206
<b>Total equity attributable to equity shareholders of the Company</b>		<u>979,021</u>	<u>917,336</u>
<b>Non-controlling interests</b>		<u>3,117</u>	<u>3,032</u>
<b>Total equity</b>		<u>982,138</u>	<u>920,368</u>
<b>Total equity and liabilities</b>		<u>1,520,994</u>	<u>1,427,895</u>

## NOTES:

(Expressed in RMB unless otherwise indicated)

### **1 Basis of preparation**

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

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company’s auditor has reported on the financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

### **2 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.

### 3 Changes in accounting policies

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

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

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

### 4 Operating revenue

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

## 5 Other operating expenses

	2016 Million	2015 Million
Maintenance	53,852	53,991
Impairment loss of doubtful accounts	3,734	4,839
Write-down of inventories	282	272
Amortization of other intangible assets	499	274
Operating lease charges	15,876	19,633
Gain on disposal of property, plant and equipment	(180)	(4)
Write-off and impairment of property, plant and equipment	7,216	7,614
Power and utilities expenses	29,461	27,134
Auditors' remuneration	113	102
Others (note)	56,220	48,438
	<u>167,073</u>	<u>162,293</u>

Note: Others consist of office expenses, travelling expenses, entertainment expenses, spectrum charges, consultancy and professional fees, consumables and supplies, and other miscellaneous expenses.

## 6 Taxation

Taxation in the consolidated statement of comprehensive income represents:

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

Note:

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

## 7 Earnings per share

### (a) Basic earnings per share

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

#### Weighted average number of shares

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

**(b) Diluted earnings per share**

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

**Weighted average number of shares (diluted)**

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

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

**8 Dividends**

Dividends attributable to the year:

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

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

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



## 9 Accounts receivable

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

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

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

Accounts receivable are expected to be recovered within one year.

## 10 Accounts payable

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

The aging analysis of accounts payable is as follows:

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

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

## **AUDIT COMMITTEE**

The Audit Committee reviewed the Group's audited financial statements for the year ended 31 December 2016. Based on this review and discussions with management, the Audit Committee was satisfied that these statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2016.

## **COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE**

For the financial year ended 31 December 2016, the Company complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**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 the annual general meetings every three years.

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

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

## **ANNUAL GENERAL MEETING**

The 2017 annual general meeting of the Company (the "**2017 AGM**") will be held on Thursday, 25 May 2017 at 10:00 a.m. in the Ballroom, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong. The notice of the 2017 AGM, the accompanying circular and the proxy form will be despatched to shareholders in accordance with the Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed during the following periods:

- i. from Friday, 19 May 2017 to Thursday, 25 May 2017 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 AGM. In order to be eligible to attend and vote at the 2017 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 18 May 2017; and

- ii. from Tuesday, 6 June 2017 to Thursday, 8 June 2017 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the 2016 final dividend (the "**2016 Final Dividend**"). In order to qualify for the 2016 Final Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 5 June 2017.

Subject to the approval by shareholders at the 2017 AGM, the 2016 Final Dividend will be paid on or about Wednesday, 28 June 2017 to those shareholders on the register of members on Thursday, 8 June 2017 (the "**Record Date**").

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" (the "**Enterprise Income Tax Law**"), the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" and the "Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management", the Company is required to withhold and pay 10 per cent. enterprise income tax on the distribution of the 2016 Final Dividend to its non-resident enterprise shareholders. The withholding and payment obligation lies with the Company. In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited ("**HKSCC**"), corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2016 Final Dividend after deducting enterprise income tax of 10 per cent.. The Company will not withhold and pay the income tax in respect of the 2016 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date. Investors who invest in the shares in the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited through the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect investors) are investors who hold shares through HKSCC and in accordance with the above requirements, the Company will pay to HKSCC the amount of the 2016 Final Dividend after withholding for payment the 10 per cent. enterprise income tax.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10 per cent. enterprise income tax, it shall lodge with Hong Kong Registrars Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend to which it is entitled at or before 4:30 p.m. on Monday, 5 June 2017.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

## **PUBLICATION OF 2016 ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY**

This announcement is published on the HKEXnews website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.chinamobileltd.com>. The 2016 Annual Report will be despatched to shareholders and be available on the websites of HKEXnews and the Company.

*The consolidated financial information set out above does not constitute the Company's statutory financial statements for the year ended 31 December 2016 but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016, which contain an unqualified auditor's report, will be delivered to the Registrar of Companies as well as made available on the Company's website at <http://www.chinamobileltd.com>.*

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this announcement may be viewed as "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from those implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's most recent Annual Report on Form 20-F filed and other filings with the U.S. Securities and Exchange Commission.

*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. Sha Yuejia and Mr. Dong Xin as executive directors and Mr. Frank Wong Kwong Shing, Dr. Moses Cheng Mo Chi, Mr. Paul Chow Man Yiu and Mr. Stephen Yiu Kin Wah as independent non-executive directors.*